seplat

Positioning for growth

Seplat Petroleum Development Company Plc
Annual Report and Accounts 2017

Seplat is Nigeria's leading independent upstream oil and gas company with a focus on production and development opportunities in Nigeria and a dual listing on both the Nigerian Stock Exchange (SEPLAT) and the Main Market of the London Stock Exchange (SEPL).

Faced with a challenging set of operating circumstances throughout the past two years, our proactive responses allowed us to stabilise and protect our core business and in turn provide a solid platform upon which we have returned to profitability in 2017 and can look towards a return to growth.

Delivering solutions in our control

Core business protected and stabilised in 2017

The challenge
A complex price risk environment

Our solutions
- Growing our gas revenues
- Implementation of our oil hedging strategy

Outcomes
Our gas business is making an increasingly material contribution and 2017 was a record year. To guard against oil price downside, we also hedged 3.69 MMbbls of our oil production at an average of US$48.38/bbl in 2017. For 2018, we have hedged 6.6 MMbbls at an average of US$44.55/bbl.

- Gas revenues of US$124 million up 18% year on year from net production of 114 MMscfd.
- Completed and commissioned the 225 MMscfd Oben Phase II processing expansion project in 2017. Phase I + II total capacity is 375 MMscfd.
- Proceeding towards FID at the 300 MMscfd greenfield ANOH gas and condensate project at OML 53.

US$124m
Gas revenue in 2017

443 MMscfd
Working interest Seplat operated gas processing capacity

US$2.97/Mscf
Realised gas price in 2017

The challenge
Disrupted operating conditions

Our solutions
- Multiple crude oil export routes
- Excellent community and stakeholder relations

Outcomes
In 2017, Seplat continued to actively implement multiple export routes for oil production to mitigate future over-reliance on any one infrastructure system. Alongside this we continued to invest in our host communities across a number of initiatives.

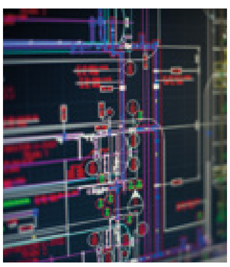
- Repairs and upgrades completed on two jetties at the Warri refinery to enable exports of 30,000 bopd gross if required in the future.
- Funding agreement with partners and contractor executed for the Amukpe-Escravos oil pipeline. Construction under way to connect to Escravos terminal.
- Invested across 177 projects under the Global Memorandum of Understanding with our host communities.

47,291 boepd
H2 2017 working interest production back to pre force majeure levels

81%
Production uptime in H2 following lifting of force majeure

US$59m
Invested in our host communities since 2010

The challenge
Positioning Seplat for future growth and diversification



Our solutions
- Strong financial discipline and risk management strategies
- Prioritisation of complementary portfolio expansion opportunities that can offset the current risk profile

Outcomes
In 2017, we retained discretion over spend, continued to de-leverage and strengthen the balance sheet, diligently preserved a liquidity buffer and kept downward pressure on our cost base. Effective risk management will always underpin Seplat's activities and we remain focused on the early identification of risks and future risks that are central to delivering our strategy.

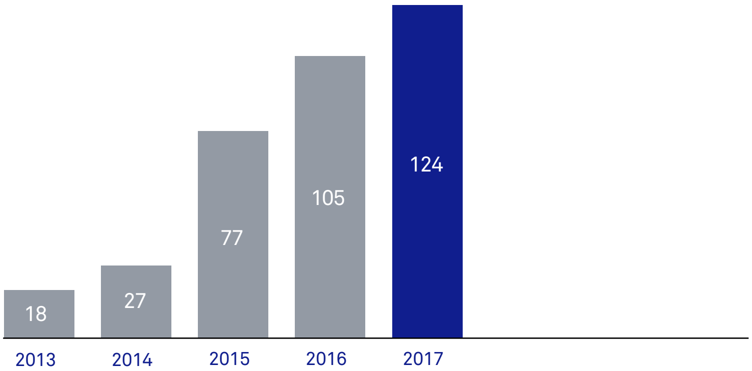
- Concluded an over-subscribed one-year extension to our revolving credit facility ('RCF').
- Cash at bank US$437.2 million at end 2017, up from US$159.6 million at end 2016.
- Low cost production base with 2017 production opex of US$5.96/boe.

US$422m
Debt principal repaid since January 2015 refinancing

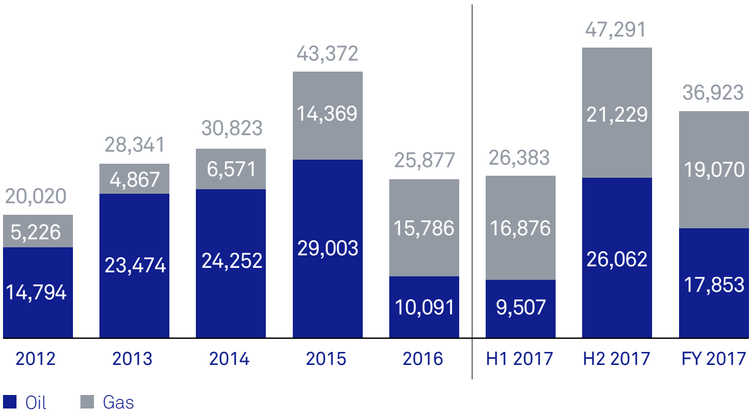
28%
Reduction in G&A year on year helped drive return to profitability

10
Risk Champions embedded within the business

Gas revenue
(US$m)

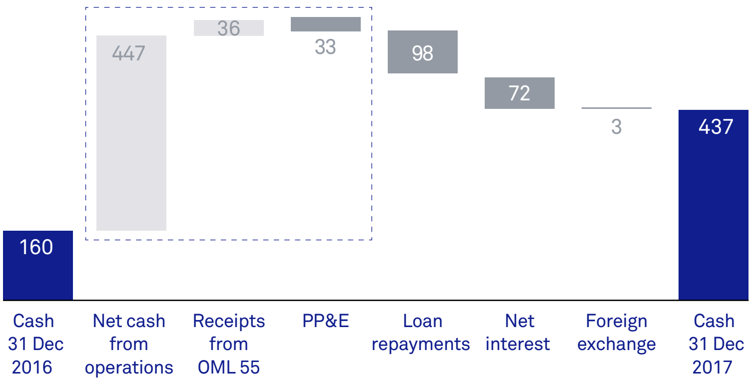


Average working interest production
(boepd)



Before reconciliation losses, volumes measured at the LACT unit.

Cash reconciliation – FY 2017
(US$m)



Free cash flow of US$450 million

Outlook – a return to growth

Back into “build and grow” mode

Seplat has emerged from a period of unprecedented disruption to operating conditions in the Niger Delta which, coupled with macro uncertainty, presented a number of risks to the business.

These risks were effectively managed and our decisiveness, coupled with the strong underlying fundamentals of the business, allowed us to stabilise a platform upon which we will restore operational and financial momentum to deliver sustainable long-term value for our stakeholders.

Looking ahead we will reinstate a work programme to drill out the highest cash return production opportunities in our portfolio, prioritise further diversification of our oil export routes, prudently manage our financial position, further consolidate our position as a leading supplier of processed gas to the domestic market and progress the 300 MMscfd greenfield ANOH gas and condensate development. With our return to profitability, strong cash generation and strong balance sheet, we have the financial capacity to also capitalise on inorganic growth opportunities, in line with our price-disciplined approach, as and when they may become available.

Read more about how we are positioned to return to sustainable growth: page 02

2017 highlights

Operational

WI production within guidance	Low unit production opex	Large-scale 2P reserves base
↑ 36,923 boepd	↓ US$5.96 /boe	↑ 477 MMboe
FY 2016: 25,877 boepd	FY 2016: US$8.79/boe	YE 2016: 462 MMboe

Financial

Return to FY profitability	Strong cash flow from operations	Significantly reduced net debt
↑ US$44m Profit before tax	↑ US$447m	↓ US$141m
FY 2016: US$173 million loss before tax	FY 2016: US$172 million	YE 2016: US$516 million

Gas business

Gas revenues at record levels	Net WI domestic market supply	Seplat WI gas processing capacity
↑ US$124m	↑ 114 MMscfd	↑ 443 MMscfd
FY 2016: US$105 million	FY 2016: 95 MMscfd	YE 2016: 218 MMscfd

Find out more online:

ar2017.seplatpetroleum.com

Strategic report 01

Outlook – a return to growth	02
At a glance	08
Chairman's statement	10
Market overview	14
Our business model	20
Strategy	24
Chief Executive Officer's statement	26
A spotlight on Nigeria	30
Key performance indicators	40
Additional performance metrics	42
Operational overview	44
Financial review	50
Risk management	54
Principal risks and uncertainties	58
Corporate social responsibility	62

Governance 68

Chairman's overview	70
Board of Directors	72
Corporate governance report	76
Board Committee reports	82
Statutory Committee report	93
Directors' remuneration report	94
Report of the Directors	118
Statement of Directors' responsibilities	123

Financial statements 124

Independent auditors' report	126
Consolidated statement of profit or loss and other comprehensive income	130
Consolidated statement of financial position	131
Consolidated statement of changes in equity	132
Consolidated statement of cash flows	133
Notes to the consolidated financial statements	134
Consolidated statement of value added	183
Consolidated five-year financial summary	184
Consolidated supplementary financial information (unaudited)	185
Separate statement of profit or loss and other comprehensive income	187
Separate statement of financial position	188
Separate statement of changes in equity	189
Separate statement of cash flows	190
Notes to the separate financial statements	191
Separate statement of value added	235
Separate five-year financial summary	236
Separate supplementary financial information (unaudited)	237

Additional information 238

Payments to governments (unaudited)	239
Notice of fifth Annual General Meeting	240
General information	242
Glossary of terms	243

Seplat is underpinned by a high quality asset base and since inception has invested to consistently grow oil production capacity. In 2017, we prioritised the creation of multiple oil export routes to mitigate concentration risk in the future.

Looking ahead, we have a large inventory of production drilling opportunities in our current portfolio that we will high-grade and implement a work programme to exploit.

Optimising our oil production

Resumption of full production operations post lifting of force majeure at the Forcados terminal

The operator of the Forcados terminal, Shell Nigeria, initially declared force majeure on 21 February 2016 following disruption in production and exports caused by a spill on the Forcados subsea crude export pipeline.

Force majeure was lifted on 6 June 2017 at which point Seplat was able to reinstate operations. As a result, working interest oil production over the second half of the year averaged 26,062 bopd and was in line with guidance with production uptime standing at 81%.

A focused work programme targeting highest cash return production opportunities

In recent years Seplat has been one of the most, if not the most, active drillers onshore the Niger Delta. This is reflected in the fact that since 2010 we have drilled 45 new oil production wells at OMLs 4, 38 and 41.

2017 was a year in which we exercised our discretion over spend as a result of force majeure and prudently scaled back our rig based work programme. However, we took the opportunity to make upgrades to our liquid treatment infrastructure at OMLs 4, 38 and 41 that will enable Seplat to inject export grade dry crude on all export routes and at the same time save on additional crude handling charges as a result of water in our crude. Looking ahead, having emerged from the extended period of force majeure our focus will now switch to selectively considering production drilling opportunities in the existing portfolio with a view to reinstating a drilling programme designed to capture the highest cash return production opportunities to both sustain and grow output.

274 MMbbls
2P + 2C working interest oil reserves and resources

+18%
CAGR in oil reserves over 2010-2017

Multiple export routes to de-risk distribution to market in the future

Seplat's policy is to establish multiple export routes for all of its current and any future oil producing assets. This resulted in the Company actively pursuing alternative crude oil evacuation options for production at OMLs 4, 38 and 41 and potential strategies to further grow and diversify production in order to reduce any over-reliance on one particular third party operated export system. In line with this objective, repairs and upgrades on two jetties at the Warri refinery were completed in 2017 that will enable sustained exports of 30,000 bopd (gross) if required in the future. Prior to the repair and upgrade work on the two jetties gross exports via the Warri refinery were around the 15,000 bopd level. While exports via the Warri refinery jetty have typically incurred barging costs of around US$11/bbl, partially offsetting this is the fact that exports via this route are not subject to the reconciliation losses (historically in the order of 10% to 12%) or terminal crude handling and transport charges when exporting via the Forcados pipeline and terminal.

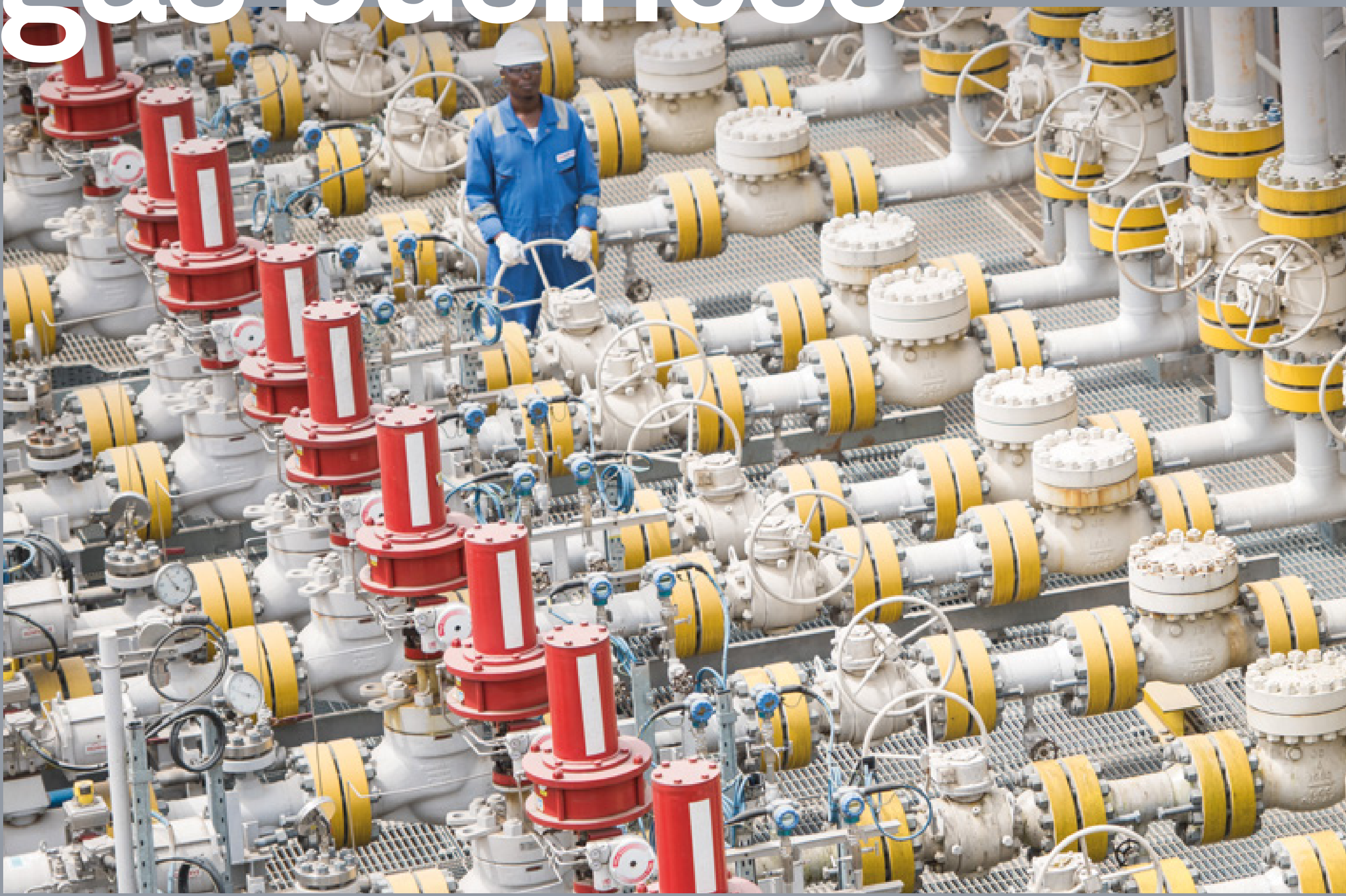
Longer term, the 160,000 bopd capacity Amukpe-Escravos pipeline is set to provide a third export option for liquids production at OMLs 4, 38 and 41. Seplat signed a Funding Agreement in December 2017 with the pipeline owners, NAPIMS (a 100% subsidiary of NNPC), Pan Ocean Corporation Limited ('Pan Ocean') and the pipeline contractor FENOG to ensure timely completion of the pipeline. Post year end, FENOG has commenced completion works. Negotiations between the pipeline operator, Pan Ocean, and Chevron in relation to Crude Handling Agreements are also advancing. The Heads of Terms for the Crude Transport Agreement between NPDC/Seplat JV and NAPIMS/Pan Ocean JV is also nearly completed and Seplat anticipates the pipeline to be fully commissioned and operational in Q3 2018.

With line of sight on the availability of three independent export routes it is Seplat's ultimate intention to utilise all three to ensure there is adequate redundancy in evacuation routes, reducing downtime which has adversely affected the business over a number of years, significantly de-risking the distribution of production to market.

Alongside our oil business, we have also prioritised the commercialisation and development of the substantial gas reserves and resources identified at our blocks, positioning Seplat today as a leading supplier of processed natural gas to the domestic market in Nigeria.

Looking ahead, we plan to further increase our gas production and processing capacity to help meet Nigeria's growing demand, particularly in the gas-to-power sector.

Scaling up our gas business



Capacity expansion at the strategic Oben gas hub

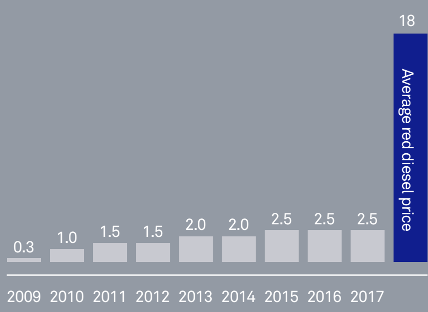
A major driver behind the rapid growth of Seplat's gas business to date has been the modular build-up of processing capacity at the Oben facility to create a strategic gas hub ideally located to aggregate and supply gas to Nigeria's main demand centres on the Lagos and Abuja axes. Having completed the Phase I expansion project in 2016, which added 150 MMscfd of processing capacity, we completed and commissioned the Phase II expansion in 2017 adding a further 225 MMscfd of processing capacity. As a result, Seplat's overall operated gas processing capacity has increased to the 525 MMscfd level. Of this, 465 MMscfd is located at Oben with the remaining 60 MMscfd located at Sapele. The 375 MMscfd expansion at Oben (Phases I and II) was completed by Seplat as a 100% sole investment project.

The expansion of processing capacity has enabled a corresponding increase in gas production at our assets and therefore increased supply to the domestic market. 2017 was another record year for our gas business that saw gross production average 254 MMscfd and our share of gas revenues step up by 18% to US$124 million. We remain actively engaged with counterparties to increase contracted gas sales with the aim of ultimately taking gross production towards the 400 MMscfd level on a consistent basis. The expansion of gas processing capacity is also designed to provide headroom that will allow the Company to receive and tariff third party gas volumes in the future.

254 MMscfd
Gross average daily gas production in 2017

+18%
Year-on-year growth in gas revenues

Domestic gas pricing trend (US$/Mscf)



Source: NNPC; assumed 1 MMbtu equals 1 Mscf. Based on DSO pricing levels.

1,000 MW
Power generation that envisaged Seplat operated capacity at ANOH could underpin

Commencement of deliveries to the 459MW Azura-Edo IPP

On 20 December 2017 the first turbine at the Azura-Edo IPP was synchronised to the national grid as it began producing electricity for distribution with gas supplied by the Seplat / NPDC joint venture. Back in 2014 we had concluded a long-term gas sales agreement to supply 116 MMscfd to the Azura-Edo IPP for a period of 15 years. The commencement of deliveries under this sales agreement is a significant event that will bring much of our production under the cover of a long-term, credit enhanced, contract and creates a strong platform upon which we can further grow the gas business. Upon conclusion of the commissioning process we will move to take-or-pay terms.

1,531 Bscf
2P + 2C working interest gas reserves and resources

+20%
CAGR in gas reserves over 2010-2017

Greenfield development of ANOH to drive future growth

The ANOH gas development at OML 53 (and adjacent OML 21 with which the upstream project is unitised) is expected to underpin the next step-change expansion of our gas business. Seplat's involvement positions it at the heart of one of the largest greenfield gas and condensate developments onshore the Niger Delta to date. The project represents an opportunity for us to leverage the experience and track record we have gained at Oben to derive repeatability gains and optimal configuration of facilities.

2017 was spent working to finalise an incorporated joint venture relationship between Seplat and government and we aim to progress the upstream and midstream elements of the project to FID in 2018.

We have continued to carefully manage our finances, striking the balance between focused investment and preservation of a liquidity buffer to guard against unplanned interruptions to the business. Alongside this we have kept downward pressure on our cost base and taken steps to strengthen our balance sheet.

At the heart of everything we do is our risk management framework that helps us effectively identify, assess, mitigate and monitor risks with a uniform methodology.

Strong financial and risk management

Return to profitability and high margin cash flow

Following the resumption of full production in June we saw a return to profitability in the third and fourth quarters of 2017, recording a net profit of US$24 million and US$46 million respectively. This allowed us to reverse a loss at mid-year of US$26 million and report a profit before tax of US$44 million for the full year 2017. A net tax credit of US$221 million, owing primarily to deferred tax credit of US$224 million, increased overall profit after tax for 2017 to US$265 million.

As the oil price is not a factor in our control, we continue to implement our rolling hedging strategy to provide a level of cash flow assurance and have already price-protected 6.6 MMbbls in 2018.

In order to preserve and enhance our cash flow margins we have also continued to apply downward pressure on our cost base. This has been reflected in our production opex which stood at US$5.96/boe in 2017, down 32% year-on-year and down 61% from US$15.40/boe in 2012.

Discretion over the timing and level of spend

As operator of our core production and development projects we have been able to retain a level of operational and budget control that has afforded us the necessary flexibility to scale our investments appropriately to live within our means. In 2017 our capital investments stood at US$33 million, the majority of which was allocated to the gas business.

Looking ahead into 2018, we will retain discretion over spend and appropriately scale our investment programme, taking account of the prevailing operating environment and availability of crude export terminals, oil price and the influence of these factors on free cash generation within the underlying business.

We will maintain our strict discipline of only allocating capital to the opportunities that offer the greatest returns to deliver shareholder value.

Strengthening of the balance sheet

The extended period of force majeure created an inevitable requirement for us to carefully manage our balance sheet in 2017. Having re-profiled our seven-year Term Loan in Q3 2016, we successfully concluded an oversubscribed one-year extension of our revolving credit facility ('RCF') in July 2017. The RCF, originally due to expire at the end of 2017, was extended to 31 December 2018 and successfully amended to amortise the remaining outstanding principal balance of US$150 million in equal instalments over five quarters commencing Q4 2017.

Overall, our aggregate indebtedness under the Term Loan and RCF had reduced by US$422 million at 31 December 2017 from its peak in Q1 2015 of US$1 billion, which is a significant deleveraging of the balance sheet particularly in exceptionally difficult trading conditions.

Post period end, in March 2018, we refinanced the RCF with a new four-year RCF due June 2022 and also issued US$350 million of senior notes due 2023. The proceeds from the RCF and notes were used to repay and cancel existing indebtedness. Our debut bond issuance further diversifies our long-term capital base and along with the RCF resets our capital structure, considerably strengthening our liquidity position which will allow us to scale up our work programme and focus on delivering our organic growth strategy, with capacity to also pursue inorganic growth opportunities in line with our price disciplined approach if and when they become available.

Who we are

Seplat is a leading independent oil and natural gas producer in the prolific Niger Delta area of Nigeria and a leading supplier of processed gas to the domestic market.

As a full-cycle upstream oil and gas exploration and production company, our focus is on maximising hydrocarbon production and recovery from our existing production and development assets, acquiring and farming into new opportunities in Nigeria (specifically those which offer production, cash flow and reserve replacement potential with a particular focus on the onshore and shallow water offshore areas) and realising the upside potential within our portfolio through focused appraisal and exploration activities. In addition to our upstream activities we have also prioritised development of midstream gas processing capacity to supply the domestic market.

What we do

Full-cycle upstream oil and gas

Our portfolio comprises direct interests in five blocks in the Niger Delta area, four of which Seplat operates, and one further revenue interest. Since acquiring our first blocks in 2010, we have consistently grown oil production, primarily through the drilling of new oil wells and employing advanced and proven technologies to increase production in mature fields. We have also invested to increase gas production and capitalise on the rapidly growing demand and improving economics for gas.

Strategically important midstream gas operations

Alongside our upstream activities, we have successfully become a pre-eminent supplier of processed natural gas to the domestic market in Nigeria through substantial investments made in the commercialisation, development and monetisation of the large-scale gas reserves that exist on our blocks. Together with growing wellhead production we have invested in the installation of dedicated gas processing facilities to meet domestic supply obligations and provide feedstock to power projects and industry that will help increase Nigeria's power generation capacity and industrial output.

Our strong track record

A high-quality asset base

We have consistently increased oil and gas production capacity and grown reserves through both organic and inorganic activities since inception. We have grown gross operated liquids production at OMLs 4, 38 and 41 almost six-fold and augmented this with inorganic growth via strategic acquisitions, most notably the acquisition of an interest in OML 53 and in turn participation in one of Nigeria's largest greenfield gas/condensate development projects.

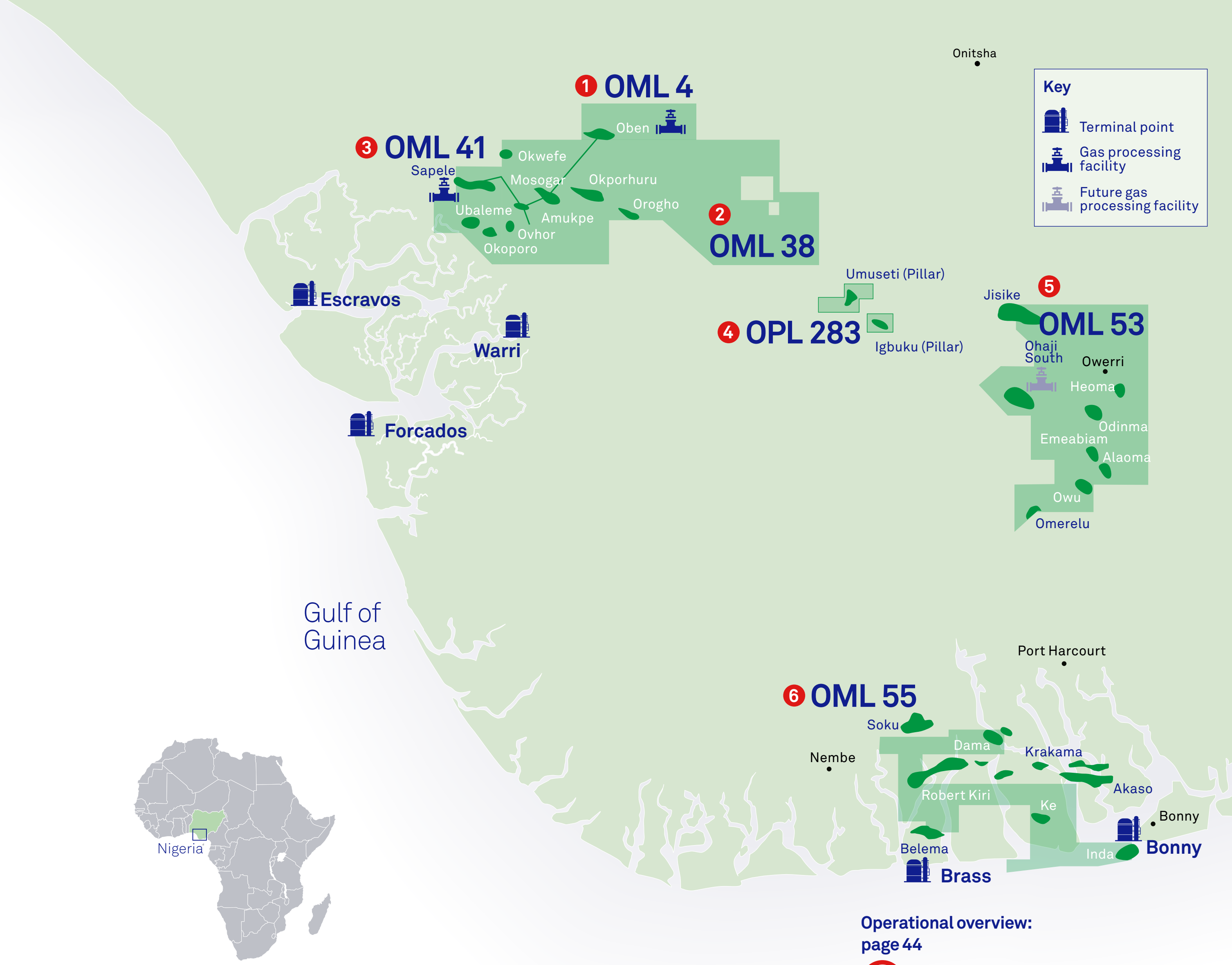
The only Nigerian company fully listed on the Nigerian Stock Exchange and London Stock Exchange

In a first for any Nigerian company we completed the dual listing of Seplat on both the London Stock Exchange and the Nigerian Stock Exchange in April 2014, where we raised US$535 million in an initial public offering. This has allowed us to further implement the Company's business strategy, acts as a strong and tangible endorsement of our corporate governance standards and opened up wider access to both the domestic and international capital markets. To date we are the only Nigerian company to have achieved this feat, something of which we are justifiably proud.

Strong relationships with host communities

We have built strong relationships with our host communities, promoting trust and confidence amongst our various stakeholders. This has ultimately resulted in stability at operations under our control, which then facilitates the creation of shared value. To continue to nurture these relationships, we are fully focused on proactive engagement with the communities where we operate, implementing community projects based on sustainable development principles. These initiatives seek to promote local capacity building and aim to support host community participation and enhance the quality of life for individuals within these communities.

Corporate social responsibility: page 62



Operational overview: page 44

Looking ahead

Our portfolio provides a robust platform of oil and natural gas reserves and production capacity together with an extensive opportunity set of material organic upside opportunities through further field developments, 2C to 2P conversion and exploration and appraisal drilling. We will retain the flexibility and financial discipline that has seen us emerge from a difficult chapter in our history a fitter and stronger business. With line of sight on the availability of multiple export routes, we aim to significantly de-risk distribution of oil production to market and buffer the impact of future disruption. Our gas business is set to make an increasingly important contribution to our performance with its revenues providing a key source of growth and diversification, as well as delivering a much-needed reliable supply of gas to the Nigerian power and industrial sectors. Seplat is now well positioned to return to sustainable growth.

Strategy: page 24

Working interest 2P gas reserves (2010 to 2017)

Movement in working interest 2P gas reserves from end 2010 to end 2017.

Working interest 2P liquid reserves (2010 to 2017)

Movement in working interest 2P liquid reserves from end 2010 to end 2017.

Total working interest 2P reserves (2010 to 2017)

Movement in total working interest 2P reserves from end 2010 to end 2017.

1 As certified by Ryder Scott CPR dated 31 December 2017.

A resilient business returned to profitability

I am pleased to report the success of our strategy in navigating through a difficult period. The resumption of full production in our operations is translating into strong financial performance and our gas business continues to go from strength to strength.

A.B.C. Orjiako
Chairman

Dear shareholders,

Our 2017 Annual Report and Accounts demonstrates Seplat's resilience in difficult times. As you are aware, the price of oil fell from a high of about US$112/bbl in 2014 to below US$50/bbl in 2016 and as such Nigeria, which depends on the oil sector for about 90% of export earnings, slipped into a recession having been impacted by the fallen oil price, its weakened currency and dollar shortages, aggravated by militant attacks on key oil infrastructure in the then restive Niger Delta, slashing oil output. According to the National Bureau of Statistics ('NBS'), Nigeria's economy grew 1.9% year-on-year in the fourth quarter of 2017. This marked the third consecutive quarter of expansion and the strongest since the fourth quarter of 2015, as the oil sector continued to recover.

Seplat prides itself on being an extremely irrepressible business that is able to withstand and effectively navigate through an often challenging operating environment to deliver on its strategy, and in turn generate long-term sustainable value to our shareholders. In 2017 these attributes continued to be tested as the first half of the year was characterised by a protracted period of force majeure at the Forcados terminal, which continued to impede export of crude oil production from our Western Assets, and the fallen commodity prices that saw Brent start the year around the US$55/bbl mark and further decline to around US$44/bbl mid-year.

36,923 boepd
2017 full year working interest production

US$124m
2017 gas revenue

In contrast, the second half of the year saw a resumption of full production in our operations following the lifting of force majeure on 6 June 2017, which marked the turning point for our return to profitability (US$44 million for the full year) and strong operating cash flow (US$447 million for the full year). This emphasises the high quality and strength of our business fundamentals. The strengthening macro-economy also provided a tailwind into the year-end with Brent trading up steadily to exit 2017 at around US$67/bbl. Operationally, our 2017 full year working interest production was 36,923 boepd; within market guidance of 35,000 boepd – 38,000 boepd.

Against this backdrop I am pleased to report that in 2017 we made good progress as we reviewed our vision, mission and strategy towards refocusing the Company on our key priorities: to de-risk future cash flows through diversification of oil export routes; invest in and scale up our domestic gas business; maintain a liquidity buffer while continuing to reduce debt; keep tight financial control with discretion in spending; and position Seplat with a stabilised platform for sustainable growth even in a harsh operating environment.

De-risking future cash flow from operations

I highlighted last year that in response to force majeure at the Forcados terminal, the Board mandated management to accelerate various initiatives to diversify our risks by reducing our reliance on a single export route, both in the short and long term. We continued these efforts in 2017 and completed necessary repairs and upgrades to two jetties at the Warri refinery that will enable sustained exports of 30,000 bopd (gross) if required in the future.

We are also working with the owners of the 160,000 bopd capacity Amukpe-Escravos Pipeline System ('AEPS') with a view to opening it up as a long-term alternative export route for Seplat and other operators when completed in the coming months. With the availability of these three independent export routes in the line of sight, it is our ultimate intention to be able to utilise all three to ensure there is always availability of evacuation routes, thereby reducing downtime production and export.

Scaling up our gas business

Our strategy to diversify and grow our sources of income through the expansion of our gas business continues to gain momentum.

> Our strategy to diversify and grow our sources of income through the expansion of our gas business continues to gain momentum.

Since the government launched various initiatives to stimulate investment in the gas sector, including opening the Domestic Supply Obligation ('DSO') price to commercial market forces, Seplat has been at the forefront of gas commercialisation and made substantial investments in support of the government's energy agenda.

In 2017 we completed and commissioned the Oben Phase II expansion project, adding a further 225 MMScfd of processing capacity at the Oben hub and taking our gross operated gas processing capacity overall to 525 MMScfd.

To highlight the increasing contribution our gas business is making, we have seen our gas revenue grow from US$18 million in 2013 to a record US$124 million in 2017, a seven-fold increase in four years. We are justifiably proud of this and at the same time we see tremendous potential headroom for further growth.

The ANOH greenfield development project, which incorporates the development of OML 53's Ohaji South field (large scale gas and condensate reserves) is set to provide the next phase of growth in our gas business. We are making good progress towards Final Investment Decision ('FID') and once this is in place we will be able to set out a clear pathway to first gas.

Prudent financial management

One of the key reasons we were able to withstand the disruptions to oil production and associated revenues caused by force majeure between February 2016 and June 2017 is the prudent management of our financial position.

We ended 2017 with US$437 million of cash on our balance sheet, up from US$160 million last year, and despite the constrained revenues in the first half, we still met our debt repayment obligations in the sum of US$98 million. As a result, we reduced our net debt position to US$141 million as at 2017 year end (73% reduction from US$516 million recorded in 2016).

The Board specified that the preservation of a liquidity buffer was a clear priority for the Company in 2017 and I am pleased to say that this safeguard was achieved. As operator of our core production assets, we are able to exercise discretion over spend and in 2017 limited capital investments to just US$33 million, the majority of which was allocated to the gas business. In line with this objective, the Board also took the difficult but necessary decision not to pay a dividend for 2017 and our ongoing efforts to reduce corporate costs also saw general and administrative expenses fall by 28% year on year.

The Board recognises the need to have a capital structure that provides the right flexibility, access to and cost of capital in support of our growth strategy. In line with this, we concluded a refinancing of our indebtedness post period end, in March 2018, that saw us put in place a new four-year US$300 million revolving credit facility and make a debut US$350 million bond issuance that further diversifies our capital base. The resultant capital structure greatly enhances our projected liquidity and will allow us to scale up our work programme and accelerate delivery of our growth strategy.

Effective risk management

If there is one over-riding lesson we can draw from our experience of the past two years it is the fact that we operate in a volatile, uncertain environment, and a key responsibility of the Board is to ensure we have a comprehensive and effective risk management framework in place.

Our risk management framework has been stress-tested to the extreme during this time and I am pleased to say its effectiveness is evidenced in how we have emerged from this period with our operations, finances and growth prospects intact. Details of our full risk management framework can be found on pages 54 to 57 of this report.

We move into 2018 on a substantially firmer operational and financial footing compared to a year ago and have a high-quality portfolio that offers a material and predictable production base combined with a large inventory of production and development drilling opportunities we plan to capitalise on.

Honouring our corporate responsibilities

Seplat has always been proud of its identity as an indigenous Nigerian independent energy company, with a sense of responsibility to Nigeria and, in particular, our host communities. As well as being a distinct competitive advantage, our indigenous status is a source of great pride and one of our central priorities is to leave a lasting, positive legacy in our host communities through implementation of our shared value model.

Following the strategic review of the Company's Community Social Responsibility ('CSR') strategy in 2016, this year our efforts were focused on incorporating our learning into implementation. Whilst we have successfully reached the natural completion of various community projects this year, we are pleased to have developed a revised CSR strategy which includes Seplat's Eastern Assets, which has ensured we have the right short and long-term programmes in place to drive real social impact for our local stakeholders.

In particular, the CSR Committee and operational team have spent significant time this year reviewing various governance structures to ensure we remain aligned with international best practice. Firstly, the governance structures of our community projects have been reviewed and we are delighted to have developed a communications-led strategic policy document that provides a robust framework for the effective management of our major community programmes. This will ensure the highest standards of management are met across the portfolio of programmes.

Secondly, we have completed the review of the CSR Committee terms of reference. This process means that the roles and responsibilities of the Committee members have been benchmarked against global best practices and we are confident that we remain industry leading in our CSR governance approach. These critical steps ensure we are doing everything within our control to protect our social licence to operate for the long term. It is what sets Seplat apart from its peers and it is critical that it remains central to our business strategy.

Board appointment

I am pleased to tell you that our Board has been further strengthened by the appointment of a new Executive Director in charge of Operations, Effiong Okon, effective 23 February 2018. Previously, General Manager for Deepwater Production for Shell Nigeria, Effiong has over 26 years of experience in oil and gas, having undertaken a breadth of senior technical and leadership roles with Shell during that time, both in Nigeria and internationally. In addition, he was deputy VP for the upstream gas supply to the Qatar GTL and LNG mega projects. Effiong has proven expertise in successfully developing and operating upstream oil and integrated gas projects in Africa, Europe and the Middle East regions. We look forward to his contribution as we seek to grow our production output across our portfolio.

A positive outlook – Poised for continued growth

In 2017 we focused on stabilising our core business and, in doing so, we have successfully re-positioned Seplat to resume a growth trajectory provided we can operate to our full capacity without disruptions. We move into 2018 on a substantially firmer operational and financial footing compared to a year ago and have a high-quality portfolio that offers a material and predictable production base combined with a large inventory of production and development drilling opportunities we plan to capitalise on. Our operations team is poised to restart drilling operations and we also have dedicated teams tasked with helping to deliver the alternative Amukpe-Escravos Pipeline System ('AEPS') and achieve FID at the ANOH project.

Seplat has always been an ambitious company and we continue to see Nigeria as a world class opportunity set that remains the envy of many. In addition to our organic growth opportunities, we maintain our clearly defined strategy of balancing this with inorganic expansion and will leverage our competitive advantages to seek out carefully considered, price-disciplined and value accretive acquisition opportunities.

Finally, I would like to thank all our employees and wider stakeholders for their efforts and support in what has been a challenging period. I am now more confident than ever in our ability to build Seplat into a leading independent energy company, delivering premium value on the global stage, and look forward to exciting times in the year ahead.

A.B.C. Orjiako
Chairman

A robust approach to governance

Our business is built on effective corporate governance framework and corporate governance standards. These standards dictate how we operate as a business and the way in which Seplat is governed. It also guides how we relate with our various stakeholders.

Over the last few years, Seplat has successfully grown its business and created significant shareholder value despite the challenges confronting us in our operating environment. For us, this is a definitive measure of our success and reflects our strong corporate governance structure and the effective management team we have at Seplat.

As a Board, we collectively set out the long-term strategic direction of the business and a business wide strategy is in turn executed by the CEO with the leadership team. We remain committed to good corporate governance, which has ensured our success and operational excellence for the business.

Board composition as at 28 February 2018

Chairman	1
Executive Directors[1]	3
Non-Executive Directors	2
Independent Non-Executive Directors	6

1 Stuart Connal retired 30 March 2017. Effiong Okon was appointed on 23 February 2018.

Board meetings and main subjects discussed in 2017

25 January
- Corporate strategy.
- Performance review.

23 March
- Succession planning.
- Corporate governance.

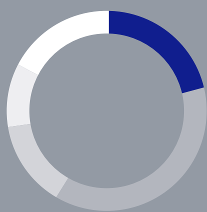
20 April
- Corporate responsibility.
- Finance.

1 June
- Shareholder engagement.

20 July
- Performance review.
- Risk management.

26 October
- Strategy and budget review.
- Refinancing.

How the Board spent its time during the year (%)



Corporate strategy	21
Finance	38
Structure and capital	14
Risk management and internal control	10
Corporate governance	17

Governance: page 68

Recognising the Nigerian opportunity

Nigeria's oil and gas industry represents a compelling value proposition and is attractive, not just to Seplat but the wider industry also, on many levels.

Nigerian oil

Sub-Saharan Africa's largest remaining proven oil reserves

37bn
barrels

Africa's largest oil producer, capable of producing

2.3m
barrels per day

The world's

13th
largest oil producer

Source: BP Statistical Review of World Energy, 2017.

Operational overview: page 44

Prolific hydrocarbon geology

It starts below the ground and the prolific hydrocarbon geology of the Niger Delta area, where Nigeria's oil and gas industry is concentrated. Covering an area of approximately 75,000km^2 and with up to 10km sedimentary thickness, the critical factors required for hydrocarbon generation have all combined to great effect in the Niger Delta basin, namely the existence of source rocks with high levels of organic content, high rates of sedimentation and rapid burial to allow hydrocarbon generation, and the presence of good quality reservoir rocks and effective trap/seal mechanisms where hydrocarbons have accumulated in vast quantities. Nigeria is estimated to hold remaining recoverable proved reserves of around 37 billion barrels of oil and 187 trillion cubic feet of gas, making it a globally significant source of long-term supply.

Nigerian ownership of the E&P sector

In recent years, the Government of Nigeria has taken significant steps to increase the level of local Nigerian participation in the oil and gas industry, both through the re-licensing of blocks to Nigerian companies and the enactment of policy such as the Nigeria Oil and Gas Industry Content Development ('NOGICD') Act. The Act not only presents advantages to the Nigerian operators seeking to acquire oil licences in-country, but also guarantees the creation of composite value to the Nigerian economy by a systematic development of capacity and capabilities through the deliberate utilisation of Nigerian human resources and services in the Nigerian oil and gas industry. This inclusive approach has gone some way to re-engaging with disenfranchised host communities and militants that can threaten the performance of oil and gas operations.

Compared to a decade ago, when indigenous operators contributed only 6% (120kbopd) to the nation's daily production, Nigerian players have started to develop the technical expertise and financial resources to manage their own assets, which has impacted positively on Nigeria's cumulative production numbers. Indigenous operator activity has now doubled and accounts for around 12% (approximately 215kbopd) of Nigeria's oil production.

Divestment programmes, whereby the Major IOCs have sold a number of blocks to Nigerian bidders, have also been a significant factor in expanding local Nigerian ownership and participation in the sector. Nigerian

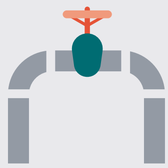
Brent oil price 2010-2018 (US$/bbl)

Source: Bloomberg.

independent exploration and production ('E&P') companies, which were restricted to marginal assets before the Act was enacted, now have access to larger acreages, due to the divestment of onshore assets by the IOCs to boost indigenous participation in the industry. Between 2009 and the end of 2017, Nigerian operators – including Seplat – had acquired oil and gas blocks with a total estimated aggregate transaction value of around US$10 billion from the IOCs, the majority of which was debt funded.

But while progress has been made, and Nigeria's share of ownership in upstream production has been enhanced significantly, long-term sustainability lies in access to funding and development of local capacity. The extended period of lower oil prices saw the support of domestic banks dwindle as high exposure to the oil and gas industry along with deteriorating macroeconomic conditions in the country led to higher than expected impairment charges on loans made to the energy sector. Declining profitability and free cash flow generation stifled the balancing of debt service obligations and capital investments required to increase output, making it increasingly difficult for many companies to manage. The incumbent E&Ps will only continue to succeed if they possess strong fundamentals that ensure low break-even economics, balance sheet strength and access to capital so that they can invest to diversify and dilute asset concentration risk, for example in order to capitalise on the gas-to-power opportunity in the Nigerian market.

Gas monetisation



Africa's largest gas reserve

187 trillion ft³

Africa's second largest gas producer

4.3 Bscf per day

Nigeria is estimated to have the world's

10th largest gas reserves

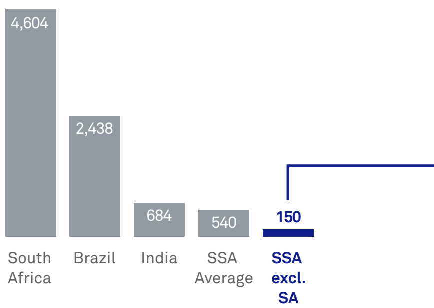
Source: BP Statistical Review of World Energy, 2017.

Gas opportunity

For over 50 years, oil has been a critical economic driver in Nigeria. However, the country's gas reserves exceed those of its oil (it is ranked tenth in the world for proven gas reserves) and yet historically, gas flaring has been employed to dispose of the majority of associated gas produced in association with crude oil.

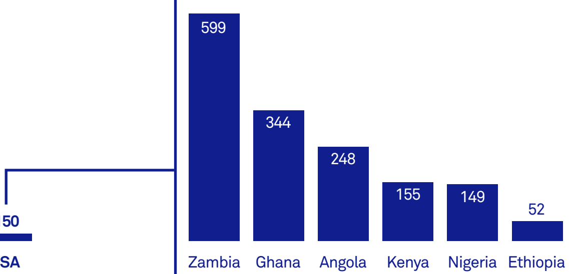
Although difficult to measure precisely, Nigeria's current share of total gas flared globally is estimated to be around 300 Bscf annually, constituting 11% of global gas flared and ranking seventh out of gas flaring nations globally. It is estimated that the cost of flaring this gas amounts to around US$700 million a year, although the real cost is to the economy as that volume of gas would be capable of sustaining around 3.5 GW of power, enough to double Nigeria's current effective on grid capacity. Nigeria lags behind many of its frontier market peers in electricity production per capita despite considerable domestic demand and its power generation deficit is widely recognised as a critical constraint on economic growth. The Nigerian government, through a combination of penalties, incentives and gas development drive, has been implementing an ambitious strategy through its Gas Master Plan ('GMP'). The plan seeks to liberalise the domestic gas market and provide fiscal incentives for gas producers to ultimately triple natural gas production capacity to 12 Bscf per day to fulfil electricity generation and industrial development demand.

Major emerging markets' power consumption (kWh/capita, 2011)

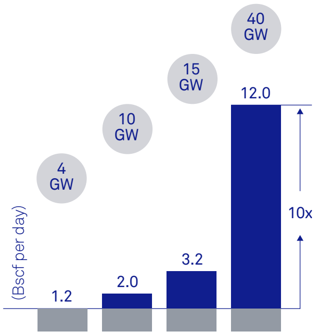


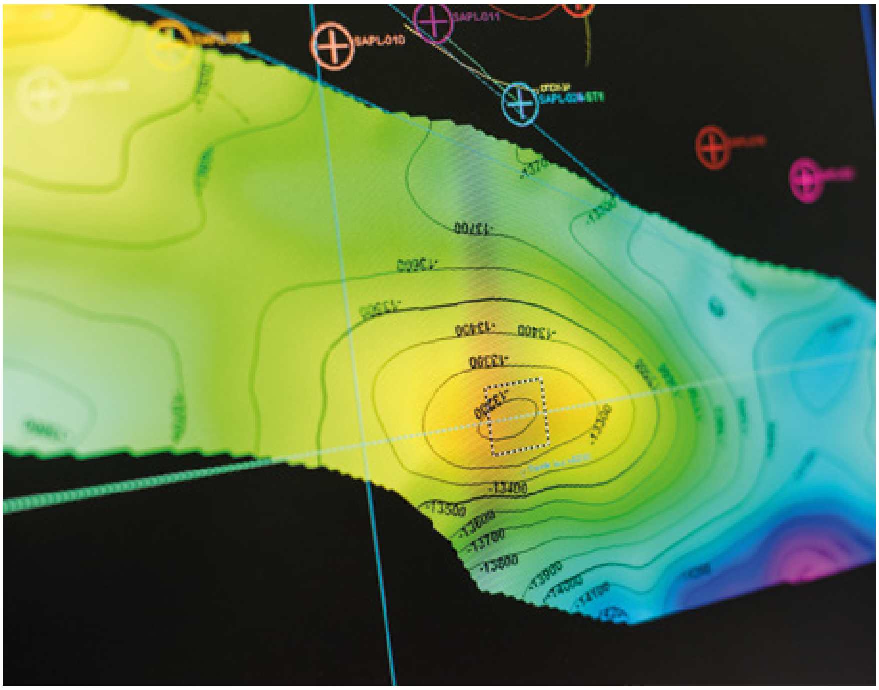
Source: McKinsey study, Company data.

Sub-Saharan Africa power consumption (kWh/capita, 2011)



Gas supply required to scale up power generation





Central to the GMP is an extensive upgrade of gas infrastructure – construction of gas processing plants and pipelines and significant investment has been required to translate surplus gas production into feedstock for gas-fired power generation. The prior awarding of Pioneer Tax Status to local Nigerian operators has allowed them to allocate significant capital expenditure into gas projects to further this development and generate employment. To this end, a more favourable policy environment for producers seeking to commercialise their gas reserves has been institutionalised and has realised an increase in the 2P national gas reserves.

In 2015, Nigeria joined the World Bank-led Global Gas Flaring Reduction Partnership ('GGFR') in the "Zero Routine Flaring by 2030" initiative, which aims to end routine flaring of 5 Tscf of natural gas globally every year. Nigeria seeks to end its own gas flaring a full decade before the GGFR by 2020 and has also committed to prohibit any new oil well developments from flaring natural gas. Realising that harnessing the gas opportunity will constitute significant development of the economy, the government in 2017 introduced the National Gas Flaring Commercialisation Programme to reward companies that are compliant with the zero flaring policies, to further encourage investment in this space.

Political landscape and the reform of Nigeria's oil and gas industry

Despite the various challenges the Nigerian upstream oil and gas industry has encountered over the past few years, Nigeria still remains a leading global oil producer. The sector remains the single largest contributor to the country's GDP and the government made concerted efforts throughout 2017 to resolve local risks to protect the industry's continued growth. In Nigeria, government investment in other sectors to diversify the economy will only be made possible by a robust oil and gas industry that is able to make its maximum economic contribution to the state.

In 2017, the Nigerian government continued to prioritise the reform of the oil and gas industry to increase economic income from the sector and to protect and encourage continued investment in the country. Progress was made, with a particular focus on increasing transparency amongst the key industry institutions such as the NNPC. Importantly, a Petroleum Industry Roadmap titled the '7 Big Wins for the New Nigerian Petroleum Industry' has been launched and reflects the vision of the current administration to further open up investment opportunities in the country's oil and gas sector. Taking proactive action to attain zero militancy in the Niger Delta also remained a central focus and is one of the seven key areas. The militancy risk was addressed constructively in 2017 through the Presidential Amnesty Programme, with the Forcados terminal located in the western area of the Niger Delta returning to full capacity in June after damage to a subsea export pipeline in February 2016 led to an extended period of force majeure. Additional key components of the roadmap include increasing transparency and efficiency in the industry and catalysing a gas revolution to enhance socio-economic growth. It is the policy reforms for gas monetisation in terms of infrastructure development and flaring, that will help stabilise Nigeria's power supply, increase electrification rates and ultimately support the diversification of the economy by increasing commercial investment in the country.

The Petroleum Industry Bill remains a critical component of Nigeria's energy sector reform initiatives and was broken up into separate sections in order to try and expedite its passage. The first, newly titled section, the Petroleum Industry Governance Bill ('PIGB') has moved closer to becoming law after Nigeria's lower house of parliament passed the same version that was approved by the Senate in 2017, meaning that the only outstanding formality for it to become law, is Presidential sign off. The PIGB deals with management of the NNPC and will create four new entities whose powers would include the ability to conduct bid rounds, award exploration licences and make recommendations to the oil minister on upstream licences. The passage of this first bill is an important milestone as it means that the government can move forward with other sections, including a fiscal bill, and in doing so, remove uncertainty in key areas that has held back significant upstream investments in recent years.

With a democratically elected and stable government in place that is committed to social and economic growth in Nigeria, leveraging off the significant contributions of the oil and gas industry, the country is offering an increasingly more secure political and regulatory landscape for foreign investment.

Global market analysis

Key market trend

Oil prices

Brent started the year around US$55/bbl and was relatively stable at this level for the first two months after OPEC and certain non OPEC members agreed to production cuts in an effort intended to accelerate rebalancing of the market. Prices fell away sharply in March, however, after a series of reports detailing large crude inventory builds in the US, the fall being exacerbated as traders moved to unwind long positions on the commodity. Prices fluctuated in the US$50/bbl to US$50/bbl range until mid-year when concerns around the seemingly relentless growth in US oil production took hold which, together with market disappointment at OPEC not deepening its cuts, drove Brent to a 2017 low of around US$44/bbl. Over the second half of 2017 prices staged a steady recovery as strengthening fundamentals started to indicate that a rebalancing of the market was occurring, albeit at a slower pace than most had expected, overriding the persistent concerns of US output growth. Prices received a boost late in the year when the OPEC and non OPEC producers confirmed an extension to the production cuts until end 2018.

What this means to us

- Oil price influences our revenue, profitability and cash flow
- This in turn shapes our capex programme

In 2017, our oil business accounted for 73% of total revenues. Global oil prices are therefore a key sensitivity that influences our financial performance and correspondingly the level of ongoing investments we can make through recycling free cash flow into growth opportunities, our ability to service our debt and to deliver shareholder returns. Oil price is also a major factor in driving equity valuations and investor appetite for the sector which can influence our trading performance as a listed company. In terms of evaluating new business opportunities, oil price is a major driver of valuations and projected cash flows. High levels of volatility in oil price can therefore lead to higher levels of risk to the business and introduce uncertainty into decision making processes.

Key market trend

Global equity markets

In the UK, Brexit was a continued focus as Article 50 was triggered and negotiations with the EU continued during the year. June also saw a snap election that saw the governing Conservative party return but with a reduced majority. The major UK equity indices, FTSE 100, 250 and All-share, all made strong gains in 2017 which saw all indices reach record highs during the year. By the end of the year, the FTSE 100 was up 7.6% reaching its record closing price on 29 December 2017. Similarly, the FTSE 250 also closed at a record high, outperforming the FTSE 100, finishing 14.7% up for the year with the FTSE All-share also finishing up 9.0%. The FTSE 100 was weighed down by a strengthening sterling in 2017 whilst the international nature of the index meant global factors such as pro-business, pro-growth policies in China and the US helped bolster gains.

Elsewhere, 2017 saw the highest total return level in Europe since 2013 amid robust economic expansion and a cautious view towards monetary-stimulus withdrawal. In the US, the year opened with a focus on President Trump's pro-business agenda. Equity market returns enjoyed a strong year (also the best since 2013) and were boosted by the end-of-year tax-cutting package and promised infrastructure spending. The S&P 500 Index recorded a 21.8% gain whilst defensive stocks tended to lag the rest of the US market.

The best-performing equity markets in 2017 were in Asia and the emerging markets aided by a weak dollar as well as a recovery in commodity prices which impacts a number of emerging market indices. The performance of the Nigerian Stock Exchange was notable, finishing the year 42.3% higher.

What this means to us

- Seplat is listed on two stock exchanges
- Fluctuations in market conditions can impact Seplat's trading performance

Seplat is the only Nigerian company to be fully dual listed on both the Nigerian Stock Exchange and the main market of the London Stock Exchange. As such, our trading performance can be driven by both domestic and international market conditions. Equity markets performance can be driven by a number of complex factors outside of our control and returns can differ greatly across different markets and different sectors as a result. We therefore focus on influencing what is in our control, aiming to deliver performance in line with guidance, underpinned by strong risk management, prudent financial management, operational control and demanding investment criteria to help ensure long-term value creation for shareholders.

Key market trend

Global economy

Over 2017, the global economy grew at 3.7%, its fastest level for six years. Growth accelerated in approximately three quarters of countries, the highest share since 2010.

In December, the Federal Reserve raised interest rates for the third time referencing an improving economy and labour market whilst in the UK, the Bank of England reversed its 2016 post-Brexit rate cut of 0.25% late in the year as it attempted to bring inflation (which reached 3.1% towards year-end) back to its preferred 2% target. Focus in 2018 will continue to be on the US position in relation to trade agreements and potential tariffs.

Across the eurozone, economic conditions improved markedly as the year unfolded, enabling the European Central Bank ('ECB') to cut its monthly bond purchases by half to 30 billion euros for a period of nine months, commencing in January 2018. The euro-area ended the year on strong footing with December seeing the fastest growth of business activity for nearly seven years. In Japan, signs of more consistent and sustainable growth emerged. Economic growth in China also remained strong throughout 2017 with industrial production growth stable at an annual rate of 6% and retail sales growth of approximately 10%.

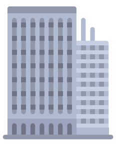
What this means to us

- The global economy influences oil supply/demand dynamics
- Shapes investment trends and asset allocation

The state of the global economy is inextricably linked to energy demand and in turn the oil supply/demand balance which is a key driver of oil prices and therefore sector profitability, valuations and investment decisions. Alongside this, the global economy contributes to stability or volatility in global financial markets, including in particular the equities, debt, commodities and currency spaces all of which can impact business decisions of companies operating in the oil and gas sector. In the investment industry the global economy helps drive investment themes and asset allocation across sectors and type of investment.

Key market trend

Global oil and gas corporate activity



Global upstream oil and gas deal volume was down by around 19% at 970 recorded deals in 2017, although the aggregate deal value was up by around 30% at US$172 billion, most likely reflecting the oil price recovery and improved fundamentals offering a more stable outlook relative to the prior year. In terms of geographical spread, the US and Canada accounted for the majority of deal share by value at US$79 billion, the main theme being existing players consolidating their presence in unconventional plays. Europe saw an uptick in deal activity with US$27 billion deal value representing the highest level in five years (excluding the 2015 Shell/BG deal) on the back of renewed interest in mature basins such as the UK North Sea as major incumbents divested and independents sought to expand footprints or gain a foothold. Russia accounted for US$26 billion of deal value while in the rest of the world, including West Africa, there were localised centres of deal activity as Majors moved to take new positions in large-scale strategic resource bases and/or divest non-core portfolios. 2017 also saw a surge in activity from well capitalised private equity firms as much of the small to mid-cap universe remained focused on capital preservation strategies and deleveraging. Alongside this, deal structures became more innovative as joint ventures between buyers became more common and vendors retained a degree of flexibility on methods of funding deal considerations.

What this means to us

- Competitive landscape and cost of inorganic growth
- Drives industry decision making on allocation of capital

The oil and gas sector is highly competitive with an often large number of corporate participants pursuing new business opportunities in overlapping areas. The level of competition and relative availability/scarcity of new opportunities can result in competitive tension that can drive up benchmark acquisition multiples. The cost of new business opportunities can also help drive the allocation of capital if opportunities represent good value versus organic investment, or vice versa. Seplat is solely focused on the Nigerian oil and gas sector where we believe we have distinct competitive advantages as an indigenous operator with a strong track record of delivery and price-disciplined acquisition strategy combined with broad access to multiple classes of international and domestic capital. Seplat is, to date, the only Nigerian company to be fully dual listed on Nigerian Stock Exchange and the main market of the London Stock Exchange making it a unique investment and partner of choice in sub Saharan Africa's largest and most productive oil and gas plays.

Key market trend

Nigerian economy

After five consecutive quarters of negative growth, Nigeria's economy entered a recovery in the second quarter of 2017, with GDP growing for the first time since Q3 2015 by 0.80% (2016: -1.58%) and the momentum continued to build in the subsequent months. The recovery was largely driven by higher oil output and improved oil prices as annual growth of the oil sector stood at 4.8% year on year (2016: -14.5%). Despite positive dynamics in the agricultural and other non-oil sectors, the non-oil sector only grew marginally by 0.5% (2016: -0.2%), reiterating the country's dependence on oil – a pressing issue for government to address (oil accounts for 70% of government revenue and 90% of foreign exchange earnings, even though it now accounts for only 8.7% of GDP).

In a bid to generate more and diversify revenue as well as boost foreign exchange, the government has developed certain policies including the Economic Recovery and Growth Plan ('ERGP'), executive orders to improve the ease of doing business, improvement in tax collection, anti-corruption drive to block revenue leakages and multiple currency practices ('MCP') to address foreign exchange shortages. The multiplier effects of these enabling policies started to show as the PMI recorded its best quarter since Q4 2014 in Q3 2017 and headline inflation assumed a downward trend, from 18.7% in January 2017 to 15.4% in December 2017. The MCP also included a special window ('IEFX') for Investors, Exporters & End-users to boost liquidity in the FX market and ensure timely execution and settlement for eligible transactions with the rates determined by market forces. Though not perfect, this has aided stability in the exchange rate of the Naira for over eight months, with rates converging across the various windows and segments of the market in a range from ₦305 to ₦364 to the US Dollar. This was instrumental in significant improvements in capital importation, which had been on a decline since the beginning of 2015 but exceeded US$12 billion in 2017 (FY 2016: US$5.4 billion).

What this means to us

- We are a significant contributor to the Nigeria economy
- Nigeria's economic performance influences its attractiveness as an investment destination for capital providers

Seplat contributes positively to Nigeria's economy through payment of our royalties and taxes, employment, increasing domestic gas supply and social investments in particular. We have also raised substantial amounts of capital from domestic and international sources that we have cycled into investments in Nigeria to drive growth. Increasing gas supply to underpin domestic power generation and displace burning of more expensive imported diesel is seen as a key driver of GDP growth and addressing FX constraints. The overall state of Nigeria's economy also influences Nigeria's and, therefore, Seplat's attractiveness as an investment opportunity, as well as our access to and cost of capital.

Generating value for all of our stakeholders

Our business model leverages our core strengths and experience to create long-term value and shared prosperity for all of our stakeholders.

Inputs

Operational expertise and control

97%

Of our production is Seplat operated

More on page 44

Unified and motivated workforce

400+

multi-discipline employees

More on page 66

Strong financial management and access to capital

US$437m

Cash at bank

More on page 50

Effective HSSE and risk management

0.31

LTIF

More on page 62

Good corporate governance

87.8%

Corporate Governance Rating System score

More on page 70

Strong relationships with host communities

US$59m

Invested in our communities since 2010

More on page 64

Our core activities

1. Acquire

To date, we have acquired direct interests in five blocks and a revenue interest in one further block, located in the onshore and swamp areas of the Niger Delta. We will continue to pursue new acquisition and farm-in targets to help us grow reserves and production.

2. Explore & appraise

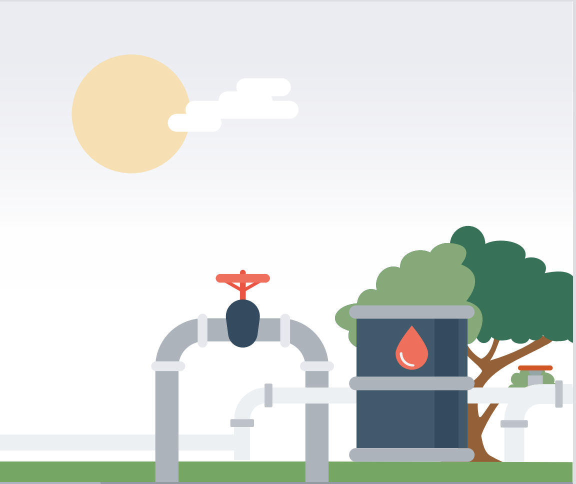
We will continue to appraise and test upside at our producing fields and also have a number of discovered but undeveloped discoveries on our blocks, some of which may be considered as appraisal targets in the future.

3. Develop

In recent years, Seplat has been one of the most active drillers in Nigeria and has successfully undertaken and completed significant facilities and infrastructure projects on a fast-track timetable and within budget.

See pages 22 to 23 to find out more about our priorities for each stage of our core activities, going forward.

Read more overleaf: page 22



4. Produce, process & sell

Seplat has consistently grown oil production capacity and has more than doubled gas production following significant expansion of the Oben gas processing plant.

Our oil production is marketed and sold internationally to offtakers at the export terminal while our gas production is sold under a number of gas sales agreements wholly into the domestic market.

Outcome

The end result of our core activities is a profitable underlying asset base that generates strong margin cash flow and within which we have numerous organic reinvestment opportunities to selectively redeploy this cash flow. We combine this with our access to inorganic growth opportunities, for which we may need to secure additional external capital, to generate sustainable long-term value for our multitude of stakeholders.

We have assembled a multi-disciplinary team that has an in-depth knowledge of the areas in which we operate, both below and above the ground. When considering both our organic and inorganic capital investment opportunities, we benchmark and high grade each option in the context of the whole portfolio so that we can be sure that each dollar of capital deployed is efficiently allocated to those opportunities that meet our technical, commercial and strategic requirements.

Strong margin cash flow
- **High grading of portfolio opportunities**
- **Disciplined allocation of capital**

Value

Value for our stakeholders

For our shareholders
- Capital growth
- Dividends

LSE	NSE
49.7%	**64.8%**

Total Shareholder Return in 2017

For government
- Royalty and tax revenue
- Foreign and local capital investments

US$519m
Payments to government reported in 2017

For Nigeria
- Infrastructure development
- Multiplier effect from improved gas-to-power supply

1/3
of Nigeria's current power generation can be underpinned by our gas production

For our host communities
- Economic empowerment
- Healthcare and education

1,300+
jobs created via Seplat operations

Our core activities

1. Acquire

To date, we have acquired direct interests in five blocks and a revenue interest in one further block, all of which are located in the onshore and swamp areas of the Niger Delta, Nigeria.

At any point in time we have an active pipeline of new acquisition and farm-in targets to help us grow our reserves and production on an ongoing basis.

In line with our strategy, we will maintain a price-disciplined approach and prioritise opportunities in the onshore and offshore areas of Nigeria that offer near-term production, cash flow and reserve replacement potential.

2017 was a year of stabilisation and consolidation for Seplat as we navigated through the extended period of force majeure at the Forcados terminal that continued through the first half. As a consequence of the obvious capital constraints and need for careful management that were placed on the Company, no new acquisitions were made in the year.

Looking ahead, with the resumption of operations back to full production and steps underway to achieve long-term diversification of oil export routes, Seplat will benefit from the corresponding return to profitability and strengthened capital structure, and in turn resume the active identification and execution of new growth opportunities that is central to our strategy.

Key strengths & priorities

- First Nigerian operator to acquire blocks from Major IOCs
- Six blocks acquired to date (five direct interests and one revenue interest)
- Ability to match opportunities with access to capital
- Stabilised core business provides platform to actively pursue new value accretive acquisitions

2. Explore & appraise

We will continue to appraise and test upside at our producing fields and also have a number of discovered but undeveloped discoveries on our blocks, some of which may be considered as appraisal targets in the future.

In 2017, we did not drill any operated exploration or appraisal wells, electing instead to scale back capital expenditure against the volatile oil price backdrop and unprecedented levels of interruption to oil production following the declaration of force majeure on 21 February 2016 until 6 June 2017 by the operator of the Forcados terminal (Shell Nigeria).

At OPL 283, Seplat participated in one non-operated appraisal well in 2017. Operator Pillar Oil Ltd completed drilling of the Anagba-1 appraisal well in November.

The well successfully appraised a structure that straddles the block boundary with adjacent OML 60 (where the reservoirs are in production).

Elsewhere we have an extensive inventory of exploration leads and prospects and numerous appraisal opportunities in our portfolio, particularly at OML 53.

It is our intention to fully assess the exploration potential of this block and incorporate it into our overall planning in future years.

Key strengths & priorities

- Anagba-1 appraisal well successfully proved additional volumes at OPL 283
- Continue to evaluate potential for a new deeper exploration play in OMLs 4, 38 and 41 indicated by the Ogegere-1 exploration well (drilled in 2014)
- OML 53 adds significantly to inventory of E&A opportunities
- Focus on opportunities close to infrastructure that can be monetised rapidly

3. Develop

In recent years Seplat has been one of the most active drillers in Nigeria and has successfully undertaken and completed significant facilities and infrastructure projects on a fast-track timetable and within budget.

Since we acquired our interest in OMLs 4, 38 and 41 in July 2010, as operator we have drilled 45 new development wells, completed multiple workovers, reactivated production from pre-existing wells, constructed and installed a new liquid treatment facility, upgraded and significantly expanded the Oben gas plant, completed a new liquids pipeline linking our assets directly to the Warri refinery, installed additional storage capacity and implemented gas lift to aid our production with pressure support.

Development activity in 2017 was largely focused on our gas business. Early in the year we completed and commissioned the Oben gas processing plant Phase II expansion project.

This involved the installation of a further three 75 MMscfd processing modules (225 MMscfd aggregate capacity) that means overall Company operated gross processing capacity has leapt from 300 MMscfd to a minimum of 525 MMscfd.

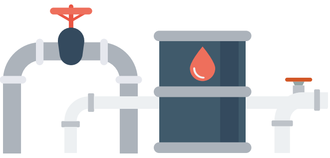
Elsewhere, progress was made towards FID at the ANOH project and formalising an incorporated joint venture relationship between Seplat and the government.

We did not drill any new development wells in 2017 owing to the weak oil price backdrop and unprecedented levels of interruption to oil production following the declaration of force majeure on 21 February by the operator of the Forcados terminal (Shell Nigeria).

Key strengths & priorities

- Proven track record as a skilled operator
- Installed and commissioned the Oben gas plant Phase II expansion to take gross processing capacity to a minimum of 525 MMscfd
- Retain full discretion over future work programmes and flexibility to respond to macro conditions
- Prioritise the most cash generative and short-cycle return development opportunities

4. Produce, process & sell



Seplat has consistently grown oil production capacity since inception and has more than doubled gas production since the Oben gas processing plant Phase I and Phase II expansions were commissioned.

With a significant undeveloped reserves and resource base Seplat has a portfolio capable of yielding significant oil and gas production for many years to come.

At OMLs 4, 38 and 41 we increased liquids production six-fold from an initial gross rate of 14,000 bopd at time of acquisition in 2010 to a peak rate of over 84,000 bopd. Similarly, we have seen our overall annualised average working interest production grow from 21,431 boepd in 2011 (our first full year of operations) to 47,291 boepd in the second half of 2017 once force majeure was lifted and normal operations were restored.

A key priority of ours is to actively pursue alternative crude oil evacuation options in order to reduce any over-reliance on one particular third party pipeline system and/or export terminal. In line with this objective, during 2017 we continued to utilise an alternative option for crude oil and condensate produced at OMLs 4, 38 and 41 whereby crude oil was sent to available storage tanks at the Warri refinery, via our own 100,000 bopd capacity pipeline, from where the barrels were then sold FOB at a loading jetty to our offtaker Mercuria. By end 2017 a net volume of 1.9 million barrels had been monetised through this route (Seplat's equity barrels).

During the year we completed necessary repairs and upgrades to two jetties at the Warri refinery that now provide a 30,000 bopd (gross) back up evacuation route for our oil production. Furthermore, as a direct result of this alternative export route via the Warri refinery we were able to de-constrain gas production (previously impacted by condensate handling constraints following shut-in of the Forcados terminal) and greatly improve security of domestic supply. Looking ahead, the Amukpe-Escravos 160,000 bopd capacity pipeline is set to provide a third export option for liquids production at OMLs 4, 38 and 41. Seplat signed a Funding Agreement in December 2017 with the pipeline owners, NAPIMS (a 100% subsidiary of NNPC), Pan Ocean Corporation Limited ('Pan Ocean') and the pipeline contractor FENOG to ensure timely completion of the pipeline. Post year end, FENOG has commenced completion works. Negotiations between the pipeline operator, Pan Ocean, and Chevron in relation to Crude Handling Agreements are also advancing. The Heads of Terms for the Crude Transport Agreement between NPDC/Seplat JV and NAPIMS/Pan Ocean JV is also nearly completed and Seplat anticipates the pipeline to be fully commissioned and operational in Q3 2018.

Seplat has grown its natural gas output dramatically and in 2017 supplied an average of 254 MMscfd gross exclusively to the domestic market, enough gas to underpin around a third of Nigeria's current power generation.

The Phase II expansion of the Oben gas processing plant provides headroom to further increase future gas production in the near term whilst the development of our gas reserves at OML 53 offers significant growth potential in the medium term.

Key strengths & priorities
- Diversification of oil export routes will see access to three options in 2018 with sufficient redundancy to de-risk distribution of product to market
- Consistently grown oil production capacity since inception
- Operate enough gas production to underpin around a third of Nigeria's current power generation
- Significant inventory of future development opportunities in current portfolio to provide continued growth in coming years

Outputs

Strong margin cash flow

High grading of portfolio opportunities
It is important to maintain the financial strength and financial flexibility to fund our budgeted work programme at our existing portfolio and also a range of incremental growth opportunities available to us. We aim to operate in the E&P "sweet-spot" whereby cash flow generation from our current portfolio more than covers investments there too.

Disciplined allocation of capital
We also seek to utilise appropriate external funding sources, including debt, in support of new business opportunities and greenfield developments where up-front acquisition costs and early capital investments may be required to bring them to self-funding status over the long term.

Key strengths & priorities
- Low unit of production opex
- Opportunity to capitalise on cost deflation
- Prudent hedging strategy to provide a level of cash flow assurance
- Good balance between oil and gas derived cash flows

Value for our stakeholders

Shareholders
In addition to offering strong capital growth potential through the successful execution of our strategy, we also have a clear dividend policy that, in the absence of adverse operating and/or macro-economic conditions, should allow us to pay our shareholders a regular dividend taking into account our financial position and funding requirements.

Government
Our investments to grow oil and gas production have also translated into a significant increase in reserves and extended the economic life of our assets. Accordingly, the value that the government will ultimately realise over the life-span of the assets through royalty and taxes has increased dramatically.

Nigeria's economy
Seplat has become the second largest supplier of processed natural gas to the domestic market and the gas we supply is enough to underpin around one third of the current grid.

Improved security of supply and greater electrification is a critical multiplier effect to drive future GDP growth for Nigeria.

Host communities
We have directly and indirectly created over 1,300 jobs, and since 2010 invested US$59 million into numerous projects to leave a positive social and economic legacy for our host communities.

Key strengths & priorities
- Low unit of production opex

A robust strategy for growth

Since inception we have been guided by a clear and consistent strategy that is supportive of our long-term strategic vision to be the leading indigenous African independent oil and gas company.

Strategic pillar	Progress
Maximise production and cash flows from operated assets The development stage of the upstream value chain is where the majority of capital investments are usually made. It is imperative that we do this well, maintaining strict cost control, implementing the most appropriate technical solutions and organising ourselves and our service providers so that we deliver projects on time and within budget. This enables us to generate strong margins and cash flows from our production, which in turn underpins our ability to fund our work programme. At the same time, we seek to improve operational efficiency by maximising uptime and reducing reconciliation losses, mitigating asset concentration and sole reliance on third party export infrastructure.	• Established alternative oil export route via Warri refinery jetties with line of sight on access to the Amukpe–Escravos pipeline • Discretion over level and timing of spend allows alignment with cash flow
Move up 2C resources into 2P reserves category Our drilling campaigns have, in addition to development wells, an appraisal component built in so that we are constantly testing upside potential at our assets, gathering and interpreting new information to allow us to maximise hydrocarbon recovery from the reservoirs and capitalise on low risk reserve addition opportunities. We also recognise the importance of exploration as a means of growing reserves. It is our intention that we will return to our objective of drilling at least one exploration well per year when oil prices and production recover and stabilise, with a focus on prospects that if successful can offer rapid monetisation, utilising our existing infrastructure where possible.	• Converted 141 MMbbls oil and 72 MMboe gas from 2C resources to 2P reserves since 2010 • Current 2C resource base 48 MMbbls oil and 75 Bscf gas
Commercialise and produce gas reserves Nigeria has a vast natural gas resource that, to date, has barely been developed. We see the commercialisation and monetisation of Nigeria's natural gas resource as an attractive long-term opportunity and have strategically positioned ourselves by developing the Oben facility as a core gas processing hub through which Nigeria's greatest demand centres can be accessed and supplied whilst the acquisition of an interest in OML 53 positions Seplat as a key participant in what will be one of Nigeria's largest greenfield gas developments. During periods of oil price weakness, the gas business takes on added importance. Gas prices are de-linked from oil price and have steadily increased to commercial levels, meaning that we can confidently plan, finance and invest in gas opportunities independent of oil price dynamics.	• Seplat has become the second largest supplier of processed gas to the domestic market • Oben Phase I and II expansion projects expanded plant processing capacity to 465 MMscfd from 90 MMscfd
Pursue a focused acquisition and farm-in strategy We see a rich opportunity set and a wide range of growth opportunities in Nigeria including further asset divestments from the Major IOCs, asset farm-in and acquisition opportunities amongst the independent E&P sector as liquidity in the secondary asset inevitably increases and future licensing awards occur. Our focus is on securing blocks in the onshore and offshore areas of the Niger Delta that offer near-term production growth, cash flow and reserve replacement potential.	• Acquired direct interests in five blocks and further revenue interest in one block to date • Well positioned to access future deal flow in Nigeria
Be a highly responsible corporate citizen Being a highly responsible and accountable corporate citizen is a key priority of ours. We recognise that minimising the effects of our activities on the environment, understanding local issues, positively contributing to our host communities, being a first-rate employer and providing our staff with a safe working environment and career development opportunities are essential enablers that allow us to achieve our goals. Underpinning all of this is a strict adherence to strong corporate governance and business integrity throughout our organisation.	• Established and proven community engagement model aligns Seplat with its host communities • High retention rate of our skilled and motivated workforce

Measuring our performance	Risk overview	Risk categories	Outlook
• Working interest production • Earnings before interest and tax ('EBIT') • Opex per boe	Oil and gas production operations have a number of risks attached, above and below the ground. The Company has a skilled technical team with a detailed knowledge of the geology and reservoir dynamics to allow optimal production solutions to be implemented. Above the ground, the Company has clear systems and procedures in place to ensure the safe and secure operation of its operated oil and gas production, processing and transportation facilities. The Company does, however, rely on third party operated export infrastructure that has been susceptible to interruptions.	• **Operational risks** • **External risks** • **Financial risks** • **Strategic risks**	• Access to multiple long-term alternative oil export routes, mitigating concentration risk • Disciplined allocation of capital to growth opportunities that offer strongest cash returns • Right-sizing of capital investments to match prevailing environment and continued downward pressure on cost base
• Reserves replacement	Exploration activities are focused on determining the presence of hydrocarbons whilst appraisal activities are focused on better defining and assessing the commerciality of a hydrocarbon discovery. Both activities by definition carry significant geological risk, so the technical maturity of an E&A target is key to narrowing the range of risk and uncertainty. Seplat seeks to use available technologies including seismic analysis to minimise pre-drill risks and maximise chances of a successful drilling outcome.	• **Operational risks** • **Financial risks** • **Strategic risks**	• Continued evaluation and high-grading of the E&A potential within Seplat's portfolio • Assessment of OML 53 E&A potential • Resume plans to drill one exploration well a year when oil prices and free cash flow permit
• Gas reserves, production and revenues	Despite the abundance of resources in the ground, the natural gas sector in Nigeria is at a relatively nascent stage of development and requires significant ongoing investment to grow capacity. The pace at which the sector grows and scale of investment will to a large extent dictate the timing and magnitude of opportunities for producers such as Seplat.	• **Operational risks** • **External risks** • **Financial risks** • **Strategic risks**	• Capitalise on Oben Phase II expansion of processing capacity to increase production • Progress development of OML 53 strategic gas resource and aim to aggregate additional opportunities • Increase supply to the domestic market
• Portfolio expansion • 2P reserves and 2C resources • Working interest production	Competition for upstream oil and gas blocks in Nigeria is intense and there are an increasing number of industry participants seeking to grow their presence in or gain access to the sector. High levels of competitive tension can drive acquisition prices higher. Oil price volatility also presents increased uncertainty when evaluating opportunities and access to capital can also constrain ability to successfully execute transactions.	• **Financial risks** • **Strategic risks**	• Continued long-term pursuit of our focused acquisition strategy • Price discipline and seek to implement innovative structures to protect the balance sheet • Targeting both oil and gas
• Lost time incident frequency ('LTIF') • Corporate responsibility initiatives	Failure to adhere to the highest standards of corporate responsibility can severely impede the Company's ability to efficiently operate its current portfolio, access new business opportunities, secure capital and ultimately deliver value accretion to its shareholders.	• **Operational risks** • **External risks** • **Financial risks** • **Strategic risks**	• Continually strive to improve environmental, health and safety performance • Strict adherence and commitment to international governance standards • Positively contribute to our host communities

Reset and in position to deliver growth

Our proactive and decisive management coupled with the strong underlying fundamentals of the business have seen us emerge from an exceptionally challenging period a much fitter and stronger business that is well equipped to deliver long-term value for our shareholders.

Austin Avuru
Chief Executive Officer

Dear shareholders,

I am pleased to report that Seplat made a return to full-year profitability in 2017, registered strong cash flow performance and significantly strengthened the balance sheet. In a year of contrast, we were plagued throughout most of the first half by force majeure at the Forcados terminal. However, following the lifting of force majeure on 6 June, we were able to return to operations on OMLs 4, 38 & 41 and rapidly restored full production. Our subsequent operational and financial performance is a clear indicator of our strong fundamentals and what we can achieve when we have unhindered access to market. We will retain the flexibility and financial discipline that has seen us emerge from a difficult chapter in our history a fitter and stronger business. With line of sight on the availability of multiple export routes, we aim to significantly de-risk the distribution of our oil production to market. Notably, our gas business made another record contribution in 2017 and continues to demonstrate the robustness of its revenues, providing a key source of growth and diversification, as well as delivering a much-needed reliable supply of gas to the Nigerian power sector. Seplat is now better positioned to return to sustainable growth.

Continued emphasis on efficiency and cost control

During the past two years the volatile macro-economic environment and disrupted operating conditions prompted us to reset the business in many ways. We focused on taking steps in areas within our control that would, in the first instance, protect the core business and ultimately provide Seplat with a strengthened platform upon which to execute our long-term growth strategy. In 2017 we continued to place great emphasis on operational efficiency and cost control to maximise cash margins and in doing so further reduced our unit production operating cost year-on-year by 32% to US$5.96/boe. Alongside this our general and administrative costs fell by 28% year-on-year. One of the advantages of operating onshore is the discretion we have over capital expenditures and the ability to dial-up or dial-down our work programme to match our cash generation and business priorities. In 2017 we scaled capital expenditures back to US$33 million, the majority of which was allocated to expansion of our gas business. It is not a natural state for Seplat to scale back the work programme to this extent, our hallmark is our ability to build and grow reserves and production through accelerated investment programmes, but it has been a necessary and prudent step to take in order to preserve a liquidity buffer during uncertain times. With operations restored in early June we have very quickly been able to reverse the impact of force majeure on the business and are making preparations to re-deploy rigs into the field and scale-up investments into our inventory of short-cycle production and development

A robust strategy for growth
Since inception we have been guided by a clear and consistent strategy that has remained unchanged and is carefully designed to provide sustainable long-term value creation and growth for our shareholders and other stakeholders. We aim to do this by leveraging our core strengths and expertise to capitalise on growth opportunities available to us across the upstream oil and gas and midstream gas value cycle.

Our strategy comprises the five key priorities that we have identified as essential in allowing us to run the business efficiently and responsibly in order to achieve our vision of being the leading Nigerian independent oil and gas company.

- Maximise production and cash flows from operated assets
- Move up 2C resources into 2P reserves category
- Commercialise and produce gas reserves
- Pursue a focused acquisition and farm-in strategy
- Be a highly responsible corporate citizen

Strategy: page 24

opportunities. When making investment decisions we have a robust system whereby, through a process of benchmarking and high-grading, capital will be selectively deployed to opportunities that offer the best cash returns.

Underpinned by strong oil and gas fundamentals

Our full-year 2017 average daily working interest production stood at 36,923 boepd, in line with guidance and up 43% year-on-year, and comprised 17,853 bopd and 114 MMscfd of natural gas. However, these figures reflect the force majeure conditions at the Forcados terminal for much of the first half and do not accurately represent what our portfolio is capable of delivering with unhindered access to market for our oil production. Over the second half of 2017 our average working interest production stood at 47,291 boepd, comprising 26,062 bopd and 127 MMscfd, and coming into 2018 our run rate was over 55,000 boepd comprising approximately 29,000 bopd and 160 MMscfd.

Our 2P reserves at end 2017 stood at 477 MMboe, a modest increase of 3.2% on end 2016, and we have a further 61 MMboe of 2C resources taking our total working interest reserve and resource base to 538 MMboe split almost evenly between oil and gas. This is a material volume by any standard and gives the business a great deal of running room production wise.

Diversifying oil export routes to market

In previous years I have discussed the importance of diversification as a key enabler for Seplat to deliver sustainable returns and value growth over the long term. In this respect our most important near-term priority is to ensure we have adequate redundant capacity through multiple crude oil export routes to buffer against any extended periods of force majeure or downtime in the future. In 2017 we successfully completed repairs and upgrades on two jetties at the Warri refinery that will enable sustained exports of 30,000 bopd (gross) if required in the future. Prior to the repair and upgrade work on the two jetties gross exports via the Warri refinery while force majeure was in effect at the Forcados terminal were around the 15,000 bopd level. It was access to this export route during force majeure that was the enabling factor for us to achieve continuity of gas supply to the domestic market and it can be kept available going forward to underpin and greatly improve security of gas supply to the domestic power sector in particular.

Longer term, the Amukpe-Escravos 160,000 bopd capacity pipeline is set to provide a third export option for liquids production at OMLs 4, 38 and 41 which presently accounts for around 90% of our total liquids production mix. I am pleased to say that good progress continues to be made towards completing and connecting the pipeline and also finalisation of the suite of commercial contracts and agreements that needs to be put in place and that we anticipate the pipeline to be fully commissioned and operational in Q3 2018. We view this as an important milestone in our efforts to embed greater diversification in our business activities and one that will significantly de-risk distribution of our oil production to market.

A record year for our gas business

In 2017 our gas business continued to go from strength to strength and made a record contribution with revenues of US$124 million, which accounted for over 27% of Seplat's total revenues. Early in the year we completed and commissioned the Phase II expansion of our Oben gas processing hub, which added a further 225 MMscfd of processing capacity to take total capacity at the Oben plant to 465 MMscfd. Together with 60 MMscfd capacity at the Sapele plant this means that we now operate 525 MMscfd of gross gas processing capacity, 443 MMscfd of which is net to our working interest, cementing our position as a pre-eminent supplier of gas to the Nigerian domestic market. This capacity expansion has already started to pay dividends as moving into 2018 we have been able to meet an increased call on our gas volumes, owing to supply interruptions elsewhere in the network, and step up gross deliveries to the 400 MMscfd level when required. This not only demonstrates flow assurance at that level and a production swing capability from our assets but it also underscores the strategically important nature of our gas business to Nigeria in improving security of gas supply for power generation and industry. In addition to processing our own gas we have installed processing headroom that will enable us to process third party volumes and generate a tariffing income in the future.

Our gas strategy is based around the concept of interconnection between large-scale gas reserves in the ground, operated processing hubs, connectivity to transmission infrastructure and a large number of high demand users. In this respect our current and planned future portfolio is ideally located, with the Oben hub providing a gateway to supply Nigeria's major demand centres on the Lagos axis and Abuja axis and even in the future neighbouring markets of Ghana, Togo and Benin through the WAGP should the opportunity present itself. The next phase of growth in the gas business is going to be anchored around the large-scale ANOH greenfield gas and condensate development. The upstream development is unitised with adjacent OML 21 and will be delivered by the unit operator, Shell. Alongside this we are making good progress towards FID at the midstream development on OML 53 within an incorporated joint venture partnership with government and look forward to setting out our plans for this exciting opportunity in due course. Consistent with our strategy ANOH will represent a major step forward in connecting large-scale gas reserves in the eastern Niger Delta to the main demand centres by utilising the OB3 gas pipeline currently under construction that will provide a future link to our Oben hub.

Return to profitability and financial strength to support growth

2017 marked a financial inflection point for Seplat as the higher oil and gas production following the lifting of force majeure at the Forcados terminal from June 6 onwards, together with higher oil price realisations, positively impacted revenue which was up 78% from 2016 at US$452 million. Profit before tax for the year stood at US$44 million and reflects the return to profitability in the third and fourth quarters where net quarterly profit before tax of US$24 million and US$46 million respectively offset the US$26 million loss before tax recorded at mid-year. A net tax credit of US$221 million, owing primarily to deferred tax credits of

As a truly indigenous organisation, nothing is more important to us than the prosperity of Nigeria. As such, we are building on our position as a leading supplier of gas to the domestic market, as we continue to prioritise the commercialisation and development of the substantial gas reserves and resources identified at our blocks – to power homes and fuel businesses.

US$224 million, increased the overall profit after tax for the year to US$265 million. Cash flow from operations was US$447 million, against capital investments of US$33 million, and translated into a significantly strengthened balance sheet at year end when cash at bank and net debt stood at US$437 million and US$141 million respectively. With the uncertainty created by force majeure we maintained a prudent stance in managing our liquidity throughout 2017 and in July successfully concluded an oversubscribed one-year extension of our revolving credit facility to end 2018. Overall, Seplat's aggregate indebtedness had reduced by US$422 million at end 2017 from its peak in Q1 2015 of US$1 billion, which is a significant deleveraging of the balance sheet particularly in exceptionally difficult trading conditions.

Post period end, in March 2018 we concluded a full refinancing of our indebtedness and in doing so reset our capital structure with longer dated debt maturities, freeing up significant near-term cash flow that would otherwise be consumed servicing debt, and providing a headroom to fund further growth. We refinanced the revolving credit facility with a new, four-year US$300 million revolving credit facility and also completed a debut US$350 million bond issuance which further diversifies our long-term capital base. Our improved liquidity position post refinancing will now allow us to scale up our work programme and focus on both organic and inorganic opportunities to deliver our growth strategy.

Honouring our corporate responsibilities

Community investment remains at the heart of Seplat's corporate responsibility strategy to deliver shared value and leave a long-lasting positive social and economic legacy for our local stakeholders. By investing in and supporting our host communities we seek to broaden opportunities for economic empowerment and employment to alleviate poverty through support of local entrepreneurial initiatives. For example, through our skills acquisition training programme we can connect with a large number of young people and provide them with the necessary training and tools to offer services to their communities well into the future, and also pass the acquired expertise and skills on. Throughout all of our various programmes we share our resources and expertise to help build more resilient communities, adding long-term value beyond our core business activity and creating a mutually beneficial alignment.

At Seplat, we recognise that the skill, dedication and enthusiasm of our team is critical to our success and we support our employee development with individually tailored training programmes. We provide a platform for career development for young people and new graduates and take pride in the diversity that has powered our growth.

Management changes

Following his retirement from the Board effective 30 March 2017, I would like to thank Stuart Connal for his significant contribution to Seplat in the last few years. He has provided excellent operational and technical leadership that has translated into the consistent growth in reserves and production capacity we have delivered and also in particular his contribution to the growth of our gas business. In February 2018, we announced the appointment of Effiong Okon to the Board as Executive Operations Director. Effy brings a wealth of relevant operational experience from 26 years in the industry with Shell and has an in-depth understanding of the Nigerian sector coupled with international experience. Effy is a great addition to the team and we look forward to his contribution as we seek to build and grow oil and gas output across our portfolio.

Outlook

We look ahead into 2018 and beyond with a strong sense of optimism and from a position of both strategic and financial strength. Every aspect of our business and management capabilities has been stress tested in the extreme during the past two years and I am delighted to be able to say that we have proved our ability to withstand severe external shocks to the business, be they macro-economic or disrupted local operating conditions, through finding and implementing innovative solutions to complex problems; effective risk management; continually improving operational efficiency; financial discipline; strong leadership; and above all else the dedication and professionalism of Seplat's workforce and support of our stakeholders. It is these same attributes that will drive us forward into our next phase of growth, which can be broken out into three distinct themes. Firstly, Seplat has historically been one of the most active drillers onshore Nigeria and we have a large inventory of oil production drilling opportunities we will high grade and drill out to organically sustain and grow production. Secondly, we will capitalise on our early mover advantage in the domestic gas sector and further grow upstream and midstream production and processing capacity to help meet Nigeria's increasing demand and power deficit.

Finally, with our balance sheet refinanced, a free cash flow positive production business together with headroom in our capital structure we have the capacity and capability to selectively consider and execute value accretive acquisition opportunities whilst staying true to our price-disciplined approach.

I stated last year that I want Seplat to be known as the most effective, innovative and efficient operator in Nigeria, delivering premium value to stakeholders, and nothing has changed this year other than I believe we are a step closer to achieving that ambition and realising our full potential.

Austin Avuru
Chief Executive Officer

Our key focus areas as we look to the year ahead

Key focus areas	Progress in 2017	Outlook for 2018
Manage and optimise our production and development operations to maximise cash flows and value of the business	Following the lifting of force majeure at the Forcados terminal in June, production was quickly restored to 47,291 boepd in H2, while the Company also reduced production opex by 32% and G&A costs by 28%.	Strong margins at current oil prices, increased contribution from the gas business and a more aggressive work programme will generate free cash flow to be reinvested to further increase production.
De-risk distribution of oil production to market	The force majeure at the Forcados terminal highlighted Seplat's reliance on that particular export route. During 2017 the Company established a barging export solution from Warri capable of sustained exports of 30,000 bopd.	The 160,000 bopd capacity Amukpe-Escravos pipeline is expected to be commissioned and operational in Q3 2018. Seplat is actively engaged with the pipeline owners and contractor to help ensure timely delivery of the project that will help provide sufficient redundant capacity to buffer against future interruptions.
Grow and maximise utilisation of gas production and processing capacity	In 2017, we achieved a record US$124 million in gas revenues from working interest production of 114 MMscfd. Completion of the Oben Phase II expansion project increased gross operated processing capacity to 525 MMscfd.	With sufficient installed processing capacity headroom, there is potential to increase gas sales significantly in 2018 with additional offtake agreements in the pipeline. Deliveries to the Azura Edo IPP will also move to take or pay terms. 2018 will also see FID for the large-scale ANOH greenfield development project.
Organically grow reserves	Appraisal drilling was suspended during 2017 to reduce capex and maintain a liquidity buffer.	We plan to scale up our drilling programme and in doing so have the optionality to incorporate an appraisal element into our activities.
Effective risk management	Risk management continues to be an integral part of all business activities in Seplat and good HSSE performance was achieved in 2017.	Seplat will continue to closely monitor risks to the business and implement our proven and reliable risk management framework.
Prudent financial management	During this challenging period, capex and opex were reduced, our RCF was extended and debt was reduced to ensure a liquidity buffer was maintained. We also benefitted from our hedging policy.	In March 2018, Seplat refinanced its debt with a new four-year RCF and debt bond issuance. The significantly strengthened balance sheet and improved liquidity will allow for capital investments into growth opportunities to be scaled up.
Operate safely and securely and minimise the impact on the environment	Oil and gas activities carry significant levels of HSSE risks if not properly managed. In 2017, we achieved an LTIF of 0.31, a slight improvement over 2016's 0.33, and once again avoided any employee or contractor fatalities.	As activity levels continue to increase there is a strong focus on preventing major environmental, health or safety incidents. We have set an LTIF target for 2018 of 0.16.
Value accretive acquisitions	Given the operating challenges confronted for much of the period our primary focus was on controlling expenditures to maintain a liquidity buffer rather than to pursue new opportunities.	With full production operations restored and the balance sheet refinanced Seplat is in a position to capitalise on new business opportunities such as acquisitions, farm-ins and bid rounds in accordance with our price-disciplined approach.
Play a major role in the development of Nigeria's gas-to-power programme	Nigeria's power generation deficit is widely recognised as a critical constraint on economic growth. Seplat cemented its position as the second largest supplier of processed gas to the Nigerian market, accounting for up to one third of Nigeria's gas-to-power generation requirement.	The pipeline of potential new offtakes to absorb Seplat's processing capacity and its gas growth projects are set to make the Company the largest single supplier of gas to the domestic market in the years ahead.
Maintain strong relationships with host communities	As an indigenous Nigerian oil and gas company we are proud of the positive contribution we are able to make to our host communities through our social investment programmes. In 2017 we invested over US$3.8 million and undertook a wide range of activities, focusing on healthcare, education, economic empowerment, infrastructure development and environmental stewardship.	2018 will see continued investment in our host communities to develop local talent, creating a domestic multiplier effect in the communities where we operate.

Nigeria is rapidly advancing and the opportunities are extensive. Key factors in this development will be the huge, young and urbanised population, large oil and gas reserves, an increasingly diversified economy and enormous transport infrastructure projects.

Things are looking bright for the future.

A spotlight on Nigeria

Country facts

198m[1]
Population size (2017)

US$1,897
GDP per capita (2017)

+6.5%[1]
Population growth (2017)

+2.7%[3]
GDP growth forecast 2017-2020 (average yearly rate)

US$376bn[2]
GDP (2017)

3.30[4]
Global competitiveness index (global rank 2017/ 125)

1 Source: National Population Commission ('NPC').
2 Source: National Bureau of Statistics ('NBS').
3 Source: World Bank.
4 Source: The World Economic Forum ('WEF').

Top exports

- Petroleum oil and gas
- Cocoa
- Wood
- Oil seeds
- Raw hides and Leather

Source: Nigerian Export Promotion Council ('NEPC').

Reversing Nigeria's infrastructure deficit and developmental challenges: the energy connection

Professor Adeola Adenikinju
Ph.D, fnaee
Professor of Economics,
Department of Economics,
Research Professor, Centre for
Econometrics and Allied Research,
Director, Centre for Petroleum,
Energy Economics and Law
University of Ibadan, Ibadan, Nigeria
Member, Central Bank of Nigeria
Monetary Policy Committee

Quality infrastructure is an essential element for productivity and growth. For Nigeria, and indeed Africa, the need for adequate infrastructure – secure energy supply, efficient transportation, reliable communication systems, resilient sanitation and affordable housing – is particularly apparent. While Nigeria has basked under the glow of impressive economic growth over the past decade, serious infrastructural shortcomings have undercut business and economic growth, service delivery, trade and investment. Unless Nigeria and the rest of the continent urgently address the obvious infrastructure deficit, the full socio-economic development potentials of the African economy will continue to be constrained.

Most African countries are facing a substantial infrastructural deficit. The impressive growth performance of the continent in the past decade is in sharp contrast to the experience of the 1980s, which was largely termed the lost decade for Africa. The economic performance in the region started to turn for the better in the mid-1990s with improved policies and structural reforms. African countries recorded some of the fastest, most diversified and consistently high economic growth rates in the world during the past decade and the continent is also projected to grow at above the global average in the future. This evolution occurred in spite of the huge infrastructure challenges faced by most African nations.

Past and present efforts to address the continent's infrastructure gap have been constrained by budgetary challenges, limited and inconsistent foreign aid inflow, the weak capacity of the private sector to mobilise international finance in many of the countries, the small size of the domestic finance and capital markets, and even by many of the economies themselves. Yet these countries have no alternative but to upgrade, maintain existing infrastructure and invest in new ones in order to meet their development aspirations.

The improved macro-economic environment, governance and institutional indicators provide Africa with better outlook to attract investments from private sectors, development partners and multilateral institutions into infrastructural development, and reverse the existing inadequate state of transport networks, energy supply, information and communication technology ('ICT') that cut across Africa.

The economic growth effect

The rising focus on infrastructure development is critical for Africa to sustain its present impressive economic growth rates. Infrastructure is a critical productive input that impacts directly on economic growth and indirectly on the efficiency of other complementary factors of productivity. Investment in new infrastructure, infrastructure upgrades and maintenance has accounted for a significant share of GDP growth in the past decade. Countries with above average levels of infrastructure in Sub-Saharan Africa, and those that have invested significantly in their infrastructure development in recent years, have experienced accelerated growth, for example, Rwanda, Ethiopia, South Africa and Nigeria.

Across Africa, infrastructure contributed 99 basis points to per capita economic growth from 1990 to 2005, compared with 68 basis points for other structural policies. That contribution is almost wholly attributable to advances in the penetration of telecommunication services. On the other hand, poor power supply shaved 11 basis points from per capita growth for Africa as a whole and as much as 20 basis points for South Africa (Calderon, 2008).

11 basis points
shaved from per capita growth for Africa due to poor electricity supply

Cost of doing business effect

In Africa, the current state of infrastructure remains a major constraint to doing business, reducing firm productivity by about 40%, imposing extra burden on businesses through private provisions of power, security, water and roads (Escribano et al, 2008). Power ranks as the major business obstacle across most parts of the continent. Inefficient functioning of ports and associated customs clearance is also very significant. Other challenges include transport and ICT inadequacies.

40%
reduced productivity due to infrastructure constraints

Human development effect

Development of infrastructure projects contributes directly to socio-economic development through creation of jobs, boosting farm and off-farm productivity and incomes, especially in the poor rural areas, thereby reducing poverty, and meeting other sustainable development goals, such as improved access to clean water, education, health, clean energy and better roads. Access to potable water can lead to reduction in diseases such as cholera and dysentery, which are leading causes of infant mortality. Road networks when constructed will also open up host communities and regional markets. Power is key to realising the human development goals agenda as per capita energy and power consumption is highly correlated with diverse indicators of quality of life.

Power is key to realising the human development goals agenda

Diversification and industrialisation effects

No country can successfully transform its economy without appropriate complementary infrastructure. Good infrastructure networks link up agricultural raw materials that are largely based in the rural areas with the industries that are largely located in the urban centres. Power will allow rural farmers to better preserve their farm output and reduce post harvest losses. With reliable and stable power, manufacturers will be in a better position to compete with foreign producers in local and international markets. This will boost economic growth, employment and reduce poverty.

For countries with small markets, regional integration and cooperation will allow for economies of scale in infrastructure development by pooling resources together to create bigger markets that will be attractive to non-public sector investors. Regional integration would also contribute to reducing the regulatory burden facing domestic industries through harmonising policies and restraining unfavourable domestic policies. Furthermore, it would boost inter and intra-African trade, thereby accelerating industrialisation across the continent.

The Nigerian connection

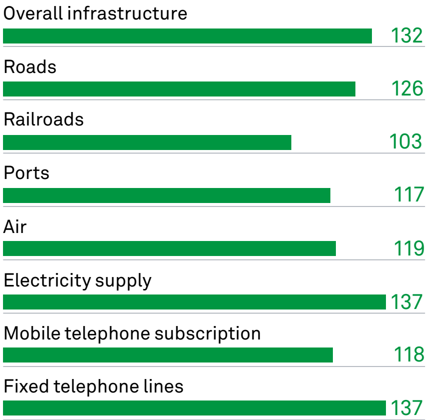
Nigeria, with a population of around 186 million (2016 estimate) and a GDP of US$376 billion, is the most populous and largest African economy. The population is predominantly young and dynamic. The country sits astride a huge deposit of energy resources making it the largest producer and exporter of petroleum in Africa and among the top ten in the world. Oil and gas reserves are also large by regional and global standards[1]. According to the 2014 World Bank's Enterprise survey, the major obstacles faced by businesses operating in Nigeria are limited access to finance, poor infrastructure (especially power) and corruption. The value of Nigeria's total infrastructure stock (road, rail, power, airports, water, telecoms and seaports) represents less than 30% of GDP, far below the acceptable standard of 70%. Nigeria lags behind comparator countries like India, Brazil and South Africa, with total core infrastructure stock as a share of GDP at 58%, 47% and 87% in 2012, respectively (NPC, 2013).

To bridge this gap, the current administration has launched a medium-term development agenda tagged the Economic Recovery and Growth Plan ('ERGP'). The Plan envisages that the Nigerian economy will attain a 5% annual economic growth rate by 2020. This growth target is, however, dependent on closing the massive infrastructure gap in the economy, especially power. Hence, the country will put preeminent attention to power and gas infrastructure in the development of the First Operational Plan for the Nigerian Integrated Infrastructure Masterplan ('NIIMP') which covers the period 2017-2021.

The NIIMP is a major government initiative developed to accelerate infrastructure development. Its primary objective is to raise national infrastructure stock / GDP ratio from 20-25% to 70% by 2043. According to the NIIMP, Nigeria spends US$10 billion annually on infrastructure, half of which comes from the private sector. About 70% of infrastructure spending is distributed among ICT (28%), transport (23%) and energy (19%). The estimated cost for meeting the target of infrastructure stock/GDP ratio of 70% will require an annual investment expenditure of US$100 billion over the 30-year period of the NIIMP. Government projected that 48% of this investment will be financed by the private sector. Partnership between the public and private sectors is therefore very important to deliver on the infrastructural goals set out in the ERGP and the NIIMP. Options available to complement government finance include public private partnership ('PPP') arrangements, and privatisations of some assets like refineries, railways, airports, among others, and exploring the options presented by the public pension funds and the sovereign wealth funds ('SWF').

Power is by far the most binding constraint to doing business in Nigeria. Apart from being the most efficient form of energy, electricity is hugely important for production processes in all sectors of the economy. Other factors of production, capital machinery and equipment, computers, and even labour, depend on the availability of a reliable and quality electricity supply. Little wonder that Nigerian firms have no choice but to spend large investments on self generated provisions of power. The cost of this extra investment in power is heavier on small and medium scale enterprises than large enterprises.

Doing business, Global ranking on quality of infrastructure



Source: World Economic Forum, Global Competitiveness Index Report, 2017–2018.

Only about 57% of Nigerians have access to on-grid power. Aliyu et al. (2013) pointed out that 60% of the time there is no access to power in Nigeria. Blackouts are commonplace and Nigerians are forced to rely on biomass fuel and petrol or diesel generators to make up for the unreliable power supply from the national grid[2]. The national average for power supply is around 35 hours a week. Nigerian households spend almost four times as much on fuel/electricity as they do on healthcare and only half as much of their fuel/electricity expenditure on education.

Grid supplied power in Nigeria has been so irregular that the economy has been described as a 'generator economy' (IseOlorunkanmi, 2014). A series of power sector polls conducted by NOI Polls Ltd for the second quarter of 2013 revealed that about 130 million, representing 81%, out of the 160 million Nigerians generated their own power through alternative sources to make up for irregular/non-existent power supply.

1 Current estimates show that Nigeria has over 37 billion barrels of oil reserves and 187 trillion cubic feet of proven gas reserves.

2 It is estimated that nearly US$22 billion of foreign exchange is spent annually on the importation of diesel. This is a huge pressure on Nigeria's foreign reserves and exchange rate. Improved electricity supply locally will relieve this burden on foreign exchange as well as contribute to lower energy budgets for electricity consumers in the country. Household savings from high energy budgets can be spent on other human development needs.

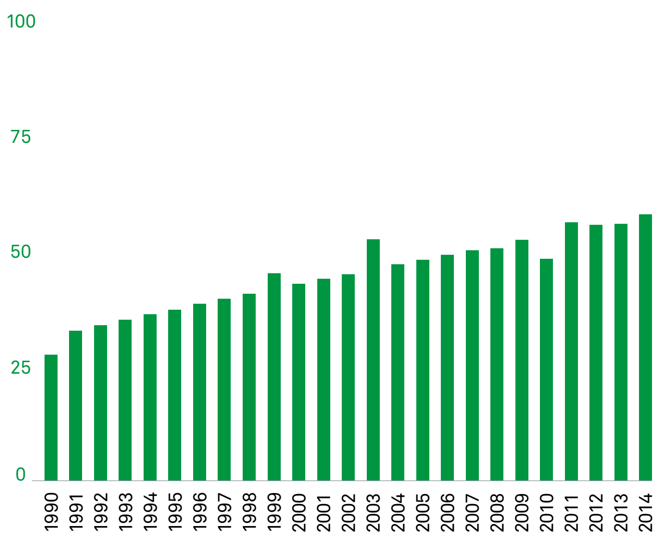
Transport

Nigeria's publicly owned and operated transportation infrastructure remains a major obstacle to economic development. While the Nigerian government has opened the ports for the private sector to manage and operate through concession agreements, the government still manages the rail and roads sector. A sound legal framework and policy reforms are needed to allow PPPs to move forward in the rail and roads sector. Of the 50,000 miles of road, only slightly more than 10,000 miles are paved, and many of these paved roads are in poor shape. Only five of Nigeria's 22 airports are currently able to receive international flights. The government is seeking to encourage private sector involvement in these major airports in a bid to revamp the aviation infrastructure in the country and better position it for business. Nigeria's railway network currently has eight lines that are collectively only about 2,000 miles long. These railways require major rehabilitation, modernisation, and expansion. The Chinese government is collaborating with the government to rehabilitate and expand the existing rail system.

Only
2,000 miles
of rail lines

5/22 airports
are currently able to receive international flights

Nigeria's access to electricity (% of population) 1990-2014



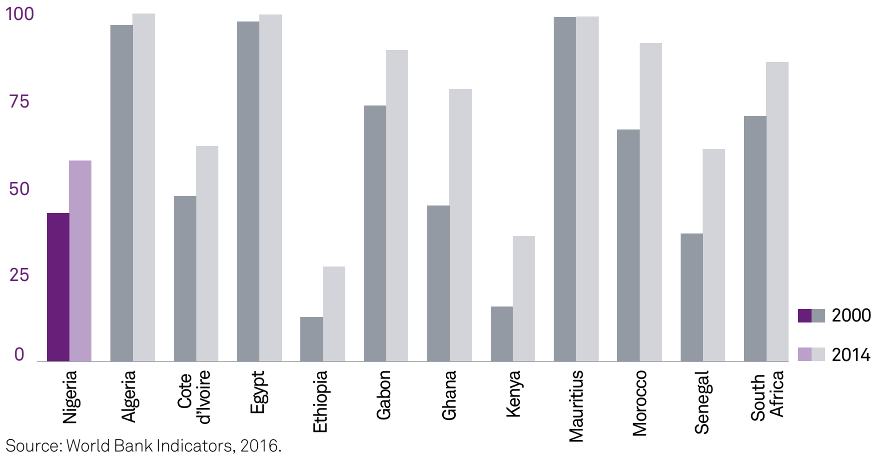
Source: World Bank Indicators, 2016.

Energy

Access to reliable and affordable power is vital for businesses. Nigeria's manufacturing sector had an estimated self-generation capacity of 13.2GW in 2013 and spent over ₦213billion on private power generation over a three-year period. Nigeria's growth potential will remain unrealised if these power sector challenges are not addressed. Although Nigeria has 12.5GW of publicly installed generation capacity, less than 5GW is typically available on a regular basis (USAID Power Africa Factsheet, 2017).

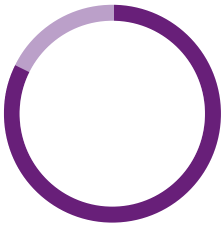
Addressing the power deficits of Nigeria will require policy makers to address a number of challenges: electricity and gas pricing, gas-to-power infrastructure, technical and economic losses, weakness in power transmission and distribution networks, under-investment across the entire value chain, among others.

Nigeria's access to electricity (% of population) 2000-2014, compared to other African countries



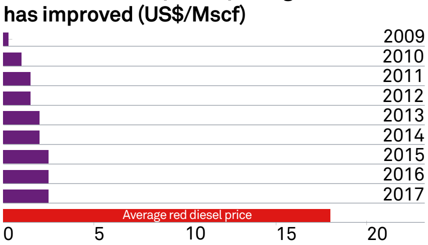
Source: World Bank Indicators, 2016.

Nigeria's installed power generation mix



Source: World Bank Indicators, 2016.

Gas to domestic power pricing has improved (US$/Mscf)



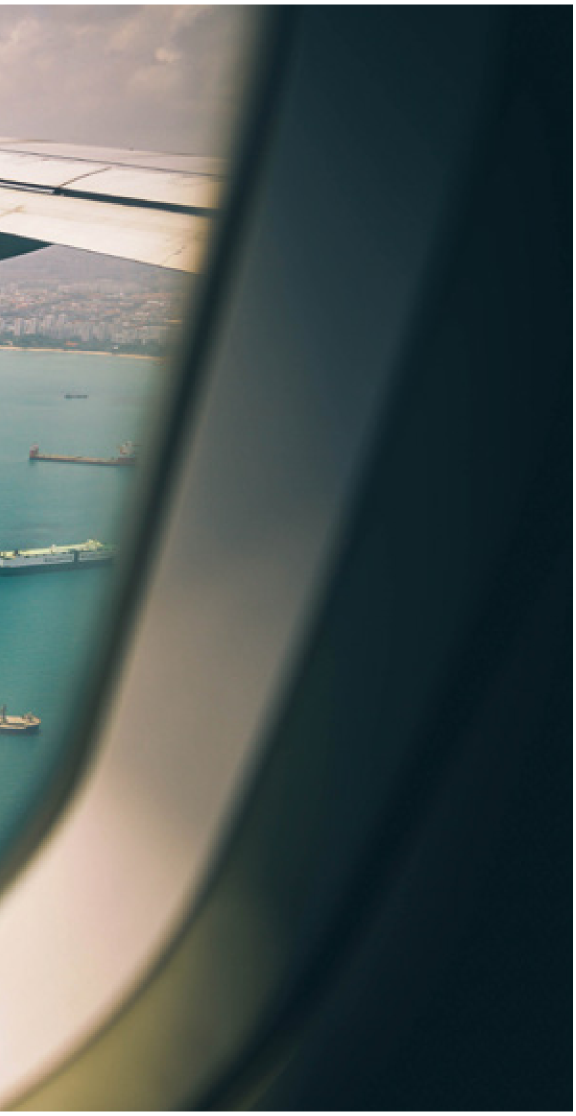
Source: NNPC; assumed 1 MMbtu equals 1 Mscf. Based on DSO pricing levels.

Experts' estimates of the value of investment needed to resuscitate and rehabilitate Nigeria's power sector range from US$10 billion in the short term to US$900 billion in the next 30 years.

The government has launched several initiatives to address the myriad of power problems, including inequality in rural-urban access. These include the 2017 Power Sector Recovery Programme ('PRSP'), which contains a series of policy actions, and operational, governance and financial interventions to be implemented by 2022. The programme aims to restore the financial viability of Nigeria's power sector, improve transparency and service delivery and reset the supply industry for future growth. The PRSP also focuses attention on the role of the private sector in closing the power supply gap across the country.

The link between the power and petroleum sector is very important in Nigeria. Currently, thermal plants (mainly gas fired plants) account for over 82% of power generation mix. This implies that upstream petroleum companies have a significant role to play in bridging the gas-to-power supply gap.

It is important to point out that most of the newly licensed power plants are gas fired plants and it is for this reason that the Domestic Supply Obligation ('DSO') was introduced. The DSO is a system that manages price increases to meet the market price and aims to guarantee gas supply to 'strategic sectors' of the economy which include power.



Water

Water is central to human existence. Socio-economic development and environmental sustainability revolve around it. The total surface and ground water resource in Nigeria is estimated at above 250 billion cubic metres representing about 1,800 m^3/capita/year of total renewable water resources, which is well above the 1,000m^3/capita/year typically used to define water scarcity. Nigeria is NOT a water-poor country. There is more than enough water resource for domestic, industrial, agricultural, hydropower, transportation and recreational use. However, Nigeria is ranked as an Economic Water Scarce Country, because there is a lack of investment and proper management to meet demand.

250bn m^3
total surface and ground water resource estimate in Nigeria

There is more than enough water resource for domestic, industrial, agricultural, hydropower, transportation and recreational use.

National access to water supply was estimated in 2015 at 69%. This implies significant effort is required to ramp up the water supply system to meet the 100% water supply target envisaged by the SDG by 2030. Again, power provision is key to ensuring that clean water is available for Nigerians living in rural, semi-urban and urban areas of the country. The high rate of failure of solar powered borehole water across the country has to be urgently addressed, even as policy seems to favour non-grid power to meet the needs of the rural population.

ICT

The ICT sector, buoyed by the telecommunication sub-sector, has recorded major advancement and growth. Liberalisation policies in the ICT sector have resulted in widespread, low-cost mobile services and major private investments in the development of a national fibre-optic backbone. The sector has attracted significant investment since it was liberalised in 2000 and, according to the Nigerian Communications Commission, investment in the sector is estimated at over US$70 billion since 2000. This investment has created direct and indirect employment for Nigerians. However, quality of service delivery remains a major challenge as costs remain high due to energy challenges.

Recent infrastructural developments

There are numerous developmental and infrastructural projects springing up across vital sectors of the nation's economy that can catalyse growth. These include:

Gas pipelines
Several gas pipeline projects have been approved by the Federal Executive Council to address local gas supply challenges in Nigeria and as part of the implementation of the First Phase of the Nigerian Gas Master Plan ('NGMP'). The very important 127 kilometre Obiafu-Obrikom-Oben ('OB3') gas pipeline will be the first gas pipeline to transport gas from the gas rich east of the country to the demand centres in the west of Nigeria. On completion in 2018, this pipeline system will transform the infrastructure landscape and boost the availability of gas to existing power plants and manufacturers. Various contract sums including US$2.8 billion were approved for the construction of a 40-inch pipeline across 614 kilometres from Ajaokuta-Abuja-Kaduna-Kano. The project is slated for completion in 2019. Another contract has also been approved for the engineering, verification, procurement and construction of a 40-inch pipeline across 30 kilometres from Odidi-Warri gas pipeline expansion project to transport additional gas supply from upstream producers to various demand points at a cost of ₦7.7 billion and US$56 million. These contracts will provide a massive boost to energy transportation networks that will benefit all sectors of the economy.

Mambilla Hydro Power project
The government has approved and awarded contracts for this US$5 billion hydro power project which is expected to be operating in six years' time. The project is expected to expand the amount of power generated to the grid and also expected to drive the power mix and energy security of the country. ₦9.8 billion was allocated in the 2018 budget towards the Mambilla project.

Lagos-Calabar Railway
The US$11 billion rail project, which is to be carried out in two phases, has been approved by the government. It will connect two major shipping and trading hubs: Lagos in the west with major eastern cities such as Enugu, Port Harcourt and Calabar.

East – West Road and Second Niger Bridge
Funds for these two critical infrastructural projects were included in the 2018 budget which earmarked ₦10 billion for the Second Niger Bridge and ₦17.82 billion for the completion of the East – West Road. Funding will come from issuance of government bonds and through PPP.

Infrastructure/Sukuk Bond
The use of Sukuk Bonds to raise funds to finance infrastructure is one of the innovative financing schemes undertaken in 2017. The ₦100 billion bond was oversubscribed and the proceeds are to be used to construct and rehabilitate 25 roads in Nigeria's six geo-political zones. These roads have been selected by the Federal Ministry of Power, Works and Housing ('FMPWH') because of their strategic economic importance.

Airport concession
The government has approved the concession of the Lagos and Abuja airports for the pilot phase which will ensure private sector involvement in the running of the airports. The 2018 budget also provides for the construction of a second runway at Abuja Airport.

Nigeria launches first African Sovereign Green Bond
The government has approved the raising of ₦10.6 billion green bonds to finance renewable energy projects to protect the environment. According to the Debt Management Office, the bonds would be used to finance three renewable energy projects: Renewable Energy Micro-Utilities Programme, Re-energising Education Programme and Afforestation Programme. The bonds will provide an alternative financing source for renewable energy projects in the country, help protect the environment and assist the country in meeting its commitment under the Paris Agreement on Climate Change.

Lekki Deep Seaport
Construction is expected to begin at the Lekki Deep Seaport in 2018, as project sponsors have opened discussions with domestic financial institutions and commercial lenders. Both the Nigeria Ports Authority and the Lagos State government have taken up equity participation. On completion in 2019, this multi-purpose deep sea port in the heart of the Lagos Free Trade Zone will be one of the most modern ports in Africa and will support trade across Nigeria and the entire West African region.

Seplat's role

Following the implementation of the Domestic Supply Obligation in 2010, gas pricing has moved to commercial levels as the gas market transitions to a free market system. Seplat has been able to align its gas business with the broader needs of the Nigerian economy and emerge as a key strategic operator in support of the government's energy agenda. This has to be the template for future successful businesses in the energy space in particular, where the shared values of all stakeholders are integrated into the long-term business plans of the operating companies to deliver sustainable growth.

The demand for power is obvious for several decades to come in Nigeria and the government envisages that power generation will need to increase from the current level of less than 5GW to 30GW by 2030. Given the prolific reserves in the country, gas is the obvious fuel to underpin large-scale and grid based power generation for the long term. Against this current backdrop of a wide power supply deficit, of which inadequate gas supply is a major cause, Seplat is positioned to play a leading role in addressing the issue by boosting a reliable supply of processed gas to the domestic market which in turn can underpin increased power generation. Seplat has built an upstream portfolio with considerable gas reserves in the ground and has made substantial investments to increase midstream production and processing capacity to meet the growing local demand.

Seplat is well positioned to align its business plan with the needs of the Nigerian economy and to support the government's energy agenda

<5GW – 30GW

government predicted electricity generation increase by 2030

With further expansion of its already sizeable gas business planned, Seplat will not only make an increasing contribution to bridging the current power shortages in Nigeria, but at the same time will add momentum to the positive multiplier effects derived from increased electrification that can boost other sectors of the nation's economy: higher employment, higher industrial output, higher agricultural output and reduced imports which will lead to higher income, greater spending power and higher standards of living.

This will, however, require the expansion of current and development of new large-scale gas feedstocks and gas infrastructure projects which in turn will need substantial capital investments. The domestic capital markets alone will not be able to fund future capital requirements, meaning that access to the international capital markets and private sector participation are going to be integral to achieving success.

In April 2014 Seplat became the first, and to date only, Nigerian company to fully dual list on the Nigerian and London stock exchanges and raised US$535 million in an IPO that ranked as the largest for a Sub-Saharan Africa company since 2008 and the second largest ever for a Nigerian company, demonstrating the international appetite for high quality indigenous Nigerian opportunities. Alongside this, Seplat has successfully accessed the debt capital markets and in January 2015 completed a US$1 billion debt refinancing that attracted participation from numerous international banks in a revolving credit facility. This was followed in March 2018 by a further debt refinancing that saw Seplat make its debut rated bond issuance. With a foot in each of the domestic and international markets Seplat is clearly differentiated amongst indigenous peers and well positioned to access multiple forms of capital globally to fund future growth. In conclusion, Seplat represents a template and has set a precedent that other indigenous Nigerian companies should aspire to replicate and help position Nigeria and its vast array of opportunities as an attractive investment destination.

References:

Aliyu, A., A. Ramli, and M. Saleh (2013). 'Nigeria Electricity Crisis: Power Generation Capacity Expansion and Environmental Ramifications'. Energy, 61(8): 354–67.

Calderon, C. 2008. Infrastructure and Growth in Africa. AICD, Working Paper, World Bank.

Escribano, A., Guasch, J. L. and Pena, J. 2008. Impact of Infrastructure Constraints on Firm Productivity in Africa. AICD, Working Paper, World Bank, Washington, D.C.

IseOlorunkanmi O. J. (2014) 'Issues and challenges in the Privatized Power Sector in Nigeria'. Journal of Sustainable Development Studies ISSN 2201-4268 Volume 6, Number 1, 2014, 161-174.

NPC (2013), Nigerian Integrated Infrastructure Master Plan. Draft Report.

USAID Power Africa Factsheet (2017) https://www.usaid.gov/powerafrica/nigeria

World Bank (2016). 'World Bank Indicator: Electric Power Consumption (kWh per capita) 2014'. http://data.worldbank.org/indicator/EG.USE.ELEC.KH.PC

Measuring our progress

Seplat measures its progress through certain key performance indicators that are closely linked to the successful delivery of its strategy.

Key

Year-on-year progress

- Below expectations
- In line with expectations
- Above expectations

Linked to remuneration?

- Yes, this KPI is linked to remuneration
- No, this KPI is not linked to remuneration

Strategic pillars

- Maximise production and cash flows from operated assets
- Move up 2C resources into 2P reserves category
- Commercialise and produce gas reserves
- Pursue a focused acquisition and farm-in strategy
- Be a highly responsible corporate citizen

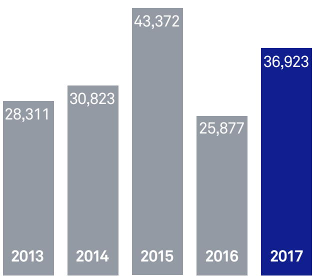
Net working interest production (boepd)

Progress

Linked to remuneration? (See page 100)

Delivering on our strategic pillars:

36,923



Definition

The Company's share of oil and gas produced during the year proportionate to its working interest in each producing block. Volumes expressed are as measured at the Company's facilities, prior to any reconciliation losses.

Relevance

An indicator of production strength at the Company's current blocks and the impact of development activities at organic and inorganic projects.

Progress

Oil production during H1 2017 was heavily influenced by force majeure at the Forcados terminal owing to disruption of the subsea export pipeline in February 2016. Force majeure was lifted on 6 June 2017 and full production operations were rapidly restored. Consequently, full year 2017 working interest production stood at 36,923 boepd (17,853 bopd and 114 MMscfd), up 43% year on year. Production uptime on the Trans Forcados System post lifting of force majeure was 81% while average reconciliation losses decreased significantly to 3.5% from previous levels of around 10%.

Outlook

The Company completed upgrades to the Warri refinery jetties in 2017 that will enable sustained exports of 30,000 bopd (gross), if required in the future. Alongside this, a third export option through the pipeline into the Escravos terminal is expected to be completed in Q3 2018 and will become available for Seplat to utilise. Having also increased gas processing capacity to 525 MMscfd, the Company expects to sign additional GSAs that will allow for gas production to be increased further.

Risk management

The Company has an in depth understanding of the subsurface and constantly monitors individual well and reservoir performance in order to optimise the drawdown rate on each well and maximise long-term economic recovery of oil and gas from the reservoirs. It has also prioritised the establishment of alternative oil export routes to mitigate high concentration risk.

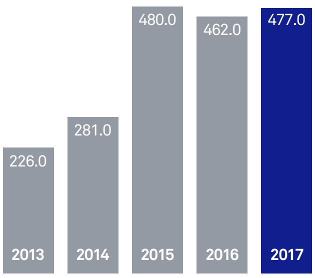
2P reserves movement (% increase/decrease)

Progress

Linked to remuneration? (See page 100)

Delivering on our strategic pillars:

+3.2



Definition

The number of barrels of oil equivalent added to the 2P reserves base during the year, expressed as a percentage increase/decrease.

Relevance

An indicator of the Company's ability to capitalise on organic opportunities within its portfolio and inorganic opportunities to replenish its reserves base.

Progress

Working interest 2P reserves at end 2017 stood at 477 MMboe, an increase of 3% year on year. The main drivers of the upward revision are an increase in oil reserves attributed to the Sapele Shallow reservoir at OML 41 and gas reserves at OML 53 more than offsetting volumes produced in the year.

Outlook

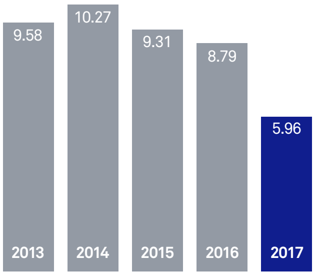
The Company has a significant working interest 2C resource base of 61 MMboe that offers good reserves growth potential. The Company will also continue to evaluate acquisition opportunities and undertake a focused E&A drilling programme.

Risk management

The Company high grades its inventory of exploration and appraisal opportunities, each being subject to rigorous technical and commercial evaluation to de-risk as far as possible prior to committing capital. When evaluating new acquisitions the Company is careful to maintain price discipline and undertake rigorous analysis.

Production opex (US$/boe)

5.96



Progress ○○●

Linked to remuneration? ✕

Delivering on our strategic pillars:

Definition
The operating costs (excluding non-cash flow expenses, and financing costs) net to the Company divided by the Company's working interest barrels of oil and equivalent produced in the period.

Relevance
An indicator of how cost efficiently the Company is able to produce its oil and gas reserves. By controlling its operating cost base the Company is able to be more resilient to periods of depressed oil prices.

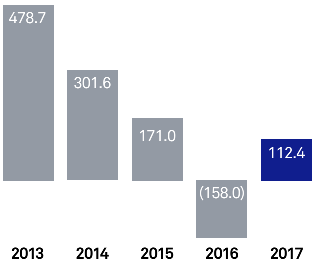
Progress
Opex costs per unit of production fell by 32% year on year in 2017 as a result of continued efforts to improve operational efficiency, resulting in lower operating and maintenance costs, and the effect of resuming of exports through the Forcados terminal, as opposed to utilising higher cost barging operations via the Warri refinery jetties.

Outlook
The Company remains focused on cost control. Whilst increases in certain cost components are expected year on year there are areas where downwards pressure can be applied with the objective of achieving a stable unit cost.

Risk management
The Company carefully monitors expenditures and continually analyses its underlying cost base, making comparisons to prevailing market rates in order to ensure that the Company is identifying and able to action cost saving and efficiency gains keeping it competitively positioned on the cost curve.

EBIT (US$m)

112.4



Progress ○●○

Linked to remuneration? ✕

Delivering on our strategic pillars:

Definition
The Company's earnings before the deduction of interest and tax expenses.

Relevance
An indicator of the Company's earnings ability. An increase in EBIT requires growth in revenue and/or strong cost control.

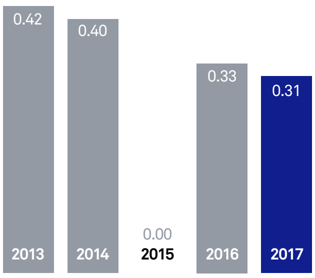
Progress
EBIT in 2017 reflects the higher oil and gas production and higher oil price realisations year on year. 2017 EBIT was also positively impacted by the lower opex per unit of production and lower general and administrative expenses.

Outlook
Improved oil production levels, tight cost control and anticipated growth in gas production at OMLs 4, 38 and 41 will ensure robust earnings potential in the future. Development of the substantial gas and condensate reserves at OML 53 will also enhance the future earnings profile.

Risk management
The Company has robust financial processes in place and carefully monitors revenues, cost of sales and admin costs to ensure continued strong profitability. Oil price is a major influencing factor on the Company's revenue. The Company is analysing hedging strategies to help mitigate exposure to oil price volatility.

LTIF (number of incidents per million man hours)

0.31



Progress ●○○

Linked to remuneration? ✓ (See page 100)

Delivering on our strategic pillars:

Definition
The number of lost time incidents recorded per million man hours worked.

Relevance
An indicator of health and safety performance that is widely established within the oil and gas industry.

Progress
Despite the low level of rig-based activity in 2017 the Company remained operationally active, completing the Oben gas plant Phase II expansion project and expanding the gross capacity of the alternative oil export route via the Warri refinery jetties to 30,000 bopd. The Company achieved an LTIF of 0.31 in the year, which is slightly lower than 0.33 in 2016.

Outlook
In 2018 efforts will continue to minimise the frequency of lost time incidents in all areas of operations. The Company will continue to ensure high HSSE standards are met and assess opportunities to constantly improve its HSSE systems and protocols.

Risk management
The Company has in place extensive and well developed HSSE policies and reporting procedures with an emphasis on the early identification and mitigation of HSSE risks. The Company closely monitors its HSSE performance and is constantly evaluating ways to improve its performance.

Tracking our performance

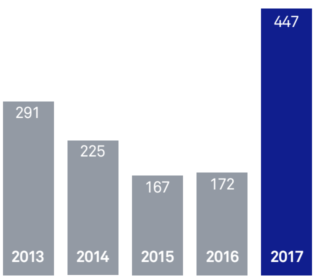
In addition to its key performance indicators, Seplat also tracks performance against additional metrics that further assist in measuring progress.

Strategic pillars

- Maximise production and cash flows from operated assets
- Move up 2C resources into 2P reserves category
- Commercialise and produce gas reserves
- Pursue a focused acquisition and farm-in strategy
- Be a highly responsible corporate citizen

Net cash flow from operating activities (US$m)

447



Delivering on our strategic pillars:

Definition
The Group's operating cash flow in the year.

Relevance
An indicator of the cash generative potential of the Company's producing oil and gas blocks.

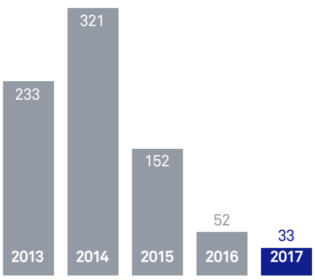
Progress
Seplat's operating cash flow in 2017 reflects the higher oil and gas production following the resumption of full production operations after force majeure at the Forcados terminal was lifted on 6 June, together with higher oil price realisations, lower opex costs per unit of production and lower general and administrative costs. 2017 operating cash flow also reflects the accelerated recovery of legacy cash calls owed by NPDC through measures that included receipt of NPDC's share of gas revenues and monetisation of oil volumes allocated by NPDC to Seplat.

Outlook
Strong underling wellhead oil production capacity and anticipated future growth in gas production will ensure robust cash flow generation in the future. Development of the recently acquired OML 53 block together with OPL 283 will also significantly augment future cash flow potential.

Risk management
Careful financial management and high levels of operating efficiency allow the Company to ensure positive cash generation from its operating activities. Access to multiple oil export routes will also de-risk distribution of oil production to market and improve uptime, positively influencing cash flows.

Capital expenditure (US$m)

33



Delivering on our strategic pillars:

Definition
The total amount of capital expenditure made during the year, excluding acquisition costs.

Relevance
An indicator of the Company's level of investment activities in production, development and exploration and appraisal activities.

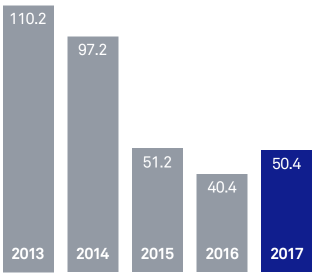
Progress
The Company has continued to invest in the development of its portfolio of blocks onshore the Niger Delta and in particular has prioritised acceleration of gas capacity development to supply the domestic market. By having discretion over capex, 2017 spend was scaled back significantly owing to force majeure at the Forcados terminal from 21 February 2016 to 6 June 2017 and the Company's prudent strategy of maintaining a liquidity buffer.

Outlook
The Company will continue to invest in the development of its portfolio, allocating capital to the opportunities that offer the best returns and volume growth potential whilst scaling and timing investments at appropriate levels to closely match cash flow generation.

Risk management
Project investments are monitored closely against budgets to minimise the risk of over-runs. The Company benchmarks every investment opportunity to ensure capital is deployed to only the highest return projects, and adheres to a price disciplined acquisition strategy.

Realised oil price (US$/bbl)

50.4



Delivering on our strategic pillars:

Definition
The average oil price per barrel sold by the Company during the period.

Relevance
The Company's financial performance is closely linked to the oil price.

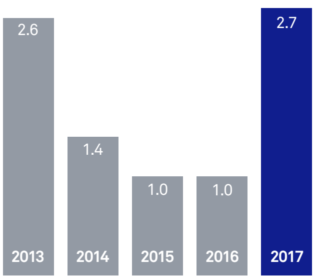
Progress
Oil prices improved overall in 2017 but remained volatile. Brent started the year at the US$55/bbl level before recording a low of around US$44/bbl in June, recovering steadily thereafter to exit 2017 at the US$67/bbl level. The Company put in place dated Brent put options covering a volume of 3.69 MMbbls in 2017 at a combined weighted average strike price of US$48.38/bbl. This hedging programme has been rolled forward into 2018 with deferred premium put options in place covering 3.6 MMbbls at a strike price of US$40.0/bbl in H1 and covering 3.0 MMbbls at a strike price of US$50/bbl in H2.

Outlook
The Company has historically sold over 90% of its produced oil under the Forcados blend that has generally received a premium to a Brent marker price. Oil prices are expected to remain subject to macro economic volatility.

Risk management
Seplat's management continues to closely monitor prevailing oil market dynamics and will consider further measures and take advantage of opportune periods to implement additional hedges to provide appropriate levels of cash flow assurance.

Staff turnover (%)

2.7



Delivering on our strategic pillars:

Definition
The rate at which full time staff of Seplat choose to leave the Company voluntarily, expressed as a percentage of average full time headcount during the year.

Relevance
An indicator of the Company's ability to attract and retain personnel. The loss of people can result in skills shortage, loss of knowledge and higher recruitment costs.

Progress
The Company has continued to develop its employment policies with the aim of attracting and retaining high calibre industry talent. This resulted in staff turnover remaining low in 2017 at 2.7%, slighter higher than the prior year.

Outlook
The industry is still expected, over the longer term, to continue to face skills shortages in key areas with competition for high performing individuals amongst competitors being intense.

Risk management
The Company's policy is to provide industry competitive benefits packages and provide progressive career opportunities to retain and attract high-performing employees.

Building our output capacity

Our proactive approach to overcoming challenges and management actions led to an improved performance outlook with greater optionality around export routes at our core assets.

Overview

Seplat's current portfolio comprises direct interests in five oil and gas blocks and a revenue interest in one further block, all of which are located in the onshore to swamp areas of the prolific Niger Delta. This portfolio provides the Company with a robust platform of oil and natural gas reserves and production capacity together with material upside opportunities through future development projects, 2C to 2P conversion and exploration and appraisal drilling. We also continue to view the shallow water offshore areas of the Niger Delta as an appealing opportunity set and one we hold ambitions to access in the future.

Working interest reserves

Working interest 2P reserves as assessed independently by Ryder Scott at 31 December 2017 stood at 477.3 MMboe, comprising 226.3 MMbbls of oil and condensate and 1,455.7 Bscf of natural gas. This represents an increase in overall 2P reserves of 3% year on year. The main driver of the upward revision year on year is increased oil reserves attributed to the Sapele Shallow field at OML 4 and an increase in gas reserves at OML 53 more than offsetting volumes produced in the year.

At 31 December, working interest 2C resources stood at 61 MMboe, comprising 48 MMbbls of oil and condensate and 75 Bscf of natural gas. Consequently the Company's working interest 2P+2C reserves and resources stood at 538 MMboe at 31 December 2017, comprising 274 MMbbls oil and condensate and 1,530 Bscf of natural gas.

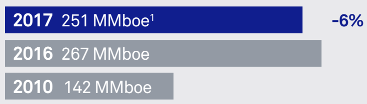
Full year average daily production

2017 full year average working interest production stood at 36,923 boepd and represents an overall increase of 43% year on year. Within this, liquids production was up 77% year on year whilst gas production was up 20% year on year. The 2017 figures reflect the resumption of full production operations following the lifting of force majeure at the Forcados terminal on 6 June. Overall reconciliation losses arising from use of third-party infrastructure were around 3.5% for the year. Post force majeure being lifted, net working interest production from June to year end averaged 47,522 boepd (comprising 26,527 bopd liquids and 126 MMscfd gas).

Alternative oil export route

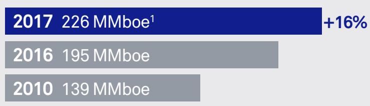
The Company's policy of creating multiple export routes for all of its assets has resulted in it actively pursuing alternative crude oil evacuation options for production at OMLs 4, 38 and 41 and potential strategies to further grow and diversify production in order to reduce any over-reliance on one particular third-party operated export system. In line with this objective, in 2017 the Company successfully completed repairs and upgrades on two jetties at the Warri refinery that will enable sustained exports of 30,000 bopd (gross) if required in the future. Prior to the repair and upgrade work on the two jetties gross exports via the Warri refinery were around the 15,000 bopd level. Exports via the Warri refinery jetty to date have typically incurred barging costs of around US$11/bbl but partially offsetting this, exports via this route are not subject to the reconciliation losses or terminal crude handling and transport charges when exporting via the TFS. At 31 December 2017 a gross volume of 1.9 million barrels had been evacuated via this route in the year.

Working interest 2P gas reserves (2010 to 2017)



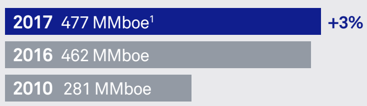
Movement in working interest 2P gas reserves from end 2010 to end 2017.

Working interest 2P liquid reserves (2010 to 2017)



Movement in working interest 2P liquid reserves from end 2010 to end 2017.

Total working interest 2P reserves (2010 to 2017)



Movement in total working interest 2P reserves from end 2010 to end 2017.

61 MMboe

Working interest 2C resources at 31 December 2017

1 As certified by Ryder Scott CPR dated 31 December 2017.

Prior to establishing the alternative oil export route via the Warri refinery, gas production was limited by storage constraints for associated condensate volumes that would ordinarily be spiked into crude oil production and exported via the Forcados terminal. Crucially, availability of the alternative export route enabled Seplat to step up deliveries to the domestic market and greatly improve security of supply. 100% of Seplat's gas production is supplied to the domestic market.

Longer term, the Amukpe-Escravos 160,000 bopd capacity pipeline is set to provide a third export option for liquids production at OMLs 4, 38 and 41. Seplat signed a Funding Agreement in December 2017 with the pipeline owners, NAPIMS (a 100% subsidiary of NNPC), Pan Ocean Corporation Limited 'Pan Ocean' and the pipeline contractor FENOG to ensure timely completion of the pipeline. Post year end, FENOG has initiated completion works. Negotiations between the pipeline operator, Pan Ocean, and Chevron in relation to Crude Handling Agreements are also advancing. The Heads of Terms for the Crude Transport Agreement between NPDC/Seplat JV and NAPIMS/Pan Ocean JV is also nearly complete and Seplat anticipates the pipeline to be fully commissioned and operational in Q3 2018.

With line of sight on the availability of three independent export routes it is Seplat's ultimate intention to utilise all three to ensure there is adequate redundancy in evacuation routes, reducing downtime which has adversely affected the business over a number of years, significantly de-risking the distribution of production to market.

Working interest reserves

	At 31/12/2016[2]			At 31/12/2017[3]		
	Liquids MMbbls	Gas Bscf	Oil equivalent MMboe	Liquids MMbbls	Gas Bscf	Oil equivalent MMboe
OMLs 4, 38 & 41	137.3	766	269	174.7	657	288
OPL 283	8.5	72	21	5.1	62	16
OML 53	41.1	671	157	41.5	736	168
OML 55[1]	8.5	35	15	5.0	–	5
Total	**195.4**	**1,544**	**462**	**226.3**	**1,455**	**477**

1 Under the revised commercial terms in relation to OML 55, Seplat will no longer be a shareholder in BelemaOil but will instead have a financial interest until a discharge sum of US$330 million has been paid to Seplat through the monetisation of oil reserves at OML 55.

2 Working interest reserves stated at 31/12/2016 assessed independently by DeGolyer and McNaughton.

3 Working interest reserves stated at 31/12/2017 assessed independently by Ryder Scott.

Full year average daily production

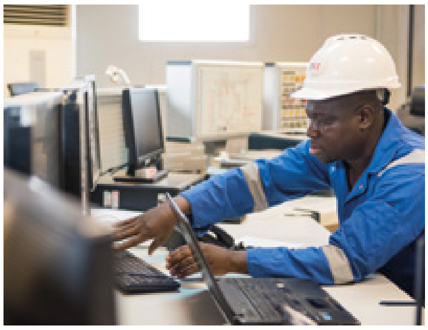
		Gross			Working interest		
	Seplat %	Liquids[1] bopd	Gas MMscfd	Oil equivalent boepd	Liquids bopd	Gas MMscfd	Oil equivalent boepd
OMLs 4, 38 & 41	45.0%	35,060	254	77,438	15,777	114	34,847
OPL 283	40.0%	2,502	–	2,502	1,001	–	1,001
OML 53	40.0%	2,687	–	2,687	1,075	–	1,075
Total		**40,249**	**254**	**82,627**	**17,853**	**114**	**36,923**

1 Liquid production volumes as measured at the LACT unit for OMLs 4, 38 and 41. Volumes stated are subject to reconciliation and will differ from sales volumes within the period.

Gas business

Alongside its oil business, the Company has also prioritised the commercialisation and development of the substantial gas reserves and resources identified at its blocks and is today a leading supplier of gas to the domestic market in Nigeria. The lifting of force majeure on 6 June 2017 and resumption of full exports via the TFS removed the condensate handling constraints and translated into an immediate uplift in gross gas production. As a result, gross production in the second half averaged 283 MMscfd, up 26% from a previously constrained level of 225 MMscfd in the first half of the year. Furthermore, having successfully completed and commissioned the Phase II expansion of the Oben gas processing plant early in 2017, taking overall operated gas processing capacity to the 525 MMscfd level, the Company is actively engaged with counterparties to increase contracted gas sales with the intention of taking gross production towards the 400 MMscfd level. The Company also commenced supplies of commissioning gas to the Azura power plant, in December 2017, ahead of commencement of full operations later in 2018, when it will take 116 MMscfd on a take or pay basis.

Increased power generation is key to Nigeria's future. Seplat is investing to grow gas production and processing capacity to further step up supplies of processed gas to the domestic market that can underpin greater levels of power generation in the future.



Of the 525 MMscfd total processing capacity, 465 MMscfd is located at Oben with the remaining 60 MMscfd located at Sapele. The 375 MMscfd expansion at Oben (Phases I and II) was completed by Seplat as a 100% investment project. The gas processing capacity expansion is also designed to allow the Company to accept third-party gas and receive a processing tariff. Another 2 x 10 MMscfd compressors were installed and commissioned in Q4 2017 to capture additional associated gas ('AG') at the Oben flow station (following on from the successful installation of 3 x 10 MMscfd compressors in 2015). The project is geared towards elimination of routine flares and monetisation of AG. Seplat's focus on gas monetisation also includes the Sapele non-associated gas ('NAG') for which commercial discussions are ongoing and development option selected.

The ANOH gas development at OML 53 (and adjacent OML 21 with which the upstream project is unitised) is expected to underpin the next phase of growth for the gas business and Seplat's involvement positions it at the heart of one of the largest green field gas and condensate developments onshore the Niger Delta to date. Seplat is well positioned to leverage the experience gained at the Oben gas hub to incorporate operational and cost efficiencies. The Company has made good progress in formalising an incorporated joint venture relationship with government, signing a Heads of Terms, and inaugurating a joint steering committee to encompass the midstream element of the project, in light of which Seplat's FID will be aligned with NNPC approvals. The project is expected to achieve FID in H1 2018.

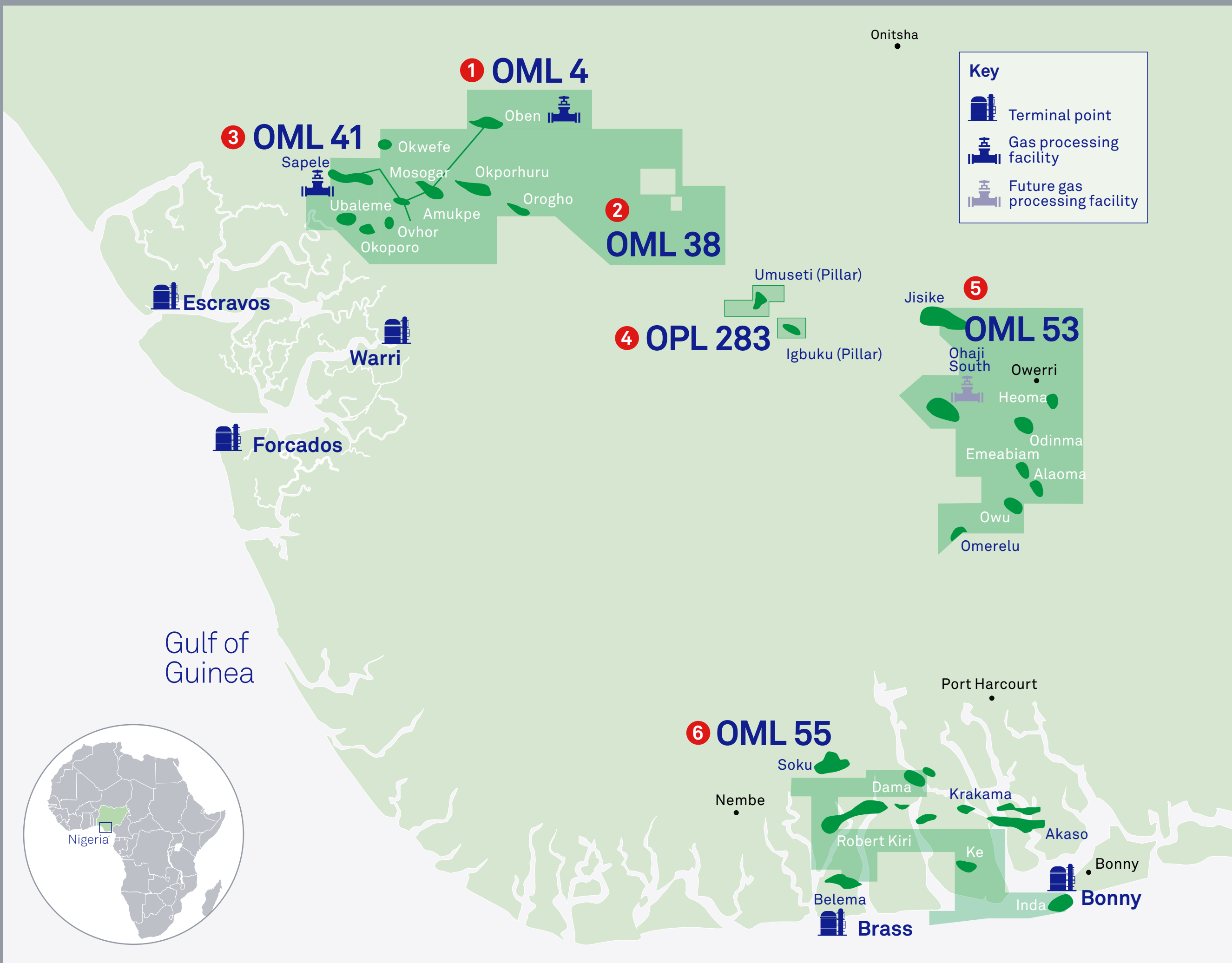
Rig-based activity and other capital projects

Rig-based activity at OMLs 4, 38 and 41 in 2017 was limited with just one rig deployed for a workover well in the Orogho field. The workover and recompletion of the Orogho-7 production well commenced in July and was completed as planned in August. Upgrades to the liquid treatment infrastructure at OMLs 4,38 and 41 were also made that will enable Seplat to inject export grade dry crude via alternative routes and at the same time eliminate crude handling charges that have historically been incurred on water in the wet crude injected into the TFS. While the Company continues to exercise discretion over spend and, having pulled back on expenditure during the extended period of force majeure, it is now selectively considering production drilling opportunities in the existing portfolio with a view to reinstating a work programme designed to capture the highest cash return production opportunities whilst diligently preserving a liquidity buffer.

At the non-operated OPL 283, Seplat participated in one appraisal well during the year. Seplat successfully delivered the Anagba-1 appraisal well on behalf of operator Pillar Oil Ltd in November 2017. The well confirmed the extension of the productive reservoirs of the Ashaka field, located on adjacent OML 60 (operated by the Nigerian Agip Oil Company Limited), into OPL 283. The successful well will support Pillar in ongoing unitisation discussions with the Nigerian AGIP Oil Company Limited, thereby enabling the OPL 283 partners to share in the Ashaka wells' oil production.

Asset overview

Our portfolio comprises direct interests in five blocks in the Niger Delta, four of which Seplat operates and one further revenue interest.



1 2 3 OMLs 4, 38, 41

2017 activities

- Production and development.

Highlights

- Completed and commissioned Phase II of the Oben gas processing plant expansion programme.
- Installation and integration of three new 75 MMscfd processing modules taking total gross processing capacity of the Oben plant to a minimum of 465 MMscfd.
- Installation of two additional 10 MMscfd compressors at the Oben flow station to eliminate and monetise associated gas that was previously flared.
- Executed the crude quality upgrade project aimed at achieving an export grade specification of 0.5 BS&W MAX, based on the crude handling agreement signed with SPDC.
- Defining a full development and drilling strategy for Sapele Shallow, which overlies the productive reservoirs in the main Sapele field and is estimated to hold a significant accumulation of oil (around 500 MMbbls STOIIP).

4 OPL 283

2017 activities

- Production.

Highlights

- Completed the Anagba-1 appraisal well in November 2017.
- Ongoing unitisation discussions on adjacent OML 60 with the Nigerian AGIP Oil.

5 OML 53

2017 activities

- Production and development.

Highlights

- Progress towards formalising an incorporated joint venture relationship with government to encompass the midstream element of the ANOH project, with anticipated FID in H1 2018.

6 OML 55

2017 activities

- Recovery of discharge sum.

Highlights

- Seplat received total payments of US$36 million in the year from the monetisation of 637 kbbls.
- Asset continues to be jointly controlled by Seplat and BelemaOil through an Asset Management Team comprising equal representatives of both parties.

OMLs 4/38/41

Operator:	Seplat
Working interest:	45.0%
Partner:	NPDC
Main fields:	Oben, Amukpe, Okporhuru, Ovor, Orogho, Sapele, Sapele Shallow
2017 working interest liquids production:	15,777 bopd
2017 working interest gas production:	114 MMscfd
Remaining working interest 2P oil reserves:	174.7 MMbbls
Remaining working interest 2P gas reserves:	657.1 Bscf
2018 activities:	Production and development

Delivering on our strategic pillars:

Links to business model:

- Explore & appraise
- Develop
- Produce, process & sell

Background

OML 4 covers an area of 267km^2 and is located 78km north east of Warri, Delta State. The Oben field is located in OML 4 and is the main producing field on the block. Facilities on the block include a 60,000 bopd capacity flow station, a 465 MMscfd capacity non-associated gas processing plant and an associated gas compressor station with five 10 MMscfd associated gas ('AG') compressors. Oil exports from the Oben flow station are routed via the Oben Amukpe pipeline to the Amukpe facilities and onwards to either the Forcados terminal or Warri refinery. Production operations and facilities are supported by the Oben Field Logistics Base. The Oben field in particular is central to the Company's future gas expansion plans and is strategically located as an important gas hub with access to Nigeria's main gas demand centres. The licence was renewed in 1989 for a further 30 years and is next due for renewal on 30 June 2019.

OML 38 covers an area of 2,094km^2 and is located 48km north of Warri, Delta State. There are currently four producing fields on the block, namely Amukpe, Okpohuru, Orogho and Ovhor (which straddles OML 38 and OML 41). There are two further discoveries in OML 38: the Mosogar and Jesse discoveries, which have not yet been brought into production. Facilities on the block include a 45,000 bpd capacity flow station, a Liquid Treatment Facility ('LTF') and two 50,000 bbls crude storage tanks, all located at Amukpe. The licence was renewed in 1989 for a further 30 years and is next due for renewal on 30 June 2019.

OML 41 covers an area of 291km^2 and is located 50km from Warri, Delta State. There are currently three producing fields on the block, namely Sapele, Sapele Shallow and Ovhor (which straddles OML 41 and OML 38), and two discoveries with contingent resources, the Ubaleme and Okoporo discoveries. Facilities on the block include a flow station with 60,000 bpd capacity, a 60 MMscfd capacity non associated gas processing plant and a 26 MMscfd NGC owned gas compressor station. Produced oil is exported via the Sapele Amukpe delivery line to the Amukpe facilities and onwards to either the Forcados terminal or Warri refinery. The condensate stream is combined with the oil for export and produced gas is exported via the NGC owned Oben-Sapele pipeline system which feeds into the Sapele power plant. The licence was renewed in 1989 for a further 30 years and is next due for renewal on 30 June 2019. Since the year end, the Company has commenced the licence renewal process for OMLs 4, 38 and 41 with the Department of Petroleum Resources. The application is for a renewal period of 20 years.

2017 activity

On OML 4, the Company completed and commissioned Phase II of the Oben gas processing plant expansion programme which included the installation and integration of three new 75 MMscfd processing modules (225 MMscfd aggregate capacity), taking total gross processing capacity of the Oben plant to a minimum of 465 MMscfd following commissioning in Q1 2017. The second key project, completed in Q4 2017 and aimed at eliminating and monetising associated gas that was previously flared, was the installation of two additional 10 MMscfd compressors at the Oben flow station.

On OML 38, further to the earlier commissioning of the liquid treatment facility ('LTF') at the Amukpe field, the Company undertook a crude quality upgrade project aimed at achieving an export grade specification of 0.5 BS&W MAX, based on the crude handling agreement signed with SPDC. By doing this, Seplat has scope to eliminate in the future the cost component of crude handling charges that have historically been incurred for exporting wet crude to the Forcados terminal and also free up additional haulage on the export pipeline for dry crude. With the completion of the project, Seplat will also be able to deliver increased export quality crude shipments via the alternative routes.

On OML 41 the ongoing focus is the development of the Sapele Shallow field. Following the pause in drilling activities in 2016 and 2017 owing to force majeure conditions at the Forcados terminal, Seplat is defining a full development and drilling strategy for Sapele Shallow, which overlies the productive reservoirs in the main Sapele field and is estimated to hold a significant accumulation of oil (around 500 MMbbls STOIIP). Prior to this, Sapele Shallow had remained largely undeveloped due to the heavier nature of the oil (21° API) relative to that in neighbouring blocks. The Company believes that the full development of Sapele Shallow represents a material upside opportunity.

OPL 283

Operator:	Pillar Oil/OPGC
Working interest:	40.0%
Partner:	Pillar Oil
Main fields:	Umuseti and Igbuku
2017 working interest liquids production:	1,001 bopd
2017 working interest gas production:	n/a
Remaining working interest 2P oil reserves:	5.1 MMbbls
Remaining working interest 2P gas reserves:	62.2 Bscf
2018 activities:	Production

Delivering on our strategic pillars:

Links to business model:

- Explore & appraise
- Develop
- Produce, process & sell

Background

Seplat has a 40% non-operated working interest in the Umuseti/Igbuku Marginal Field Area that is carved out of OML 56. The block is located in the northern onshore depo-belt of the Niger Delta and is operated by Pillar Oil Limited. The block contains one producing field, Umuseti, which came onstream in May 2012 and is currently producing from three development wells. There are 15 identified oil bearing reservoirs in Umuseti with production currently coming from four of these reservoirs. Further development drilling will be required to drain the remaining reservoirs. The Igbuku field contains predominantly gas and condensate and is currently undergoing appraisal prior to development. The block also contains four satellite exploration leads, namely Igbuku North, Igbuku Deep, Umuseti East and Umuseti North-East, which the joint venture partners intend to further evaluate. Facilities on the block include a 5,000 bopd Early Production Facility ('EPF') and two 20,000 bbls crude storage tanks. Umuseti production is evacuated to a Group Gathering Facility ('GGF') where it is metered and thereafter exported either via Agip's Kwale facilities to the Brass terminal or via NPDC's pipeline to Forcados.

2017 activity

Seplat delivered the Anagba-1 appraisal well on behalf of operator Pillar Oil Ltd in November 2017. The well was drilled to a final Well TD of 10,777 ftMD depth and successfully encountered oil within a structure that straddles the block boundary with adjacent OML 60 (where the reservoirs are in production). The well confirmed the extension of the productive reservoirs of the Ashaka field, located on adjacent OML 60 (operated by the Nigerian Agip Oil Company Limited), into OPL 283. The successful well will support Pillar in ongoing unitisation discussions with the Nigerian AGIP Oil Company Limited, thereby enabling the OPL 283 partners to share in the Ashaka wells' oil production.

OML 53

Operator:	Seplat
Working interest:	40.0%
Partner:	NNPC
Main fields:	Jisike (producing) and Ohaji South (discovery)
2017 working interest liquids production:	1,075 bopd
2017 working interest gas production:	n/a
Remaining working interest 2P oil reserves:	41.5 MMbbls
Remaining working interest 2P gas reserves:	736.4 Bscf
2018 activities:	Production and development

Delivering on our strategic pillars:

Links to business model:

- Explore & appraise
- Develop
- Produce, process & sell

Background

OML 53 covers an area of approximately 1,585km^2 and is located onshore in the north eastern Niger Delta. The Jisike oil field, located in the north western area of the block, is currently the only producing field on OML 53. Existing infrastructure at Jisike comprises flow-lines, phase one separation facilities and a flow station with a design capacity of 12,000 bopd and 8 MMscfd. Oil production is sent for further processing at the nearby Izombe facilities on OML 124 from where it is exported via pipeline to the Brass oil terminal. The block also contains the large undeveloped Ohaji South gas and condensate field, the development of which will be coordinated with the SPDC operated Assa North field on adjacent OML 21, together referred to as the ANOH project which is set to be one of the largest greenfield gas condensate development projects in Nigeria to date. The expectation is that future gas production from the ANOH project will supply the domestic market, for which significant work on commercialisation terms and development concepts has been undertaken. There is also shallow oil development potential at Ohaji South that could be pursued as a separate standalone project in the near term. Prior to initiating development of the ANOH project, Seplat expects to focus efforts on increasing oil production at the Jisike field and development of the shallow oil reservoirs in Ohaji South. Pursuant to the Joint Operating Model, Seplat is designated operator of OML 53.

2017 activity

OML 53, as part of the Assa North – Ohaji South ('ANOH') development, is at the core of Seplat's plans to significantly increase gas production and operated processing capacity in the near-to-medium term. In 2017, the Company made progress towards establishing an incorporated joint venture relationship with government to encompass the midstream element of the project, with an anticipated FID in H1 2018. The upstream development, including the drilling of production wells, will be delivered by the upstream unit operator SPDC.

OML 55

Operator:	Asset Management Team
Working interest:	Revenue interest
Partner:	NNPC, BelemaOil
Main fields:	Robertkiri, Idama and Inda (producing)
2017 working interest liquids production:	n/a
2017 working interest gas production:	n/a
Remaining working interest 2P oil reserves:	5.0 MMbbls
Remaining working interest 2P gas reserves:	n/a
2018 activities:	Recovery of discharge sum

Delivering on our strategic pillars:

Links to business model:

- Produce, process & sell

Background

OML 55 covers an area of approximately 840km^2 and is located in the swamp to shallow water offshore areas in the south eastern Niger Delta. The block contains five producing fields (Robertkiri, Inda, Belema North, Idama and Jokka). The majority of production on the block is from the Robertkiri, Idama and Inda fields. The Robertkiri field is located in swamp at a water depth of five metres and has a production platform and utility platform installed. Production capacity at the Robertkiri facilities is 20,000 bpd and 10 MMscfd. Production facilities at the Idama field comprise a jack-up mobile offshore production unit ('MOPU') and riser platform that have a capacity of 30,000 bpd of total fluids and 34 MMscfd. The Jokka field is produced through a manifold tied-back to the Idama facilities. Production facilities at the Inda field comprise a MOPU with a capacity of 30,000 bpd of total liquids and 34 MMscfd. Overall, the infrastructure on OML 55 comprises four flow stations, a network of flow-lines, and two eight-inch pipelines that connect to third party operated infrastructure. The Belema field is unitised with OML 25 and is produced via a flow station on that block. All produced liquids from OML 55 are delivered via third party infrastructure to the Bonny terminal for processing and shipping. In addition to the oil potential on the block there is also an opportunity to develop the significant gas resources that have also been identified.

2017 activity

In accordance with the revised commercial arrangement that was agreed in July 2016, which provides for a discharge sum of US$330 million to be paid to Seplat over a six-year period through allocation of crude oil volumes produced at OML 55, Seplat received total payments of US$36 million in the year from the monetisation of 637 kbbls. The 40.00% operated interest in OML 55 continues to be jointly controlled by Seplat and BelemaOil over the period of this arrangement through an Asset Management Team comprising representatives of both parties. The Asset Management Team makes all the key decisions regarding the technical and commercial activities of the underlying asset, and unanimous consent of all parties is required for decision making.

Strategic pillars

- Maximise production and cash flows from operated assets
- Move up 2C resources into 2P reserves category
- Commercialise and produce gas reserves
- Pursue a focused acquisition and farm-in strategy
- Be a highly responsible corporate citizen

A strong financial platform to underpin growth

In 2017, the Group continued to moderate investments and preserve a liquidity buffer owing to the force majeure conditions over much of the first half. Following the resumption of operations, a sharp improvement in business performance over the second half translated into a return to profitability and balance sheet improvement

Roger Brown
Chief Financial Officer

The Group continued to benefit from discretion over capital expenditures and in 2017 moderated investments to take account of the interruptions to oil exports at the Forcados terminal in the first half of the year and ensure an adequate liquidity buffer was preserved.

The investments made during the year were primarily directed towards the gas business. Following the lifting of force majeure at the Forcados terminal on 6 June, full production operations were rapidly restored, which enabled the Group to record a sharp improvement in business performance over the second half of the year that translated into a return to profitability and significant balance sheet improvement. In 2018 we will retain discretion over spend, and appropriately phase and scale our investment programme taking into account the prevailing operating environment, availability of export terminals, oil price, debt service obligations and the influence of these factors on free cash generation within the underlying business. We will continue to maintain our strict discipline of only allocating capital to the opportunities that offer the greatest returns to deliver shareholder value.

Revenue

While revenues continued to be impacted during the first half of the year due to the shut-in of the Forcados terminal after the terminal operator, Shell Nigeria, declared force majeure between 21 February 2016 and 6 June 2017 following disruption to the Forcados terminal subsea crude export pipeline, the higher oil production following the lifting of force majeure, together with higher oil price realisations, positively impacted oil revenue, which stood at US$328 million (after stock movements) for the full year, up 121% year on year. Alongside this, gas revenue reached a new record of US$124 million, up 18% year on year and accounting for 27% of total revenue. Consequently, total revenue for 2017 was up 78% from 2016 at US$452 million.

Working interest liquids production in 2017 stood at 17,853 bopd, up from 10,091 bopd in 2016, whilst the total volume of crude lifted in the year was 6.851 MMbbls compared to 3.422 MMbbls in 2016. Global oil prices remained volatile in 2017, with Brent starting the year around the US$55/bbl level and trading down to a low of around US$45/bbl mid-year. In contrast, over the second half of the year Brent traded steadily up to exit 2017 around US$67/bbl. The Group's realised average oil price of US$50.38/bbl in 2017 was up 25% year on year (2016: US$40.4/bbl) and reflects the second half improvement in production and price.

The Group had in place dated Brent put options covering a volume of 3.69 MMbbls to year end at a blended strike price of US$48.38/bbl. The net cost of these instruments in the year was US$19.4 million. The Company has also put in place dated Brent puts covering a further volume of 3.60 MMbbls at a strike price of US$40/bbl during H1 2018 and 3.00 MMbbls at a strike price of US$50/bbl during H2 2018. The Board and management continue to closely monitor prevailing oil market dynamics, and will consider further measures to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility.

To assist in minimising the impact of disruption to key export infrastructure, the Group made necessary repairs and upgrades on two jetties at the Warri refinery that will enable exports to be increased to a gross level of 30,000 bopd if required in the future. In addition to the Warri and Forcados export routes, Seplat is also working with the operator Pan Ocean and NAPIMS (a 100% subsidiary of NNPC) on completion of the 160,000 bopd capacity Amukpe-Escravos pipeline system that will offer a third export route via the Escravos terminal. Seplat plans to tie-in to the new pipeline at the Amukpe location on OML 4. All three export routes are expected to be available in Q3 2018 and the intention is to utilise the multiple export routes to ensure there is adequate redundancy in evacuation routes thereby reducing downtime, which has adversely affected the business over a number of years.

The higher gas revenue year on year was driven by a 20% increase in production to 114.4 MMscfd while the average realised gas price remained relatively stable at US$2.97/Mscf (2016: US$3.03/Mscf). The increase in volume is as a result of the benefit being derived from the Phases I and II expansion of the Oben gas processing facility and production being fully deconstrained following the lifting of force majeure.

Gross profit

Gross profit for the year was US$212 million, an increase of 194% on the prior year (2016: US$72 million). This principally reflects the resumption of full production operations after force majeure was lifted and higher oil price realisations. Direct operating costs which include crude handling fees, barging costs, rig-related costs and operations & maintenance costs amounted to US$80 million in 2017 as against US$83 million in 2016. Production costs were fairly flat when compared to prior year even with a significant increase of 77% in production volumes and 20% increase in gas volumes in 2017 when compared to 2016. This resulted from an improved performance in the overall running & maintenance of the production facility in the current year. In addition, the availability of the Forcados terminal from 6 June reduced the reliance on the more expensive and volume constrained barging operation, which was the only export route available during the force majeure period. Non-production costs primarily consisting of royalties and DD&A were US$160 million compared to US$99 million in the prior year. The DD&A charge for oil and gas assets increased during 2017 to US$82 million (2016: US$54 million) reflecting higher depletion of reserves because of the increased production during the year.

Operating profit

Operating profit for the year was US$112 million compared with a prior year operating loss of US$158 million. Contributing towards the return to operating profitability was a 28% reduction year on year in general and administrative expenses which stood at US$82 million (2016: US$114 million). The operating loss reported in 2016 was also driven by a charge of US$101 million relating to unrealised foreign exchange losses principally on amounts owed by our joint venture partner NPDC.

Tax

The pioneer tax incentive granted by the Nigerian Investment Promotion Commission for a three-year period elapsed at the end of 2015. The Company has prepared its 2017 financial statements including the effect of post pioneer tax status which correspondingly forms the basis of the net tax credits of US$221 million, owing primarily to deferred tax credits of US$224 million, compared to taxation credit of US$6.7 million for the same period in 2016.

The taxation credit is mainly as a result of unutilised capital allowances from accumulated capital expenditure during the pioneer status period. The Group recognises deferred tax assets on unused tax losses and unutilised capital allowances carried forward where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the amount of deferred tax that can be recognised, as well as the likelihood of future taxable profits.

The Group reassesses its unrecognised deferred tax asset each year taking into account changes in oil and gas prices, the Group's proven and probable reserve profile and forecast capital and operating expenditures. The deferred tax credit is expected to gradually reverse in subsequent years as the Company makes profits and utilises the capital allowances.

In line with sections of the Companies Income Tax Act which provides the incentives available to companies that deliver gas utilisation projects, Seplat is entitled to a tax holiday of three years extendable to five years on the new Oben Gas Plant. The Federal Inland Revenue Service was notified in 2017 that there will be a claim on these incentives for the three-year period in the first instance.

Net profit

Profit for the period before tax adjustments was US$44 million, compared to a full-year loss before tax of US$173 million in 2016. This return to profitability was driven by performance in the third and fourth quarters where net quarterly profit before tax of US$24 million and US$46 million respectively offset the US$26 million loss before tax recorded at mid-year. Net tax credits of US$221 million, owing primarily to the deferred tax credits of US$224 million, increased the overall profit after tax for the year to US$265 million. The resultant EPS for 2017 was US$0.47 compared to an LPS in 2016 of US$0.29.

Dividends

During a period in which Seplat's key focus was on preservation of liquidity and selective capital allocation, to ensure the Company maintained a necessary level of financial flexibility, the Board took the decision for 2017 that the Company and its shareholders were better served at that point in time by selectively deploying available capital (on a discretionary basis) into the portfolio of production opportunities and preserving a liquidity buffer.

Cash flows and liquidity

Cash flows from operating activities

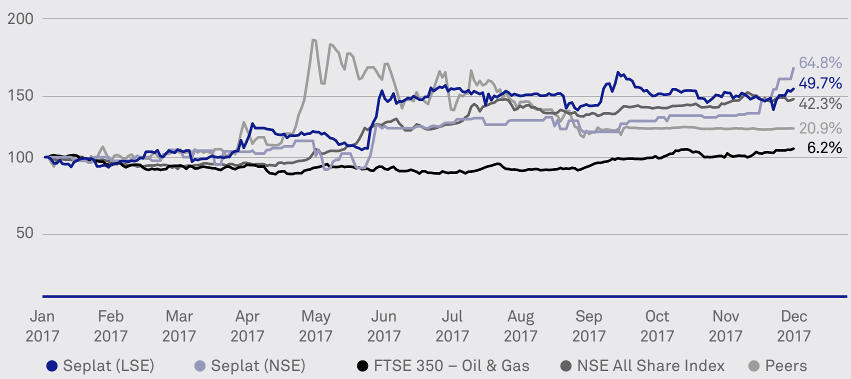
Net cash flows from operating activities in 2017 stood at US$447 million (2016: US$172 million). The outstanding net NPDC receivable at year end, after offsetting NPDC's share of gas revenues and adjusting for reversal of prior impairment, stood at US$113 million (2016: US$229 million). In 2017, NPDC's net expenditure was US$93 million and Seplat received a total of US$219 million towards the settlement

Our relative share price performance vs indices and peers

Market overview page 14

In 2017, both lines of Seplat's equity on the Nigeria Stock Exchange and the London Stock Exchange outperformed relevant indices and peer average, recording top quartile performance.

Share price performance versus indices and peers (rebased to 100)



Source: Bloomberg.

2017 highlights

Revenue (US$m)

+78%

2017	452
2016	254
2015	570

Net cash flow from operations (US$m)

+160%

2017	447
2016	172
2015	38

Cost of sales (US$m)

+32%

2017	240
2016	182
2015	322

Realised oil price (US$/bbl)

+25%

2017	50.4
2016	40.4
2015	51.2

Capital expenditure (US$m)

-37%

2017	33
2016	52
2015	152

G&A (US$m)

-28%

2017	82
2016	114
2015	121

Gross profit (US$m)

+194%

2017	212
2016	72
2015	249

Cash position (US$m)

+173%

2017	437
2016	160
2015	326

Gearing (total debt/total assets) (%)

-29%

2017	22
2016	31
2015	33

Net profit/(loss) (US$m)

-260%

2017	265
2016	(166)
2015	66

Net debt (US$m)

-73%

2017	141
2016	516
2015	573

EBITDAX (US$m)

-303%

2017	199
2016	(98)
2015	232

of outstanding cash calls. As a result of this and the settlement of current cash calls, the US$10 million impairment provision recognised in 2016 was reversed. Seplat has continued discussions with NPDC to ensure further reduction of outstanding receivables in 2018. Included in the opening receivables balance of US$229 million is US$48 million representing interest on outstanding receivables calculated in line with the provisions of the Joint Operating agreement.

Cash flows from investing activities

Capital expenditures in 2017 stood at US$33 million and include costs for drilling the Anagba well on OPL 283 of US$4 million; oil facility projects totalling US$2 million including crude oil quality upgrades on our liquid treatment facilities; gas costs including the completion and commissioning of the Oben Phase II processing capacity expansion project – US$4 million; the acquisition of Oben booster compressors – US$6 million; ANOH upstream costs – US$4 million; other ANOH costs of US$10 million associated with plans towards FID; and US$2 million for others including fixed assets for plants and other office equipment.

Having reached agreement in 2016 with partner BelemaOil, on a revised commercial arrangement at OML 55, which provides for a discharge sum of US$330 million to be paid to Seplat over a six-year period through allocation of crude oil volumes, the Group received total proceeds of US$36 million in 2017 under this arrangement from the monetisation of 637 kbbls.

Consequently, after adjusting for interest receipts of US$4 million, net cash inflow from investing activities for the full year was US$7 million compared to a net cash outflow in 2016 of US$52 million.

Post period end debt refinancing

Post period end, in March 2018, we refinanced the RCF with a new four-year RCF due June 2022 and also issued US$350 million of senior notes due 2023. The proceeds from the RCF and notes were used to repay and cancel existing indebtedness. The successful refinancing underscores the confidence that the market has continued to show in our business and ability to proactively manage our balance sheet through challenging times. Our debut bond issuance further diversifies our long-term capital base and along with the RCF, considerably strengthens our liquidity position which will allow us to scale up our work programme and focus on delivering our growth strategy.

Outlook

Our financial strategy continues to be driven by ensuring we preserve the financial capability and also flexibility that is required to realise the value of our portfolio. Having emerged from an extremely challenging period that saw unprecedented levels of interruption to Seplat's crude oil production, we took proactive steps to stabilise the business and following the resumption of full production operations, were able to rapidly return to profitability and strong cash flow generation. Looking ahead, our near-term priority is to sustain the earnings and cash flow momentum we have carried into 2018, further strengthen our balance sheet and seek ways to optimise our capital structure prior to selectively reinstating a work programme designed to target the highest cash return production and development opportunities within our current portfolio. In order to mitigate against any longer-term over-reliance on a single export infrastructure system, we are working with the owners of the Amukpe-Escravos pipeline to achieve full commissioning and completion of that alternate route in Q3 2018.

With line of sight on three independent crude oil export routes becoming available and offering adequate redundant capacity, there is scope to reduce the levels of downtime which have adversely affected the business over a number of years, and significantly de-risk the distribution of oil production to market. Alongside this, we will continue to closely monitor the oil price, implementing our hedging strategy on a rolling basis to provide a level of cash flow assurance, the performance of our productive asset base and the implications these factors have on financial performance over the near, medium and long term, allowing us to scale and phase our future investments appropriately while continuing to honour our debt service obligations. We will also continue to prioritise expansion of our domestic natural gas business which provides a constant revenue stream that is delinked from the oil price, and underpinned by the strong fundamentals of high demand and increasing pricing. Achievement of these goals will ensure we have a sound financial platform from which we can build and grow further, both through organic means and also capitalising on inorganic opportunities to further diversify our business as and when they may arise.

Roger Brown
Chief Financial Officer

Protecting our business

Strong and effective risk management is central to how we run our business and enables the delivery of our strategy.

Basil Omiyi
Chairman, Risk Management and HSSE Committee

Managing risk in protecting our business
Risk management is an integral part of all business activities of Seplat. The Company's risk management policy is focused on the early identification of risks and future risks that are central to achieving its strategy, corporate objectives and annual business plans, their possible impact on the business and measures that can be implemented to mitigate the identified risks so that Seplat can continue to operate safely and effectively. At the same time, the Company continually maps out its response and plans should events go wrong and learnings from past incidence reviews. Seplat recognises that risk management is a continuous journey of improvement and not a destination, and will continue to develop its risk management processes to ensure the Company is fully equipped to deal with the constantly evolving operating and business environment of the oil and gas industry.

Risk management system
The Company's risk management system is based on guidelines provided in ISO 31000, the international standards for risk management. The system is built on a top-down and bottom-up approach with the Board of Directors (the 'Board') determining the right risk appetite necessary to achieve the Company's corporate objectives while the business units identify and mitigate risks at the unit and asset levels.

The Risk Management and HSSE Committee assists the Board in overseeing the Company's risk management framework and the risk/reward strategy as determined by the Board. The Committee ensures that the Company has adequate risk management systems in place to manage the diverse and changing risks and opportunities faced by the Company as it creates value for shareholders. It meets at least three times in a year to analyse and evaluate the Company's key risk profiles, proposed mitigation strategies, mitigation actions taken by management and any residual risk exposures. The meetings are attended by Executive Directors who have accountability for ensuring that risk identification is comprehensive and proposing mitigating measures that are effective in achieving the desired objectives. Reports on the Company's corporate risk register, key risk exposures and reviews of its risk management systems are compiled and presented to the Board of Directors.

While key risks and associated risk appetites are determined at the top, the business units and functional managers are accountable for the respective risks within their areas. The Company's ERM system, coordinated by the Head, Internal Controls & Risk ('ERM Coordinator') and overseen by the Risk Management and HSSE Committee, supports risk management across the business and functions. The Company's ERM includes a robust risk identification, assessment, reporting and monitoring mechanisms and approaches that include maintenance of both corporate and operational levels risk registers, risk dashboard, mitigation actions tracking and monitoring and risk reporting.

In a bid to continually embed risk management across the business and functions, the Company utilises specially appointed and well trained Risk Champions to ensure common methodology, language and approach in the way risks are managed across the business.

The Internal Audit unit undertakes periodic audits of the various business units including the Company's corporate governance systems and risk management processes.

Key principles that underpin the Company's risk management framework and system:

- Strong focus on safety throughout the organisation.
- Close oversight by senior management in day-to-day business operations.
- "Risk owners" throughout the business.
- Accountability of staff and/or key personnel.
- Regular and timely reporting.
- Clear line of sight on the system of internal controls.
- Monitoring and independent reviews.

Risk Management and HSSE Committee report: page 89

Activities in 2017

In 2017, the Committee analysed and evaluated the various key risk exposures for the Company. In doing so, we reviewed the Corporate Risk Register and the risk reports presented by management. These reports detail the key risks, the potential impact of the risks and the likelihood of occurrence. Mitigating strategies were comprehensively considered, including but not limited to those related to Niger Delta stability, low oil price environment, export line breaches and alternative crude oil evacuation options, funding challenges with the majority joint venture partner, liquidity and market risks, and contractual related risks and attendant litigation. The status and effectiveness of mitigation actions were reviewed and any residual gaps or follow-up actions were identified. Key performance indicators and other risk indicators and trends were monitored. Key risks requiring risk tolerance considerations and strategic actions were presented to and debated by the Board.

The Committee reviewed the risk management systems including the risk dashboard and assessment tables. The Committee gave further consideration to the achievements made by the Risk Champions appointed with a view to unify risk management approaches across the organisation.

The Committee received regular updates on Seplat's performance in regards to environmental, health, safety and community relations matters, reviewing any strategies and action plans developed by management in response to issues identified and HSSE performance on industry benchmark scorecards.

As part of assessing fraud mitigation efforts, the Committee reviewed the operations of the whistleblowing system to obtain assurance about its effectiveness in the organisation.

Basil Omiyi
Chairman, Risk Management and HSSE Committee

High profile risks and uncertainties

Highlighted below are the high profile risks that the Company dealt with in 2017 and will continue to monitor going into 2018.

1. Niger Delta stability and geo-political risk

Seplat core operations are located in the Niger Delta region of Nigeria and that comes with a significant risk for the Company. Historically, the Niger Delta has always been a high risk environment. Cases of militancy, crude oil theft, pipeline vandalism, environmental pollution arising from illegal bunkering activities, and other lawless activities such as kidnap for ransom, violent community protests, armed robberies and 'secret cult' are rife in the region. For example, partly as a fallout from the country's presidential election and transfer of power from one political party to another in 2015, sustained militancy activities were recorded in the region resulting in damage to several oil and gas facilities including the early-2016 damage of Trans Forcados export terminal, Seplat's only major export route. A force majeure declared in 2016 by the operator of the facility was in effect till May 2017 when it was lifted after the militants and government could reach a political solution paving the way for the repair of the damaged terminal. Seplat has a robust security management system in place that utilises good community relations, intelligence and monitoring to prevent attacks on its operated facilities. Mechanisms are also in place for quick security advisory to staff and movement restriction for high alert situations. The Company, in collaboration with other industry players in the region, continues to pressure government to find a sustainable solution to Niger Delta restiveness.

2. Extended production shut-in due to third party infrastructure downtime

Seplat's primary liquid evacuation for its major assets (OMLs 4, 38 & 41) is a third party operated Trans Forcados export system and this poses a significant risk to the Company. The system was out of operation for the greater part of 2016 and 1H 2017 due to sustained breaches by the militants leading to extended shut-in of production. To mitigate the impact of the shut-in, the Company worked with relevant government agencies to enable utilisation of Warri Refining and Petrochemical Company's ('WRPC') jetty to export limited volumes of liquid through barging operations while the force majeure declared by the operator of Forcados lasted. The Company will continue to maintain a relationship with WRPC to retain use of the jetty facilities as an export option. Agreements have also been signed to enable the Company and its JV partner to complete work on a second major export line which when completed and commissioned will complement Forcados.

3. Low oil price environment

Seplat's operating results are highly dependent on the prices of crude oil and natural gas. The Company's estimated proved reserve, revenue, operating cash flows and margins, liquidity and future earnings are all impacted by the volatility of crude oil and natural gas prices. Seplat price risk management policy is to protect the Company's crude oil cash flow from downside scenarios with hedging. The Company protected 3.69 million barrels of crude oil at an average strike of US$48.38/bbl in 2017. Our long-term natural gas contracts have escalation clauses that protect the Company against severe price decline.

4. JV receivable and future cash call funding

Seplat has the Nigerian government as joint venture ('JV') partner in significant parts of its business. Cash call funding from the government partners has historically been poor, resulting in buildup of legacy cash call receivables over time. Settling these outstanding receivables and guaranteeing timely funding of future JV operations poses significant risk to Seplat. To mitigate this exposure, the Company continues to actively engage the respective government partners to settle legacy receivables and agree on guaranteed funding arrangements for future operations. This engagement yielded significant results in 2017 as the NPDC has significantly paid down its share of past costs.

5. Liquidity risk

The combined effects of extended production shut-in and low crude oil price pose a significant liquidity risk to the Company. Our revenue inflows have been severely impacted by the production interruption. We manage liquidity risk by ensuring that sufficient funds are available to meet commitments as they fall due, using both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Our cash flow projections take into consideration the Company's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in interest bearing current accounts, time deposits and money market deposits.

Conclusion

In conclusion, 2017 was a challenging year for the oil and gas industry in general with the low crude oil price regime, but even more challenging for companies like Seplat operating in Nigeria's Niger Delta. As such, we continued to closely monitor the risks to the business throughout the year. Overall, the Committee is satisfied that the Company has a robust risk management system that serves to ensure integrity of business processes, business decisions and activities going into the future. The Company's HSSE Management System is also mature and reliable and has continued to deliver good HSSE performance year on year.

Case study:

Fraud risk mitigation – Seplat experience

At Seplat, we apply insight from the fraud triangle theory in designing an effective anti-fraud programme to mitigate fraud risk. The fraud triangle theory postulates that where fraud exists, three elements are always present – pressure/incentive, opportunity and rationalisation. So, our anti-fraud programme is built around the elimination or minimisation of one or two of the elements, knowing that all three must be present for a successful fraud to take place.

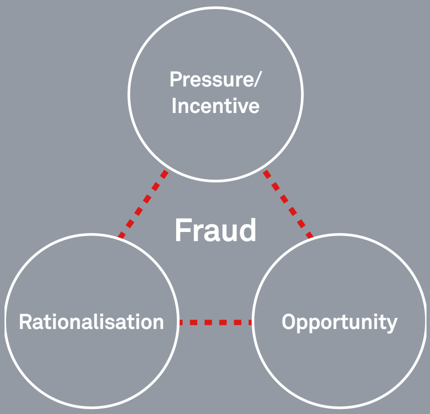
As a company operating in Nigeria, we recognise the pressure put on the staff, vendors and our host communities by the macro-economic realities of the time (e.g. inflation rate was 17% as at end of September 2017). Our anti-fraud programme includes a compensation and reward system that is very competitive and is continually benchmarked to peers and the industry at large. Our contracting and procurement processes are designed to guarantee fair and competitive bidding and pricing to curtail acts of inducement and corner-cutting.

Our internal controls framework and system are designed to reduce fraud opportunities by giving priority to preventive and automated/application controls. Core processes are documented and reviewed periodically with focus on the identification and mapping of control-points, which are in turn regularly reviewed and tested for design and operating effectiveness.

We have an effective whistleblowing programme in place as part of our anti-fraud solution. There are two whistleblowing portals – one manned internally and another manned externally by an independent third party, altogether providing staff, vendors and the general public ample avenues to report suspected fraudulent activities. Tips from whistleblowing are thoroughly investigated and consequences handled in accordance with the Company's policy of zero tolerance to fraud, bribery and corruption.

Finally, strict adherence to corporate governance tenets starting with tone at the top and underpinned by strong Board oversight and executive management's firm stand on zero tolerance to fraud, bribery and corruption, altogether send the message loud and clear down the cadre that fraud is not allowed in Seplat and cannot be rationalised.

The Fraud Triangle



Monitoring and mitigating risks to the business

The implementation of our strategy can be hindered by various risks and uncertainties. The risks that the Board considers most significant are described here.

Key risk	Description	Mitigation
Operational risks		
Field operations and project deliverability	Failure to manage operational activities in line with planned expectations can lead to production misses, project delays and cost overruns, high production costs and earlier than expected field decommissioning.	Focus on risk management at planning phase and mitigation plans activated. Compulsory 'peer-to-peer' review for high-value projects and better project management techniques. Protracted land acquisition, preparation and rig startup have been contributory factors which have received focused attention and significant process improvements and improved communications with JV partner and approving regulators to mitigate delays. Use of smart/intelligent wells to improve recovery and improved rig performance monitoring and reporting to manage NPTs.
Third party infrastructure downtime	An over-reliance on third party operated transportation infrastructure can expose the Company to extended period of production being shut-in.	Work is ongoing to secure a second export line to complement Forcados. Export via barging is also retained for limited volumes in extreme cases. Have two contingency tanks in Amukpe for partial storage during shut-in over shorter periods. More tanks are planned for Oben.
HSSE	Oil and gas activities carry significant levels of HSSE risks if not properly managed. As activity levels continue to increase there is a strong focus on preventing major environmental, health or safety incidents.	Deployment of an HSSE Management System in line with best practices. Monitoring and reporting of HSSE performance scorecards at management and Board levels. Our HSSE systems and process have been subject to independent review and identified improvement initiatives are deployed. Continual focus on HSSE training and initiatives on incidence prevention. Emergency Response plan set for any eventuality and comprehensive Incident Review panels to identify and channel lessons learnt to improvement activities.
Sustained E&A programme failure	Exploration and appraisal activities carry significant levels of subsurface risk. Sustained E&A drilling failure will impact the Company's ability to organically replace reserves and production.	Strict compliance with reservoir management guidelines. Building internal capacity with skilled sub-surface expertise.
External risks		
Niger Delta stability and security	The Company operates in a region where security incidents such as kidnappings, vandalism and criminal attacks on O&G installations can occur.	Continuous security monitoring and intelligence work. Quick mechanism for security advisory to staff and movement restriction for high alert situations.
Failure to manage stakeholder relationships	Failure to manage stakeholders can result in business disruptions and interference. The Company prioritises the effective management of relationships with all stakeholders including host communities, JV partners, government, regulatory bodies and shareholders.	Successful operation of the GMOU agreement with host communities, periodic engagement and feedback forums. Tailored CSR programmes, capacity building and infrastructure developments with the host communities. Organisational focus and clear strategy to deliver shareholder value pursued by the Board and management. Corporate governance, transparency and proactiveness in dealings with regulators and JV partners.
Geo-political risk	Nigeria has at times in its history faced political uncertainties and threats such as terrorism aimed at de-stabilising and undermining the orderly and effective rule of central government.	Scenarios and response options plan set. Crisis management team in place for high alert political periods. Business continuity plans actioned in light of current geo-political situation.

Strategic pillars

- Maximise production and cash flows from operated assets
- Move up 2C resources into 2P reserves category
- Commercialise and produce gas reserves
- Pursue a focused acquisition and farm-in strategy
- Be a highly responsible corporate citizen

KPI/Performance metric	Strategic pillars	Assessment	Trend	
• Net working interest production • Operating costs per boe		High	Steady. Whilst this risk still remains, there have been significant improvements in the contributory areas of land acquisition and preparation.	—
• Net working interest production • Days downtime • EBIT		Very high	Steady. Forcados came back on stream in H2 2017. Second major export line is however required (and is being pursued) to complement Forcados.	—
• HSSE scorecards • LTIF • TRIR		High	Steady. Though the risk is inherent, we will continue to deploy our HSSE risk management in line with best practices and with strong emphasis on prevention.	—
• Reserve replacement		High	No change. Reduced E&A activities but will monitor the outcomes of further studies.	—
• LTIF • TRIR • Security incidents		Very high	Steady. Targeted attacks on oil and gas facilities in the region have reduced. The threat remains but the Company continues its monitoring and vigilance efforts.	—
• Net working interest production • LTIF • TRIR • Host community incidences		High	No change. We continue to enjoy good working relations with all stakeholders.	—
• Occurrences of civil unrest and terrorism		High	No change. We will continue to monitor situations closely.	—

Key risk	Description	Mitigation
Financial risks		
Oil price volatility	Oil prices have exhibited a history of volatility and can fluctuate sharply in line with external factors.	Hedging continues to be our price risk management tool. Price sensitisation on project economics and cost discipline for capital projects sanctioning. Aggressive focus on cost reduction.
Changes to tax status and legislation	If the tax regime/legislation under which the Company operates its assets were to change, profitability may be impacted.	Perform evaluation of business plan and performance metrics exclusive of tax benefits. Project economics were determined on maximum tax basis to mitigate the impact of the now expired pioneer tax status. Impact assessment of potential tax legislature monitored at the Board level.
Availability of capital	The oil and gas industry is highly capital intensive. Significant amounts of capital are required to continue development activities and fund M&A. Non funding of cash calls by JV partners impacts activities and liquidity.	Working on alternative funding arrangement with JV partners. Board review and approval of financial strategy and debt refinancing arrangements with strong banking relationships.
Ineffective cost control	Cost reduction remains central to the Company's current operating strategy. High operating cost and ineffective capital cost control negatively impact operating cash flows and profitability.	Comprehensive budgeting process approved by the joint venture partner and the Board. Clear cost management targets. Grading of portfolio opportunities and project ranking for capital allocation. Focus on reducing drilling costs at well design phase. Cost monitoring and periodic reporting. Focus on effective contracting strategies for cost reduction.
Liquidity	Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.	Manage liquidity risk by ensuring that sufficient funds are available to meet commitments as they fall due. Uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Company's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in interest bearing current accounts, time deposits and money market deposits.
Foreign exchange	The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US Dollar.	The Company has options to manage its foreign exchange exposure including financial hedge instruments such as forward exchange contracts.
Strategic risks		
Portfolio concentration risk	High dependency on a concentrated portfolio of producing blocks and limited number of wells can leave the Company more susceptible to declining long-term growth and reserves depletion.	Focus on portfolio expansion strategy from the Board level to diversify current portfolio. Integrated long-term planning on crude oil and gas business.
Merger & Acquisition ('M&A') risk	Growth through M&A activities is part of Seplat's strategy to pursue a focused acquisition and farm-in. M&A deals and transactions come with significant risk including structural, commercial and integration risks. There is also the risk of non achievement of acquisition targets due to highly competitive landscape.	New business development unit always looking for the right opportunities for Seplat. Decision review board ('DRB') process in place to ensure deals are properly vetted and adequate due diligence done on new opportunities. The DRB ensures the commercial, structural, KYC and integration risks are fully considered and addressed with mitigation plan approved and in place prior to deal closing.
Bribery and corruption risk	Bribery and corruption presents a risk throughout the global oil and gas industry and represents an ongoing risk to any oil and gas company.	Extensive training on anti-bribery and corruption. Embedding corporate governance principles with key focus on areas of the business which may be more susceptible to corruption such as the contracting and procurement process. Processes exist to guide dealings with public officials.
Loss of key employees	The oil and gas industry is very specialised in certain areas and there is competition within the industry to secure talent and highly skilled and experienced personnel in core areas.	Annual benchmark reviews to ensure competitiveness in reward and recruitment. Succession planning in place as part of business continuity. Focus on training as a key differentiating factor in the operating environment.
Fraudulent activity risk	Fraudulent activity presents a risk throughout the global oil and gas industry and represents an ongoing risk to any oil and gas company.	Extensive whistleblowing campaign. Continuous monitoring and improvement of the system of internal controls by all lines of defence with strong internal audit activity. Automation of processes where possible to reduce manual intervention.
Information security risk	Potential cyber attacks and information technology security breaches could result in loss or compromise of sensitive proprietary information, communication and IT business continuity disruption across operations.	We monitor and regularly upgrade the Company's information technology and security systems. The Company has a clearly defined employee user policy and control of access rights. Our information security framework and infrastructure have been externally reviewed in line with the requirements of ISO 27001. IT business continuity plan is in place for quick deployment.

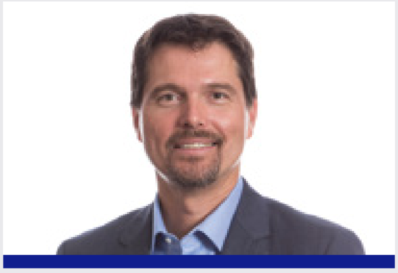
Strategic pillars

- Maximise production and cash flows from operated assets
- Move up 2C resources into 2P reserves category
- Commercialise and produce gas reserves
- Pursue a focused acquisition and farm-in strategy
- Be a highly responsible corporate citizen

KPI/Performance metric	Strategic pillars	Assessment	Trend
• Realised oil price • Operating cash flow		Very high	Steady. Oil price rallied to above US$60 later in 2017. We will continue to take hedge positions to protect downside price scenarios.
• Effective tax rate • Tax status		Very high	Steady. PIB is going through legislative process and we will continue to monitor the situation.
• JV receivables • Capex • New M&A activities		Very high	Steady. Discussion with JV partners on timely cash call funding continues.
• Operating cost per boe • EBIT • Capex • Well costs		High	Steady. Cost containment efforts are yielding good results but cost discipline remains a key part of our business model.
• Operating cash flow • Capex		Very high	Steady. Extended crude production shut-in due to third party export line outage in the year. Work progressing on a second export line.
• Operating cash flow • Capex		Medium	Steady. Historically, the Company holds majority of its cash and cash equivalent in US Dollar. Gas contracts are indexed in US Dollar.
• Successful execution of new acquisition and farm-in opportunities		Very high	Increased. As Niger Delta risk remains a threat, the need for a diversified asset portfolio is pertinent.
• Successful execution of new acquisition and farm-in opportunities		High	Steady. DRB process in place to vet opportunities and deals.
• Whistleblowing reports • Number of disciplinary cases		High	Steady. As geographical location continues to be susceptible to corruption.
• Staff turnover		Low	Steady. With attendant reduction in capital spend in general response to low oil prices.
• Number of reported cases		High	Steady. Risk is still high and management continues to maintain a zero tolerance policy.
• Information security identification and containment reports		Medium	No change. While cyber security continues to hold international attention, there has not been a material IT breach on our operations.

Ensuring safe and secure operations

At Seplat, workplace health and safety is a collaborative effort that promotes safe work practices to ensure that our strong safety culture is maintained Company-wide and extends to our partners and service providers.



The health and safety of our people and communities together with minimising our environmental impact are at the core of how we conduct our business. We have been working to deliver safe and reliable processes in our business since we began operations in 2010 and have taken a proactive approach to HSSE management to ensure our continual improvement towards our clearly defined key performance indicators. In 2017, we have invested in new equipment to reduce emissions and continued to promote best practice operating procedures and a safe culture at every Seplat location.

Jay Smulders
Technical Director

HSSE strategic principles

Our HSSE Policy is implemented under an approved management system developed in line with guidelines issued by the International Association of Oil & Gas Producers ('IOGP'), which are further supplemented by the Company's own policies to guarantee adherence to country regulations and standards. Management communicates our HSSE philosophy to all employees, customers, contractors, and other third parties associated with our business.

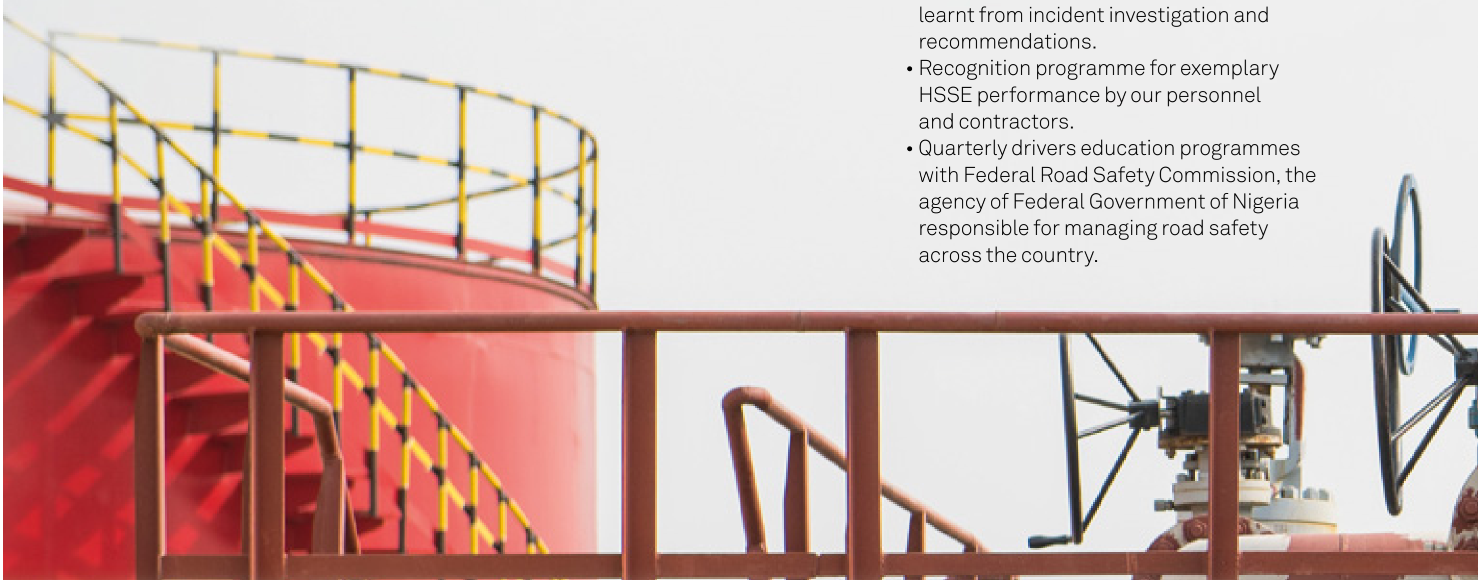
At Seplat, we are governed by the three core strategic principles of our HSSE policy:

Health

- Deliver periodic health awareness lectures and promote healthy working practices.
- Introduce preventive measures to manage infectious diseases.
- We take proactive measures to detect potential debilitating illnesses amongst our workforce.
- Provide comprehensive health service access to employees in all our locations.
- Provide 24-hour clinical coverage in all our areas of operation.

Major accidents prevention and safety

- Intrinsic Safety incorporated in design of all new facilities.
- Clear focus on maintenance of safety critical systems.
- Empower every employee to stop an activity at any stage if it is considered unsafe to continue.
- Training and certification of all personnel occupying safety critical positions.
- Quarterly contractor HSSE forum to share Company HSSE performance and get feedback from contractors.
- Senior management review of all high potential incidents.
- Company-wide dissemination of lessons learnt from incident investigation and recommendations.
- Recognition programme for exemplary HSSE performance by our personnel and contractors.
- Quarterly drivers education programmes with Federal Road Safety Commission, the agency of Federal Government of Nigeria responsible for managing road safety across the country.



Health, safety, security and environment

2017 Performance review
In 2017, following steady improvements in our HSSE performance, we achieved a reduction in level of injuries that resulted in a Lost time Incident Frequency of 0.31(2016: 0.33). Fatalities remained zero, a trend we have kept for the past four years as we continually strive to reduce the risk of injury.

We track emissions released into the atmosphere from our operations and strive to reduce discharges from our facilities. In Q2 2017, we commissioned two associated gas compression projects at our Oben and Amukpe locations of total capacity 1,066 tonnes. Total Greenhouse Gas Emissions remained at the 0.0001 MM tonnes (CO_2 equivalent) levels emitted in 2016. Additionally, internal use of gas flared reduced by over 95% between 2011 and 2017.

In measuring our process safety, we record events-related operations separately from sabotage and theft. There is a good grip on environmental impact from production and effective pipeline integrity management. In 2017, no crude oil (2016: 2t) was spilled into the environment from third party activities on our pipeline system.

Our environmental standards include a focus on fresh water management and we strive yearly to reduce our fresh water consumption. In 2017, we consumed 0.24 MMbbls of water, a reduction compared to 0.28 MMbbls in 2016. We are conscious of conservation and protection of groundwater and proactively take steps to ensure that in the course of our operations groundwater contamination is prevented. In 2017, the effects of our operations on groundwater contamination remained zero for the fourth consecutive year.

Although we have already achieved some goals with our HSSE programme, we are constantly working to enhance the HSSE performance of all our activities.

Zero
fatalities

56%
reduction in volume of flared gas from 2013 to 2017

Zero
groundwater contamination

Environment
- Continuous evaluation and proactive measures to eliminate GHG.
- Monitoring and reporting on environmental impact in our operations.
- Compliance with all regulatory requirements and benchmark of our performance with international standards.
- Execution of projects that promote continuous reduction of environmental impact in our operations.

Health and safety – 2017 performance review:

	2014	2015	2016	2017	2018 targets
Fatalities (employee and contractor)	0	0	0	0	0
Lost Time Injury Frequency ('LTIF')	0.4	0	0.33	0.31	0.16

Environment – 2017 performance review:

	2014	2015	2016	2017	2018 targets
Flaring – million standard cubic feet (MMscf)	9,465	7,642	4,757	8,418	8,379
Volume of oil spilled through own operations (thousand tonnes)	0.0004	0.1089	0.002	0.002	0.002
Volume of oil spilled through sabotage (thousand tonnes)	0.0014	0.0021	0.002	Nil	0.002
Groundwater contamination	Nil	Nil	Nil	Nil	Nil
Freshwater consumption (MMbbls)	1.18	1.5	0.28	0.24	0.24
Total Greenhouse Gas Emissions (MM tonnes CO_2 equivalent)	N/A	0.01	0.0001	0.0001	0.0001

Creating a positive and impactful legacy

A student being examined at Seplat's Eye Can See Programme in Okirigwhe.

We realise that we play an important role in the areas that we operate and prioritise our relationships to ensure that we provide sustainable benefits in partnership with the communities and local authorities.

Despite a challenging first half of the year operationally following the disruption of the main pipeline which carries our crude, our commitment to our local stakeholders continues to be unwavering.

The strength of our community relationships reflects our responsible approach to operating in the Niger Delta and our ability to deliver on our commitment to creating shared value for our local stakeholders for the long term. As such, our own Seplat branded operations remained unaffected by militancy in 2017 and we will continue to work collaboratively with the communities to protect our status as partner of choice.

As Nigeria's leading indigenous operator, we are proud of our positive social and economic impact through direct employment opportunities and indirectly through our local supply chain and community investment programmes.

However, we will not become complacent. Continuing to deliver positive change requires constant measurement, evaluation, innovation and local communication to ensure we are engaging with all our stakeholders in the most meaningful way.

Lord Mark Malloch-Brown
CSR Committee Chairman

Community engagement and relationship management
We held over:

- 53 scheduled meetings;
- 177 ad-hoc meetings;
- 3 Town Hall meetings; and

attended local events and engaged with local government officers and traditional rulers to strengthen the support of the community support work we do.

Annual open forum
Our annual forum was attended by:

- 289 community stakeholders from over 80 communities in addition to government officials; and
- regulatory agencies, partners, security agencies and the Seplat management team.

The event identified stakeholder needs, addressed key concerns and promoted transparency across the Group.

Our socio-economic impact

Engaging with our host communities
We proactively engage with our host communities, and use these interactions as a tool to strengthen the partnerships that have been established over the years. In 2017, engagement activities included face-to-face meetings, Town Hall meetings, workshop sessions and open forums.

Through this regular and ongoing dialogue, we strive to give these communities a transparent overview of our operations and the related benefits, including the direct employment opportunities as well as the wider multiplier effect. We see this as a two-way dialogue, and work closely with community members to understand specific development needs and to receive feedback on projects undertaken.

This interaction also includes managing specific conflict issues that occur within our host communities and between the Company and the community. Our team works hard to prevent, process and resolve such tensions through a series of grievance management mechanisms which are outlined in Seplat's GMoU. As part of this process, we host workshops on peace building and conflict resolution with community representatives and other stakeholders. These provide an open forum for grievances to be identified and effectively addressed so as to avoid escalation. Through this method, relationships with local leaders have been strengthened and we have been able to cooperate respectfully with our communities.

These enduring partnerships are central to the success of Seplat's operations. We recognise the importance of maintaining a strong level of trust in order to foster mutual benefits.


Welding and fabrication participants.

Sustainability case study:

Capacity building and empowerment – Seplat's Skills Acquisition Training Programme

Seplat recognises the importance of investing in future generations to ensure they have the skills and education needed to positively change their lives and to contribute successfully to the local economy.

To reflect this, Seplat and NPDC have partnered with an independent NGO, Global Human Development Initiative ('GHDI'), on a Skills Acquisition Training Programme which aims to provide young adults with the tools to deliver valuable services to host communities whilst also creating livelihoods. The ultimate goal is to increase the social and economic opportunities available to the youth in the section of the Niger Delta where we operate, reducing the levels of poverty and militancy in Nigeria's oil province.

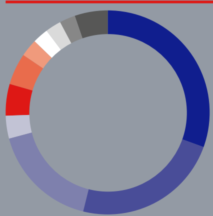
The programme is open to all young adults aged between 22 and 40 years old, living in the Edo and Delta States, and is co-funded by Seplat and NPDC. The programme's participants are provided with a combination of on-the-job training, mentoring and consistent assessments in a range of different vocations.

Trainees are able to select the courses that best fit their individual skills and interests, working closely with mentors to explore all aspects of the selected training. In addition to the financing of the course, the programme provides its trainees with accommodation and a monthly allowance. The mentors are actively monitored to ensure that their skills are being adequately transferred to those individuals taking part.

Since 2011, 196 young adults have benefited from the apprenticeship programme and we have seen an active change in participants' income and living standards on completion of the training. Participants have become more self-reliant and are able to pay for food for their families, medical bills, education, home comforts, as well as now having the necessary skills to train others in the community.

Seplat and NPDC proactively monitor and measure the impacts the scheme has had on both the individuals who have taken part and the wider community, confirming its necessity for economic and social development in the Edo and Delta States. We understand the threat that sustained levels of youth unemployment will have in the development of Nigeria. Seplat believes that this capacity and skills building initiative is vital in motivating communities to overcome the social and economic challenges they face today.

A breakdown of our trainees by trade 2011 – 2017



Welding and fabrication	60
Fashion design and garment making	46
ICT/computer	33
Catering services	7
Hairdressing	10
Agriculture/agribusiness: fishery, poultry and piggery	10
Woodwork/furniture making	5
Aluminium works	5
Motor mechanics	5
Paint production (gloss, emulsion and text-coat paints)	5
Production of toiletries and other home products (antiseptic, vaseline, perfume, powder, soap bar, liquid soap)	10
Total	**196**


Students of Presentation Secondary School, Benin at Pearls Quiz.

Community infrastructure programmes

Our community infrastructure development projects are targeted programmes that aim to create jobs, encourage self-sufficiency and stimulate economic growth. In 2017, we undertook a wide range of activities, from building road networks to healthcare provisions for the host community. Significant effort was also put into improving local fresh water supply, through the construction of a water distribution pipeline network.

Water

We rehabilitated and remodelled Oben community's water distribution pipeline network by installing solar power systems to replace the previously used diesel engine system. This improved both the functionality and sustainability of the network. We understand that access to clean water is a fundamental right and these improvements ensure that the community has access to an adequate supply of safe fresh water.

Ugborhen Community Civic Centre & training centre.

Investment in our community

The social investment programmes aim to target immediate impact projects at the community level, identified following the completion of all Environmental and Social Impact Assessment ('ESIA') studies. These include healthcare, education, economic empowerment/capacity building, infrastructure development and environmental stewardship initiatives as shown below.

Investments in our communities (2017)

US$3.8m

Healthcare US$0.3m

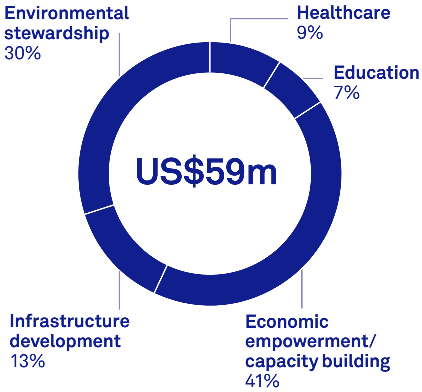
Education US$0.4m

Economic empowerment/capacity building US$1.2m

Infrastructure development US$0.7m

Environmental stewardship US$1.2m

Investments in our communities (2010 to 2017)



Roads

We completed the construction of a 3.76km road for the Ugborhen-Ikeresan communities and a 1.09km road for the Okuovo-1 community. In addition, we have now reached an advanced stage in the development of the 5.5km Boboroku-Orogho field road. This improved infrastructure has given our host communities greater access to the market, thereby reducing commuting time, decreasing the wear and tear on vehicles and increasing opportunities for integration between communities.

Market stalls

We constructed 40 market stalls for the Obozogbe Nugu community in the local government area of Orhionmwon.

Health facilities

Medical equipment was procured for the Ugbukurusu Community Health Centre while maintenance work was carried out on the Ugbevwe Community Health Centre.

Education

We constructed an examination hall at Ugbevwe Secondary School, provided laboratory equipment to the Okunigho Secondary School and completed building work on classrooms at Adaka Grammar School and Oben Secondary School.

Townhall

We completed the construction of a civic centre in Ugborhen and undertook maintenance work at both the Okirighwre Town Hall and the Ugbevwe Town Hall.

Other projects

We constructed drainage channels and slope protection for Boboroku community and completed fencing and flooring of the Edion Hall in Orerokpe Town.

This Strategic report has been approved by the Board and signed on its behalf by:

Austin Avuru
Chief Executive Officer
28 February 2018

Governance

Chairman’s overview	70
Board of Directors	72
Corporate governance report	76
Board Committee reports	82
Statutory Committee report	93
Directors’ remuneration report	94
Report of the Directors	118
Statement of Directors’ responsibilities	123

Resilience with purpose and integrity

Good and sound corporate governance practices remain embedded in our approach to business.

Ambrosie Bryant Chukwueloka ('A.B.C.') Orjiako
Non-Executive Chairman

Dear shareholders,

It is my pleasure to present the Corporate Governance section of our 2017 Annual Report and Accounts.

As you know, by virtue of Seplat's dual listing, our Company is bound by the corporate governance regulations of both Nigeria and the United Kingdom, which include: the Companies and Allied Matters Act ('CAMA'), the Securities & Exchange Commission ('SEC') Code of Corporate Governance for Public Companies in Nigeria (the 'Nigerian Code'), the Nigerian Stock Exchange ('NSE') Rulebook, and the UK Corporate Governance Code (the 'UK Code').

Through strong governance and operational ingenuity, Seplat weathered the global economic storms of 2016 and successfully navigated through the residual storms in 2017, even as the country continues to recover from local economic challenges. I want to thank you all for staying the course with Seplat. Our ability to weather the storms and guarantee the continued success of the business is due, in no small part, to our unrelenting commitment to good corporate governance.

In 2017, we completed all phases of the mandatory corporate governance rating system ('CGRS') conducted by the Convention on Business Integrity on behalf of the NSE. I am delighted to report that the Company attained a score of 87.81%, by far surpassing the passing score of 70%. Our performance in the independent CGRS exercise is evidence of Seplat's strong governance framework and culture. It is my hope that the Company's strong governance will sustain your confidence and trust in Seplat, even as we observed continuous growth in the Company's share price during 2017.

At the core of Seplat's strong corporate governance is the Board, which assiduously works with management to ensure that the Company's business is well governed and financially strong; that identified risks are mitigated; and long-term sustainability and short-term goals are properly balanced. The Company's internal corporate governance embedding activities continued to thrive. 100% of the Board, management and staff participated in the Company's annual corporate governance declarations. In addition, management and staff undertook a corporate governance re-certification exercise to follow their extensive trainings in the prior years. To sustain the efficient performance of its oversight role, the Board undertook an independent evaluation of its performance, and the performance of the Chairman, Board Committees and individual Directors, which was facilitated by an external consultant, Mr. Scott Eversman.

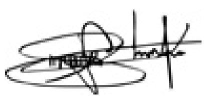
Our internal embedding initiatives were supplemented by external engagements with our regulators and service providers because we recognise these stakeholders as critical to our corporate governance framework. We continued to explore opportunities to support our regulators in upholding the integrity of the capital markets. I applaud the ingenuity of our Audit Committee, which partnered with the SEC to undertake a one-day interactive workshop that delved deep into high level issues around the SEC Annual Returns on Corporate Governance, and brainstorm possible ways to improve the efficiency of this critical disclosure exercise.

Following the retirement of Stuart Connal as Chief Operating Officer in March 2017, I am pleased to announce to you that our Board has been further strengthened by the appointment of a new Executive Director in charge of Operations, Effiong Okon, effective 23 February, 2018. Previously General Manager for Deepwater Production for Shell Nigeria, Effiong has over 26 years of experience in oil and gas having undertaken a breadth of senior technical and leadership roles with Shell during that time, both in Nigeria and internationally. In addition, he was Deputy VP for the Upstream Gas Supply to the Qatar GTL and LNG mega projects. Effiong has proven expertise in successfully developing and operating upstream oil and integrated gas projects in Africa, Europe and the Middle East regions. We look forward to his contribution as we seek to grow our production output across our portfolio.

Please join me in appreciating the Board, management and staff for their untiring dedication and hard work towards delivering long-term sustainable value to all of our stakeholders.

After weathering the storms of the prior years, Seplat is repositioned for growth through operational and corporate governance excellence. We are determined to stay at the forefront of good corporate governance.

Thank you for remaining steadfast with Seplat. We look forward to a robust 2018.



A.B.C. Orjiako
Chairman

Board of Directors

In compliance with the Nigerian Code and the UK Code, the Board comprises a majority of Non-Executive Directors, at least half of whom are independent. Each Board member brings a wealth of business leadership experience to foster the collective strength of the Board in setting the strategic goals of the Company and overseeing the effective performance of management in achieving these goals.

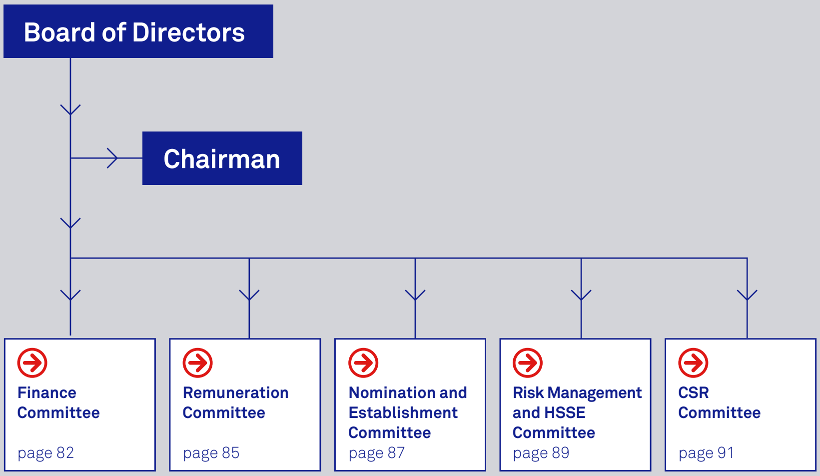
Board members

As at 28 February 2018, Seplat had a Board of 12 Directors:

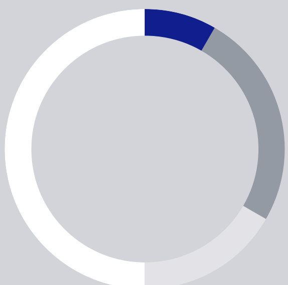
A.B.C. Orjiako Non-Executive Chairman	**Lord Mark Malloch-Brown** Independent Non-Executive Director
Austin Avuru Chief Executive Officer	**Charles Okeahalam** Independent Non-Executive Director
Roger Brown Chief Financial Officer	**Ifueko Omoigui Okauru** Independent Non-Executive Director
Effiong Okon Operations Director	**Damian Dodo** Independent Non-Executive Director
Michael Alexander Senior Independent Non-Executive Director	**Macaulay Agbada Ofurhie** Non-Executive Director
Basil Omiyi Independent Non-Executive Director	**Michel Hochard**[1] Non-Executive Director

1. Madame Nathalie Delapalme acts as alternate to Michel Hochard.

Board structure



Board composition as at 28 February 2018



Chairman	1
Executive Directors[1]	3
Non-Executive Directors	2
Independent Non-Executive Directors	6

1 Stuart Connal retired 30 March 2017.
Effiong Okon was appointed on 23 February 2018.

Experienced, proactive and effective leadership

Non-Executive Chairman

Ambrosie Bryant Chukwueloka ('A.B.C.') Orjiako
Non-Executive Chairman

Biography
Dr. A.B.C. Orjiako is the Chairman of Seplat which he co-founded in 2009. He is qualified as an orthopaedic and trauma surgeon. Dr. Orjiako ventured into business and has developed extensive experience in the Nigerian oil and gas sector, having established and managed various companies in the upstream, downstream, and oil services sectors through companies such as: Abbeycourt Trading Company Ltd, Abbeycourt Energy Services Ltd, Zebbra Energy Ltd and Shebah Exploration and Production Company Ltd.

Dr. Orjiako is also the Chairman of Neimeth Pharmaceutical International Plc, which is listed on the Nigerian Stock Exchange ('NSE'). By invitation of the London Stock Exchange, he became a founding member of the London Stock Exchange Group's Africa Advisory Group ('LAAG'), a select group working to resolve the commercial and social issues affecting Africa.

He has received numerous awards and recognitions for his service to humanity and his entrepreneurial achievements. Some of these notable awards include the Distinguished Alumnus Award and Doctor of Sciences (D.Sc. Honoris Causa) by the University of Calabar, Nigeria in 2001; Platinum Award of the West African College of Surgeons in 2006; National Honours as an Officer of the Federal Republic ('OFR'), conferred on him by the President of Nigeria in 2012; the coveted Zik (Nnamdi Azikiwe) Prize in the Professional Leadership category by the Public Policy Research and Analysis Centre ('PPRAC'); and African Business Executive of the Year 2014, by the Oil and Gas Council.

Experience
Dr. Orjiako brings a wealth of sector experience in the Nigerian oil and gas sector having managed several companies including Abbeycourt Trading Company Ltd, Abbeycourt Energy Services Ltd, Zebbra Energy Ltd and Shebah Exploration and Production Company Ltd.

Date of appointment
- As Director on 14 December 2009
- As Executive Chairman on 1 February 2010
- As Non-Executive Chairman on 1 January 2014

Board meetings attended
- 6/6

Committee membership
- Nomination and Establishment Committee (Chairman)

Independent
- Not applicable

Executive Directors

Ojunekwu Augustine ('Austin') Avuru
Chief Executive Officer;
Executive Director

Biography
Mr. Avuru is a co-founder of Seplat and became CEO on 1 May 2010.

A geologist by background, Mr. Avuru spent 12 years at the Nigerian National Petroleum Corporation, where he held various positions including Well Site Geologist, Production Seismologist and Reservoir Engineer. In 1992, he joined Allied Energy Resources in Nigeria, a pioneer deep water operator, where he served as Exploration Manager and Technical Manager. In 2002, Mr. Avuru established Platform Petroleum Ltd and held the role of Managing Director until 2010, when he left to take up the CEO position at Seplat.

Experience
Mr. Avuru has over 37 years' experience, working in the Nigerian Oil and Gas Sector in increasingly senior technical and management roles. He has spent the last 15 years in CEO roles at Platform Petroleum and Seplat Petroleum, and has built up a strong reputation as a reference resource professional on the Nigerian Oil and Gas Industry play.

Date of appointment
- 1 May 2010

Board meetings attended
- 6/6

Committee membership
- Not applicable

Independent
- Not applicable

Roger Thompson Brown
Chief Financial Officer;
Executive Director

Biography
Mr. Brown joined Seplat as Chief Financial Officer in 2013. With a background in finance, he is a qualified Chartered Accountant with the Institute of Chartered Accountants of Scotland and also a member of Association of National Accountants of Nigeria.

Mr. Brown has over 20 years' experience in the financial sector, primarily focused on emerging markets with extensive experience in structuring energy and infrastructure transactions on the African continent. Prior to joining the Company, he held the position of Managing Director of Oil and Gas EMEA for Standard Bank Group.

Experience
Mr. Brown brings to Seplat extensive financial, accounting, M&A, debt and equity capital markets experience in the emerging markets space, and in particular the African oil and gas sector. He has advised on some of the largest and highest profile transactions that have occurred in Nigeria in recent years.

Date of appointment
- As Chief Financial Officer and Executive Director on 22 July 2013

Board meetings attended
- 6/6

Committee membership
- Not applicable

Independent
- Not applicable

Effiong Okon
Operations Director;
Executive Director

Biography
Mr. Effiong Okon joined Seplat in January 2018 as Operations Director and brings 26 years' experience in upstream and integrated oil and gas operations across Africa, Europe, the Middle East, and Nigeria. He is primarily a Petroleum Reservoir Engineer but combines this with experience across all aspects of the E&P sector including petroleum engineering, exploration, front end development studies, project execution, and production and asset management.

Prior to joining Seplat, Mr. Okon was most recently General Manager Deepwater Production for Shell Nigeria. Previous appointments at Shell also include Deputy Vice President Technical and Manager North Field Wells and Reservoir during the commissioning, start-up and early production phase of mega projects Qatar Shell Pearl GTL and Qatar Gas LNG Trains 7 & 8.

Experience
Mr. Okon brings extensive experience in project managing and safely running significant and complex oil and gas upstream and midstream operations in the onshore and offshore sectors of a diverse range of geographies, successfully leading multi-disciplinary teams, managing service providers and controlling significant budgets. Mr. Okon is a member of several professional organisations, including the Society of Petroleum Engineers ('SPE').

Date of appointment
- 23 February 2018

Board meetings attended
- Not applicable

Committee membership
- Not applicable

Independent
- Not applicable

Non-Executive Directors

Michael Richard Alexander
Senior Independent Non-Executive Director

Biography
Mr. Alexander was appointed to the Board in 2013. He spent 25 years at BP Plc in various roles and was Chief Executive Officer of British Energy Group Plc between 2003 and 2005. Prior to that he was an Executive Director of Centrica Plc having held a number of senior positions within British Gas Plc, including Commercial Director of British Gas Exploration & Production.

Experience
Over the course of his wide-ranging career, Mr. Alexander has acquired considerable experience in executive leadership roles specifically within the energy sector, and more recently he has held a number of non-executive directorships and associated committee roles allowing him to bring wide-reaching international board and corporate governance experience to Seplat.

Date of appointment
- 1 June 2013

Board meetings attended
- 6/6

Committee membership
- Remuneration Committee (Chairman)
- Finance Committee (Member)
- Nomination and Establishment Committee (Member)

Independent
- Yes

Basil Omiyi
Independent Non-Executive Director

Biography
Mr. Omiyi's career spans 40 years at Royal Dutch Shell, during which time he occupied a number of senior roles in Nigeria and Europe, including Managing Director of Shell Petroleum Development Company of Nigeria Limited and Country Chairman of Shell Companies, Nigeria.

Mr. Omiyi also holds board positions in a range of other companies including as Chairman of a Banking and Financial Services company as well as Chairman of a Real Estate Company.

In 2011, he was awarded the National Honour of Commander of the Order of the Niger by the President of Nigeria for pioneering Nigerian leadership in the oil and gas sector.

Experience
Mr. Omiyi has extensive insight into and experience in the global oil and gas industry and in particular brings a detailed knowledge and understanding of the Nigerian oil and gas sector together with senior management expertise gained in a large-scale multinational organisation.

Date of appointment
- 1 March 2013

Board meetings attended
- 6/6

Committee membership
- Risk Management and HSSE Committee (Chairman)
- Nomination and Establishment Committee (Member)
- Remuneration Committee (Member)

Independent
- Yes

Non-Executive Directors

Lord Mark Malloch-Brown
Independent Non-Executive Director

Biography
Lord Malloch-Brown is a former Deputy Secretary General of the United Nations as well as a previous Administrator of United Nations Development Programme. He has also served in the British Cabinet and Foreign Office. He is active both in business and in the non-profit world. He also remains deeply involved in international affairs. Lord Malloch-Brown is a former Chair of the Royal Africa Society.

Experience
Lord Malloch-Brown brings a great deal of knowledge and experience on international and external affairs, and particularly the promotion of business and commerce in African economies, including Nigeria, within a global context. He also brings extensive experience on corporate responsibility and governance systems to the Board.

Date of appointment
- 1 February 2014

Board meetings attended
- 5/6

Committee membership
- CSR Committee (Chairman)
- Finance Committee (Member)

Independent
- Yes

Charles Okeahalam
Independent Non-Executive Director

Biography
Dr. Okeahalam is a co-founder of AGH Capital Group, a private equity and diversified investment holding company based in Johannesburg, with assets in several African countries. Prior to co-founding AGH Capital Group in 2002, he was a Professor of Financial Economics and Banking at the University of the Witwatersrand in Johannesburg. His other roles have included advising a number of African central banks and government ministries, the World Bank and the United Nations. He has held several board positions and is a former non-executive chairman of Heritage Bank Limited, Nigeria. Since March 2016 he has served as the non-executive chairman of the Nigeria Mortgage Refinance Company.

Experience
Dr. Okeahalam brings extensive corporate finance and capital markets expertise to the Board, and in particular detailed knowledge of African financial markets, economies and the investment industry.

Date of appointment
- 1 March 2013

Board meetings attended
- 5/6

Committee membership
- Finance Committee (Chairman)
- Remuneration Committee (Member)

Independent
- Yes

Ifueko Omoigui Okauru
Independent Non-Executive Director

Biography
Mrs. Okauru is the Managing Partner of Compliance Professionals Plc, a Compliance Consulting firm. She is also a Commissioner in the Independent Commission for the Reform of International Corporate Taxation ('ICRICT'). She serves as an Independent Director in other Nigerian public companies and is a founding member of the Board of Trustees of DAGOMO Foundation Nigeria Ltd/Gte.

Previously, she worked as Chief Responsibility Officer for ReStraL Ltd, a company she founded and before that, had spent 12 years at Arthur Andersen & Co. where she became National Partner of the firm's strategy practice. She has served as Executive Chairman of Nigeria's Federal Inland Revenue Service, Chairman of Nigeria's Joint Tax Board, and part-time member of the United Nations Committee of Experts on International Cooperation in Tax Matters.

Mrs. Okauru received a Master of Public Administration degree from Harvard Kennedy School, Harvard University in 2014; a Master of Science, Management Science from Imperial College, University of London in 1986; and a Bachelor of Science (First Class), Accounting from the University of Lagos in 1983. She is a Fellow of the Institute of Chartered Accountants of Nigeria ('FCA'), 2001 and a Fellow of the Chartered Institute of Taxation of Nigeria ('FCTI'), 2007. She was awarded a Member of the Order of Nigeria ('MON') in 2000, and a Member of the Federal Republic of Nigeria ('MFR') in 2006.

Experience
Mrs. Omoigui Okauru brings extensive experience in finance, accounting and tax to the Board together with a great deal of experience in management consulting, strategy and change management.

Date of appointment
- 1 March 2013

Board meetings attended
- 6/6

Committee membership
- Finance Committee (Member)
- Risk Management and HSSE Committee (Member)
- CSR Committee (Member)
- Audit Committee (Member)

Independent
- Yes

Damian Dinshiya Dodo (S.A.N.), OFR, FCIArb, FNIALS
Independent Non-Executive Director

Biography
A renowned lawyer, Mr. Dodo has acted and continues to act for a wide range of major Nigerian corporations, governmental and regulatory bodies across a number of business sectors and has served on a number of panels and commissions in Nigeria, including the NNPC Commission of Inquiry and the Governing Board of the National Agency for the Prohibition of Trafficking in Persons. He currently chairs the National Lottery Regulatory Commission.

In 2001, Mr. Dodo was awarded Nigeria's highest legal practice rank of Senior Advocate of Nigeria ('S.A.N.'). In 2011, he was awarded the National Honour of Officer of the Order of the Federal Republic of Nigeria by the President of Nigeria. Mr. Dodo has also recently been awarded fellowship by the Nigerian Institute for Advanced Legal Studies. In 2017, Mr. Dodo was appointed a Fellow of the Nigerian Chartered Institute of Arbitrators; a Member of the Taraba State Judicial Service Commission; and a member of the Body of Benchers. He is also an alumnus of the Said Business School of the University of Oxford, an alumnus of the IMD Business School, Lausanne, Switzerland; an associate of the Chartered Institute of Arbitrators in London; a Member of the Institute of Directors; a member of the Nigerian Institute of International Affairs; and a member of the International Working Group on the Reform of Investment Laws in Nigeria.

Experience
Mr. Dodo brings an extensive legal expertise and knowledge base to the Board together with a firm understanding of relevant regulatory regimes and corporate governance.

Date of appointment
- 30 June 2014

Board meetings attended
- 6/6

Committee membership
- Nomination and Establishment Committee (Member)
- Remuneration Committee (Member)

Independent
- Yes

Macaulay Agbada Ofurhie
Non-Executive Director

Biography
Chief Ofurhie was appointed to the Board as a nominee of Shebah Petroleum Development Company Limited. A geoscientist by background, Chief Ofurhie has worked in the Nigerian upstream oil and gas industry in a career spanning 34 years. During this time, he has held various executive positions in NNPC and served as Director at the Department of Petroleum Resources ('DPR'). At NNPC, Chief Ofurhie was the Managing Director of Nigerian Petroleum Development Company ('NPDC') and Nigerian Gas Processing and Transportation Company ('NGPTC') (formerly known as Nigerian Gas Company ('NGC')).

Experience
Chief Ofurhie has, over the course of his career, gained extensive experience in the Nigerian upstream oil and gas industry, from both public and private sector perspectives, and has a deep understanding of the below and above ground operating environments in Nigeria.

Date of appointment
- 14 December 2009

Board meetings attended
- 5/6

Committee membership
- Risk Management and HSSE Committee (Member)
- CSR Committee (Member)
- Audit Committee (Member)

Independent
- Not applicable

Michel Hochard
Non-Executive Director

Biography
Mr. Hochard was appointed to the Board of Seplat as a nominee of Maurel et Prom. Mr. Hochard is presently the Chief Executive Officer of Maurel et Prom. Mr. Hochard is a Chartered Accountant whose experience includes serving as Internal Auditor for the Department of Finance of ELF Aquitaine, Head of the Finance Division for Africa and the Middle East, and Director of Finance of the SNEAP, then of ELF Aquitaine production.

Experience
Mr. Hochard brings a great deal of finance, accounting and risk management expertise to the Board and more specifically in the context of the international oil and gas industry.

Date of appointment
- 14 December 2009

Board meetings attended
- 5/6 (One meeting attended by Alternate Director Madame Nathalie Delapalme.)

Committee membership
- Audit Committee (Member)

Independent
- Not applicable

Alternate Director

Madame Nathalie Delapalme
Alternate Director to Michel Hochard

Biography
Madame Delapalme is an Independent Director on the Board of Directors of Maurel et Prom, and since 30 June 2014, acts as an alternate to Maurel et Prom's nominee, Michel Hochard. Madame Delapalme served the French Government as an Inspector of Finance at the Ministry of Economy and Finance, an advisor for the Finance and Budgetary Commission in the French Senate, and an advisor for Africa and Development in the offices of various Foreign Affairs Ministers. She remains deeply involved in governance and leadership in Africa.

The Board maintains oversight of the performance and affairs of the Company on behalf of the shareholders. It defines the Company's strategic goals and ensures that management effectively deploys the human and financial resources of the Company towards achieving those goals.

Board processes

Scope and authority

In line with relevant code of corporate governance and regulations, the Board is responsible for ensuring compliance with the Company's corporate governance and regulatory compliance. In discharging this responsibility, the Board is supported by the Company Secretariat headed by the Company Secretary/General Counsel. In addition, the Board is also supported by the members of the Management Team whenever required. All Board and Board Committee papers are distributed to each Director in advance of their meetings using the Board pad software that is designed for the purpose. This enables Directors to contribute effectively to Board meetings and make informed decisions during their meetings. Formal minutes of Board and all Committee meetings are taken by the Company Secretariat team and approved at the next Board meeting, after it has been reviewed and discussed by the Board. Apart from assisting the Board and Board Committees during their meetings, the Company Secretariat also advises the Board in the performance of its duties within the confines of both the UK and Nigerian laws. Members of the Board are entitled to obtain independent professional advisers at the Company's expense, where necessary.

The roles and responsibilities of the Chairman and the CEO are clearly separated and are outlined under their respective appointment letters. This role separation is monitored by the Senior Independent Non-Executive Director ('S.I.D'), and is periodically assessed during Board evaluations.

The Board has adopted a Board Charter that sets out the matters that are exclusively reserved for its approval. These exclusive matters are also captured in the Authority Matrix of the Company in order to ensure strict compliance by management. Under the Board Charter, the Board has exclusive responsibility for the:

- overall strategy, objectives and management of the Company;
- corporate structure;
- capital structure;
- corporate governance;
- risk management and HSSE policy framework;
- financial reporting and controls;
- material contracts, related party transactions and conflicts of interest;
- material acquisitions or disposals;
- communication to shareholders and investors;
- appointment, induction, training and succession planning of Directors and senior management;
- remuneration of Directors and senior management;
- corporate social responsibility;
- approval of overall levels of insurance for the Company;
- major changes to the rules of any Seplat pension or other benefit scheme;
- Board Charter;
- prosecution, defence or settlement of litigation that are considered material to the interests of the Company;
- appointment of Seplat's banks and approval of bank mandates; and
- establishment and maintenance of the Company's system of internal control and internal audit procedures and review of its effectiveness.

The Board Charter in its current form is in alignment with the provisions of the Nigerian Code and the UK Code as well as international best practice.

In order to carry out its responsibilities, the Board has established five Board Committees and has delegated aspects of its responsibilities to them. The Committees of the Board are as follows:

- Finance Committee (to comply with the UK Code's requirement for an Audit Committee).
- Remuneration Committee.
- Nomination and Establishment Committee.
- Risk Management and HSSE Committee.
- Corporate Social Responsibility ('CSR') Committee.

In addition to these Board Committees, the Company formed a statutory Audit Committee at its 30 June 2014 Annual General Meeting ('AGM') in compliance with Sections 359(3) and (4) of the Companies and Allied Matters Act ('CAMA'). As required by CAMA, three shareholder representatives and three Non-Executive Directors are elected at every AGM to sit on the Audit Committee.

All six Committees have terms of reference that guide their members in the execution of their duties, and these terms of reference are available for review by the public. All the Committees present a report to the Board with recommendations on the matters within their Terms of Reference. The details of these six Committees are contained in the individual Committee reports later in this governance section.

Board review and evaluation

To sustain the efficient performance of its oversight role, the Board undertook an independent evaluation of its performance, and the performance of the Chairman, Board Committees and individual Directors, which was facilitated by an external consultant, Mr. Scott Eversman. A number of recommendations and suggested actions to achieve development, including potential competence development, were made.

The key components of the Board review included:

- Board composition and structure;
- role and accountability of the Board;
- strategic alignment and engagement with business issues;
- processes and practices;
- Board culture and dynamics;
- Board interaction and relationship with management; and
- ethics and values.

Board meetings

The Board meets at least once every quarter. Additional meetings are scheduled whenever matters arise that require the attention of the Board before convening the next quarterly Board meeting.

During 2017, the Board held six meetings with the dates and attendance of each Director reflected below. During the year, the Non-Executive Directors held exclusive meetings, without the Executive Directors. In addition, the Chairman and the Senior INED each held different meetings with the Non-Executive Directors, in the absence of the Executive Directors. In compliance with the Nigerian Code and the UK Code, it is the policy and practice of Seplat that no Director is involved in any deliberation pertaining to his/her remuneration.

Dates of 2017 Board meetings:

- 25 January 2017.
- 23 March 2017.
- 20 April 2017.
- 1 June 2017.
- 20 July 2017.
- 19 October 2017.

Director	Meetings attended
A.B.C. Orjiako	6/6
Austin Avuru	6/6
Michael Alexander (Senior INED)[1]	6/6
Roger Brown	6/6
Lord Mark Malloch-Brown[2]	5/6
Michel Hochard	5/6[3]
Macaulay Agbada Ofurhie	5/6
Charles Okeahalam[2]	5/6
Basil Omiyi[2]	6/6
Ifueko Omoigui Okauru[2]	6/6
Damian Dodo[2]	6/6
Stuart Connal[4]	2/2

1. Senior Independent Non-Executive Director.
2. Independent Non-Executive Directors.
3. One meeting attended by the Alternate Director, Madame Nathalie Delapalme.
4. Retired from the Board 30 March 2017.

During 2017, highlights of the Board's activities included:

- review and approval of the 2016 Annual Report and Accounts;
- review and approval of revisions to the 2017 budget and work programme in response to the low oil price environment and industry challenges;
- review and approval of quarterly and full-year financial results;
- review and approval of the vision and mission of the Company;
- review and approval of the Company's corporate strategy in line with international best practice;
- review and approval of the Company's strategy for key asset acquisitions;
- review and approval of the Company's strategy for resolving disputes in relation to critical matters;
- review of updates on current reserves positions and production trends;
- review of corporate risk framework, enterprise risk dashboard, high-level risks, and risk response actions;
- review of prior year and quarterly corporate performance;
- review the entire value chain of the industry and identified potentials;
- diversify evacuation options with a view to improving the Company's liquidity;
- review of the business strategy in response to the year's challenging operational and financial environment;
- review the Company's business plan for strategic acquisitions that are aimed at positioning the Company to be a foremost Nigerian indigenous upstream oil and gas Company, operating both offshore and onshore assets;
- joint Board and management strategy session primarily to review the Company's five-year Business Plan;
- review of proposals for development of the gas business;
- proposal and approval of the second batch of the Company's Long Term Incentive Plan ('LTIP') award;
- review and approval of strategy to recover all receivables owed to the Company;
- review and approval of refinancing strategies;
- review and adoption of reports received from Board Committees;
- re-election of retiring Directors;
- re-election of the Chairman of the Board; and
- undergoing 2017 Board evaluation.

Board policies and insurance cover

In addition to the Board Charter earlier discussed, the Board has adopted a Code of Conduct and other corporate governance policies covering anti-bribery and corruption, related party transactions, conflicts of interest, share dealing, whistleblowing, community relations, risk management, electronic information and communication systems etc, details of which are discussed later in this governance section.

The Board has also decided to adopt the Model Code for Directors' dealings contained in the UKLA Listing Rules (the 'Model Code').

The Board is responsible for taking appropriate steps to ensure observance of the Model Code by the Directors. The Company is therefore committed to observing the Model Code in order to demonstrate its commitment to good corporate governance practices.

The Company has arranged appropriate insurance cover for legal action against its Directors. This insurance covers losses and actions arising from matters involving a Director's failure to act in good faith and in the Company's best interest, failure to exercise his/her powers for a proper purpose, failure to use his/her skills reasonably, failure to comply with the law, etc. The Company regularly reviews this insurance coverage to ensure adequate protection of its Directors.

Appointment, development and evaluation of Directors

The Board has adopted a Board Appointment Process to guide the appointment of its Directors in accordance with corporate laws, corporate governance regulations and international best practice. The Nomination and Establishment Committee, chaired by Dr. A.B.C. Orjiako, has overall responsibility for the Board appointment, induction, training and evaluation processes, as well as changes to the Company Secretary, all of which are subject to approval by the Board.

The fundamental principles of the appointment process include: evaluation of the balance of skills, knowledge and experience on the Board, leadership needs of the Company and ability of the candidate to fulfil his/her duties and obligations as a Director. New Directors are required to attend an induction programme on the Company's business, their legal duties and responsibilities as well as other information that would assist them in effectively discharging their duties.

The Company believes in and provides continuous training and development opportunities for its Directors.

Rotation of Directors
Seplat stated at the time of the IPO that it would comply with the provisions of section 259 of CAMA, regarding the re-election of Directors at each AGM, which would not follow provision B.7.1 of the UK Code. The following two Independent Non-Executive Directors, who have stayed longest in office, retired during the last AGM and were duly re-elected: (1) Basil Omiyi; and (2) Charles Okeahalam.

The Board also reappointed the current representatives: (a) Mrs. Ifueko Omoigui Okauru; (b) Mr. Michel Hochard; and (c) Mr. Macaulay Agbada Ofurhie, to serve on the Audit Committee, alongside the three shareholders' representatives who were elected at the last AGM: Chief Anthony Idigbe S.A.N., Dr. Faruk Umar; Sir Sunday Nwosu.

Re-Election of Dr. A.B.C. Orjiako as Chairman of the Board
In line with good corporate governance and pursuant to the Chairman's Letter of Appointment, the Board considered and unanimously voted in favour of re-electing Dr. A.B.C Orjiako as Chairman of the Board, given his strong leadership, experience and vision, and his success in steering the Board and the Company through the global and local industry challenges of recent years.

Appointment of new Operations Director
We are pleased to announce the appointment of Mr. Effiong Okon as the Operations Director, effective from 23 February 2018. Mr. Okon replaces Mr. Stuart Connal, who retired as Chief Operating Officer on 30 March 2017. The Company welcomes Mr. Okon to the Board and to executive management. He will be presented to the 6 June 2018 AGM for ratification of his appointment.

Accountability
Details of the Directors' responsibility for preparing the Company's financial statements and accounts, and a statement that they consider the financial statements and accounts, taken as a whole, to be fair, balanced and understandable and to contain the information necessary for shareholders to assess the Company's position and performance, business model and strategy, are given on page 123 of this report. Seplat's business model and strategy for delivering the objectives of the Company and the assumptions underlying the Directors' assessment of the business as a going concern are given on pages 20 and 24 of this report, respectively.

The Board has assessed the Company's risk management and internal controls systems, including financial, operational and compliance controls, and has carried out a review of their effectiveness, details of which are given on pages 54 to 61 of this report.

In compliance with CAMA, the Company has established a statutory Audit Committee (mentioned earlier), and in compliance with the UK Code's requirement for an Audit Committee, the Board has established a Finance Committee comprising four Independent Non-Executive Directors. Details of the Finance and Audit Committees' membership and activities are given in their respective reports, on pages 82 and 93. The Board has also established the Risk Management and HSSE Committee, which is responsible for reviewing on behalf of the Board, operational risk, health and safety, and environment matters. Details of the Committee's membership and activities are given in its report on page 89.

Remuneration
In compliance with the Nigerian Code and UK Code, the Board has established a Remuneration Committee solely comprising Independent Non-Executive Directors, under the chairmanship of Michael Alexander (S.I.D.). Details of the Committee's membership and activities are given in its report on page 85. Details of how Seplat's remuneration policy links remuneration to the achievement of the Company's strategy and the level of remuneration paid to each of the Directors during the year are outlined on pages 99 and 100.

Seplat stated at the time of the IPO that remuneration for certain Non-Executive Directors may include performance-related elements and certain Executive Directors' service contracts may include an initial fixed term of more than one year. Thus, this practice would not be in compliance with provisions D.1.3 and D.1.5, respectively, of the UK Code. In compliance with both the Nigerian Code and the UK Code, no Executive Director is a member of the Remuneration Committee and no Director is involved in any deliberation of his/her remuneration. The Company's remuneration policy and practices are outlined on page 99 of this report.

Protection of shareholder rights
The Board ensures that the statutory and general rights of shareholders are protected at all times. It further ensures that all shareholders are treated equally. On 25 March 2014, the Company entered into a Relationship Agreement with its founding shareholders (who are represented on the Board) to regulate their degree of control over the Company so that the rights of minority shareholders and the independence of the Board are protected. All other shareholders are given equal access to information and no shareholder is given preferential treatment.

Communication with shareholders
Seplat values effective communication with its shareholders. The Company reports formally to shareholders four times a year with the announcement of quarterly and full-year results as well as providing disclosure on material changes to the business as and when required. The full-year Annual Report and Accounts are issued to shareholders. These reports are posted on the Company's website. Results presentations are also made available on the Company's website together with replays of webcasts.

Seplat's fourth AGM was held on 1 June 2017 in Lagos, Nigeria, and was attended by 366 shareholders in person while 142 shareholders were represented by proxies. The business transacted at the meeting was based on CAMA requirements and as such, diverged in some respects from that common to UK companies. The Company's AGM affords shareholders present the opportunity to discuss matters regarding the Company's business with the Chairman, the Committee Chairmen and individual Directors, and also for shareholder and Board representatives to be elected to sit on the Audit Committee, as required by CAMA.

The notice of the 2017 AGM has been sent to shareholders with this Annual Report and Accounts and it is intended that the best practice for AGMs as detailed in the Nigerian Code and the UK Code will be followed.

The Board maintains a dialogue with investors outside the AGM with the intention of ensuring a mutual understanding of objectives to gain a balanced view of key issues and concerns of shareholders. The primary contact is through the Executive Directors.

The Non-Executive Directors, and in particular the Chairman and the S.I.D., are available to attend meetings if requested specifically by shareholders.

Engagement with existing and potential shareholders regarding business strategy and performance is coordinated by the Investor Relations function. The Head of Investor Relations reports directly to the Chief Financial Officer. Matters regarding the general administration of shareholdings are coordinated by the Company Secretary.

The Company conducts an active investor relations programme with institutional investors and analysts. This includes participation at conferences, both within and outside Nigeria, where a number of one-on-one meetings and group presentations are made, and the undertaking of investor roadshows in key financial centres. In 2017, the Company held over 280 meetings with institutional investors and expanded its analyst coverage.

Regular analysis of Seplat's shareholder register and major movements, together with market feedback, trading analysis and peer performance, are communicated to the Board via the Chief Financial Officer and the Head of Investor Relations.

The Board welcomes enquiries from shareholders and encourages attendance at the Company's AGM and participation in its results presentations and webcasts. The Board further encourages shareholders to subscribe to receiving news alerts via the subscription service on the Company's website.

Disclosure of information

Seplat aims to comply with the highest standards of disclosure. The Company simultaneously releases announcements through the relevant regulatory channels in both Nigeria and the UK. It also ensures that all announcements are available on the Company's website together with copies of its latest results, financial reports and other relevant information. The Company has controls and processes in place for the management of inside information. The Executive Directors are ultimately responsible for the approval of Company announcements and ensuring that such documents comply with relevant legal and regulatory requirements.

Corporate governance framework and compliance initiatives

The Board recognises the importance of good corporate governance in the success of the Company and the integrity of its operations. The Board has overall responsibility for developing and embedding the corporate governance framework of the Company, and does so with "tone from the top" compliance. The Board regularly subjects itself to evaluations of its level of corporate governance compliance, and takes remedial action to resolve any areas of potential or perceived non-compliance.

In the course of the year, the Board improved its relationship with its regulatory stakeholders by constant engagement and prompt response to regulatory enquiries. In order to properly address feedback from the previous filings of the Annual Security and Exchange Commission Corporate Governance Returns, the Audit Committee hosted the SEC officials for a one-day workshop which provided more enlightenment on the corporate governance requirements under the SEC Code.

A dedicated Corporate Governance Unit within the Legal Department works in partnership with the Business Integrity Unit, external consultants and the Company's regulators (NSE, SEC, FRCN, CAC, LSE and FCA) when necessary to maintain a robust corporate governance framework in the Company. Members of the Corporate Governance Unit and the Company Secretariat Unit frequently attend engagement sessions with the Nigerian regulators, particularly the NSE. They also facilitated the Company's participation in the Nigerian Corporate Governance Rating System that was launched in 2016.

The corporate governance embedding activities which were launched in 2016 by the Executive Management Team continued in the year 2017 with posting of key corporate governance policies at strategic and conspicuous places in all our offices as well as the use of screensavers to interchangeably showcase key policy requirements as well as the whistleblowing channels. In addition, we went a step further by including our Anti-Bribery and Corruption Policy in our contract templates which were embraced by our contractors.

In order to strengthen the corporate governance awareness campaign in 2017, a corporate governance online recertification programme was implemented for all employees and contract staff.

As of the date of this Annual Report and Accounts, the Board has adopted the following internal corporate governance policies and practices:

1) Board Charter.
2) Code of Conduct.
3) Anti-Bribery and Corruption Policy.
4) Conflicts of Interest for Employees Policy.
5) Conflicts of Interest for Directors Policy.
6) Related Party Transactions Policy and Guidelines.
7) Share Dealing Policy.
8) Inside Information Policy.
9) Risk Management Policy.
10) Electronic Information & Communication Systems Policy.
11) Corporate Communications Policy.
12) Political and Charitable Contributions Policy.
13) Community Relations Policy.
14) Whistleblowing Policy.
15) Complaint Management Policy.

1) Board Charter

The Board Charter was adopted by the Board on 22 March 2013 but was updated on 29 January 2016 to align its provisions in compliance with international best practice. The Board Charter sets out the responsibilities of the Board; the establishment of the Board Committees with clear delegated responsibilities; the matters reserved for the exclusive approval of the Board; and the conduct of Board proceedings.

2) Code of Conduct

The Code of Conduct was adopted by the Board on 13 December 2012. It outlines the ethical framework under which Seplat conducts business – with the highest standards of ethics, accountability and transparency. The Code of Conduct was fashioned into an easy-to-read aesthetic handbook with memorable slogans, such as "Integrity ... Do more, Go further". This handbook was circulated Company-wide, together with a statement of acknowledgement for the recipients to sign. The Code of Conduct is an implied contract between the Company and its employees, contract staff and business partners to conduct business with the highest ethical standards.

3) Anti-Bribery and Corruption Policy

The Anti-Bribery and Corruption Policy was adopted by the Board on 13 December 2012 but was updated on 29 January 2016. The Policy demonstrates Seplat's zero tolerance commitment to the eradication of bribery and corruption. It prohibits payment or receipt of facilitation payments, misappropriation, 'kickbacks' and blackmail/extortion. It also sets the parameters under which Directors and employees may give or receive gifts and hospitality, deal with public officials, and make political and charitable donations. The Policy includes reporting, documentation and whistleblowing provisions as well as provisions regarding zero tolerance disciplinary action for any violation.

Due diligence process

Seplat is committed to doing business with reputable, honest and qualified business partners. In line with our commitment in our Code of Conduct to "Do More" and "Go Further" in business ethics, our employees are encouraged to conduct due diligence exercises and take reasonable precautionary measures before entering into major transactions. These exercises and measures are geared towards evaluating each business partner's tendency toward corruption and other violations of law. The Company's due diligence exercises are sometimes performed by external specialist firms engaged to identify potential risks to the Company associated with doing business with new or existing business partners and counter parties.

4) Conflicts of Interest for Employees Policy

Following a mandate from the Board, the initial version of the Policy that conjunctively addressed Conflicts of Interest and Related Party Transactions was revised and separated into distinct policy documents. The emerging Conflicts of Interest for Employees Policy was adopted by the Board on 24 March 2015 and updated on 29 January 2016. It applies to both employees and contract staff. The Policy outlines Seplat's commitment to avoiding and managing conflicts of interest in order to preserve the integrity of its business decisions and operations. It also sets a clear disclosure, approval, documentation and monitoring process for conflicts of interest within the Company, beginning with a mandatory annual conflict of interest declaration to the Company, for the consideration of a conflict of interest review panel that subsequently recommends control measures for approval by the CEO.

During the year, 100% of employees participated in the annual declaration of conflicts of interest.

5) Conflicts of Interest for Directors Policy

Following the revision to the initial Conflict of Interest and Related Party Transactions Policy (stated earlier), a stand-alone Policy addressing conflicts of interest for Directors was formally adopted by the Board on 29 January 2016, although the Board began incorporating its provisions in 2015. This Policy applies to Seplat Directors and the shareholder representatives on our statutory Audit Committee. The Policy clearly sets out the legally imposed duties of the Board and its members, along with some ethical requirements adopted by the Company. Particular attention is given to conflicts involving Independent Directors to ensure compliance with both the letter and spirit of corporate governance regulations on such Directors. The Policy outlines a clear disclosure, review and documentation process for all conflicts of interest involving a Director, beginning with a yearly declaration to the Company, for the consideration of a dedicated conflict of interest review panel. During the year, all members of the Board participated in the annual declaration of conflicts of interest.

6) Related Party Transactions Policy and Guidelines

Aligning with the increasing attention to related party transactions, the Company developed a stand-alone document for such transactions as well as transfer pricing guidelines. The Related Party Transactions Policy and Guidelines is a live document that is revised real-time with changes to the Nigerian and the UK transfer pricing regulations. For example, the Board recently revised the Policy to incorporate the requirements of the NSE rules governing transactions with interested persons or related parties that were issued at the end of 2014. The Policy was mostly recently reaffirmed by the Board on 29 January 2016. It outlines a stringent process for disclosing, reviewing/approving and recording all related party transactions as well as business relevant guidelines for ensuring the arm's length conduct of approved transactions.

The list of Seplat's related party transactions is outlined in Note 31 to the financial statements of the Annual Report and Accounts. Seplat is committed to conducting all related party transactions in accordance with the arm's length principles and good corporate governance practices.

Directors' interest in contracts

The Chairman and the CEO have disclosable indirect interest in contracts with which the Company was involved as at 31 December 2017 for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria. These are contained in under related party disclosures in Note 31.

7) Share Dealing Policy

The Share Dealing Policy was adopted by the Board on 22 March 2013 but was updated on 29 January 2016. The Policy demonstrates Seplat's commitment to trading securities in compliance with the requirements of the NSE Amended Listing Rules ('ALR'), the Nigerian Code and the UK Listing Rules. The Share Dealing Policy acknowledges the Company's dual participation in the Nigerian and UK Stock Exchanges, and its conjunctive obligations under both Nigerian and UK listing regulations. The Policy therefore sets the parameters under which Directors and employees of Seplat and its subsidiaries, and their connected persons, must deal with the Company's shares, securities and inside information. During the year, the Policy was reviewed in line with the European Union Market Abuse Regulations that took effect from 3 July 2016.

Declaration of Compliance

In compliance with Section 14.4(b) of the NSE ALR, following specific enquiry, all Directors acted in compliance with the NSE ALR and Seplat's Share Dealing Policy in respect of their securities transactions during the financial year ending 31 December 2017.

8) Inside Information Policy

Stemming from the Share Dealing Policy, the Inside Information Policy was adopted by the Board on 29 January 2016. The Policy clearly defines what constitutes 'inside information' and sets a clear process for the confidential preservation of such information. It also prohibits Seplat Directors, employees, contract staff, business partners and their connected persons from using inside information to deal in Seplat shares or securities or those of another public company.

9) Risk Management Policy

The Risk Management Policy was adopted by the Board on 29 August 2013 and updated on 29 January 2016. It demonstrates Seplat's commitment to the enterprise risk management and reporting system that ensures efficient identification of operational, financial, health, safety and environmental risks, and risk eradication and management.

10) Electronic Information & Communications Systems Policy

The Electronic Information & Communications Systems Policy was adopted by the Board on 22 March 2013 and updated on 29 January 2016. The Policy demonstrates Seplat's commitment to responsible, secure and efficient use of communication systems, such as the internet, electronic mail, social media, intellectual property, etc.

11) Corporate Communications Policy

The Corporate Communications Policy was approved on 13 August 2013 by the CEO and, after some updates, was adopted by the Board on 29 January 2016. The Policy sets out the process for communicating, interacting with, and disseminating information regarding the operations and management of the Company to shareholders, other stakeholders and the general public.

12) Political and Charitable Contributions Policy

The Political and Charitable Contributions Policy was adopted by the Board on 29 January 2016. The Policy prohibits Directors, employees, contract staff and business partners from making political donations or engaging in other political activities on behalf of Seplat. It also sets the standard and processes for making charitable donations to lawfully constituted charitable organisations, in line with the CSR initiatives of the Company.

13) Community Relations Policy

The Community Relations Policy was adopted by the Board on 13 December 2012 and updated on 29 January 2016. The Policy demonstrates Seplat's value for the communities in which it operates, and the Company's commitment to developing the communities through capacity building, business opportunities, employment, academic scholarships, charitable donations, awareness creation, etc. The details of Seplat's CSR activities are contained in the CSR section of this report.

14) Whistleblowing Policy

The Whistleblowing Policy was adopted on 22 March 2013 and updated on 29 January 2016. In addition to this Policy, whistleblowing provisions are entrenched in all Seplat corporate governance policies. The Company has a dedicated whistleblowing hotline for employees and other stakeholders to confidentially report unlawful and unethical conduct involving the Company, its Directors or employees. The Company's whistleblowing system comprises an internal and an external channel, which are operated concurrently. The internal whistleblowing channel is managed by the Company's Business Integrity Unit, reporting directly to the CEO, while the external whistleblowing channel is managed by KPMG. The Business Integrity Unit and KPMG ensure that all reports are kept confidential and appropriately investigated and resolved.

15) Complaint Management Policy

The Company established a Complaint Management Policy pursuant to the Rules of the Nigerian SEC released on 16 February 2015 and the subsequent directive of the NSE to all listed companies in Nigeria. The Policy outlines the procedures established by Seplat to address the complaints and other communications received by its shareholders and the public in relation to specific matters. The Policy is available on the "Corporate governance policies" page of the Company's website.

Directors' declarations

None of the Directors have:

- ever been convicted of an offence resulting from dishonesty, fraud or embezzlement;
- ever been declared bankrupt or sequestrated in any jurisdiction;
- at any time been a party to a scheme of arrangement or made any other form of compromise with their creditors;
- ever been found guilty in disciplinary proceedings by an employer or regulatory body, due to dishonest activities;
- ever been involved in any receiverships, compulsory liquidations or creditors' voluntary liquidations;
- ever been barred from entry into a profession or occupation; or
- ever been convicted in any jurisdiction of any criminal offence or an offence under any Nigerian or UK legislation.

Finance Committee report

5 Finance Committee meetings in 2017

2017 Members	24 Jan	22 Mar	19 Apr	19 July	18 Oct	
Charles Okeahalam[1], Chairman	◉	◉	◉	◉	◉	5/5
Michael Alexander[1], Member	◉	◉	◉	◉	◉	5/5
Lord Mark Malloch-Brown[1], Member	◉	◉	◉	◉	◉	5/5
Ifueko Omoigui Okauru[1], Member	◉	◉	◉	◉	◉	5/5

1. Independent Non-Executive Director.

Charles Okeahalam and Ifueko Omoigui Okauru have recent and relevant financial experience, as highlighted in the profile of Directors on page 74.

In the financial year ended 31 December 2017, the Committee held five meetings, dates and attendance records for which can be seen in the table above.

I am pleased to make this report to Seplat shareholders on the activities of the Finance Committee, which I trust you will find to be of interest.

The Finance Committee was constituted in 2013 in compliance with the UK Code's requirement for an audit committee, and consists wholly of Independent Non-Executive Directors as listed above. You will see below the details of the terms of reference for the Finance Committee. During the year, the Committee focused on strategies to bolster the Company's financial performance amidst volatile oil prices and an extremely challenging operating and financial environment. We remained steadfast in our resolve to explore and execute viable solutions to each operational and financial challenge. I am happy to report the success of the Company in realising profit in spite of the low oil price environment and operational challenges. The details of our activities are contained below.

I shall be available at the AGM of the Company to be held on 6 June 2018 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Dr. Charles Okeahalam[1]
Chairman of the Finance Committee

1. Independent Non-Executive Director.

The Finance Committee consists of four members, all of whom are Independent Non-Executive Directors. The Committee meets at least four times a year, and its meetings are attended by appropriate senior management of the Company, including the Chief Financial Officer, the Head of Internal Audit and the Head of Internal Controls.

The Finance Committee assists the Board in:

- monitoring the integrity of financial statements and any formal announcements relating to its financial performance, reviewing any significant financial reporting judgements contained in them;
- reviewing the Company's internal financial controls and financial risk management systems;
- overseeing financial strategy, policy and treasury matters;
- reviewing and approving major capital expenditures;
- making recommendations to the Board for presentation to the shareholders for approval at the AGM in relation to the appointment, re-appointment and removal of the external auditor; and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- monitoring and reviewing the effectiveness of the Company's internal audit function and its activities;
- providing advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and

- overseeing and evaluating the effectiveness of (and compliance with) the Company's corporate governance policies (including without limitation: conflicts of interest, related-party transactions and whistleblowing).

The Committee's activities during 2017

The Committee met five times during 2017. In compliance with the Committee's terms of reference, it considered the following:

- Financial statements: the Committee reviewed the report from the external auditors and management on the interim and annual financial statements and the accompanying public releases. In doing so, it considered the following:
  - the oil and gas reserve estimates;
  - revenue recognition;
  - recoverability of the receivables from the joint venture partners;
  - impact of the new accounting standards on financial reporting;
  - impact of the fair value adjustments on oil hedges;
  - accounting treatment of the proceeds from OML 55;
  - areas that required significant estimation, judgement or uncertainty;
  - compliance with financial reporting and governance standards;
  - the basis for the going concern assessment; and
  - related party transactions as well as fraud and management override.
- Survival strategy: the Committee considered various strategies for bolstering the Company's performance in the challenging operating environment, ranging from commercialising gas reserves and production, to strengthening the Company's balance sheet.
- Alternative export routes: in response to the prolonged Trans Forcados downtime, the Committee considered various options for immediate and long-term alternative export routes. Following relevant government approvals, management successfully executed an agreement to complete the Amukpe-Escravos Pipeline Project whilst maintaining barging operations from Warri refinery.
- Strengthening the balance sheet: the Committee worked closely with management to explore the immediate and long-term strategies for improving the Company's balance sheet. Management successfully extended the principal repayments on its corporate facility, which was due for repayment in 2017; this resulted in valuable savings to the Company.
- Cash flow analyses and action plan: the Committee worked closely with management to regularly monitor the Company's liquidity projections over periods ranging from 12 months to 18 months in order to assess the impact of operational challenges on key cash flow sources. From these analyses, an action plan was developed for increasing funds inflow and controlling funds outflow in response to specific operational and financial activities.
- Debt recovery: the Committee reviewed various strategies to recover debts owed to the Company in order to buttress the Company's financial performance.
- Cost management: the Committee reviewed the continuous efforts by management to efficiently manage costs in response to the low oil price environment. These efforts resulted in the trending down of general and administrative costs during the year.
- Oil hedging: the Committee reviewed and recommended the implementation of an appropriate oil hedging strategy to protect against volatile oil prices, after ensuring that appropriate levels of revenue protection were considered at the same time as ensuring that the risk and costs of hedging were manageable.
- Budgets: the Committee reviewed revisions to the annual budget in detail to ensure the assumptions were consistent with the business environment and appropriate growth targets. Oil price sensitivities, alternative export routes, cost reductions, impact of major acquisitions and impact of Naira devaluation were considered as a part of the process.
- Pioneer tax extension: the Committee monitored the efforts of management to progress the Company's application for an extension of its pioneer tax status, and considered the impact of recognising tax in the Company's accounts in the absence of such extension.
- Major acquisitions and litigations: the Committee reviewed the efforts of management to resolve issues around ongoing major acquisitions impacting the liquidity of the Company and recommended strategic ways to control funds from those transactions.
- Internal and external audit: the Committee reviewed and made recommendations on the internal and external audit plans and the underlying activities, and monitored the extent and timing of remediation by management.
- Internal controls and risk management: the Committee reviewed the business risks including the management and mitigation of financial risks and the timeline for remediation.
- Corporate governance compliance: the Committee reviewed the corporate governance framework to determine and make recommendations on its alignment with current Nigerian and UK regulations as well as the levels of compliance in the Company. The Committee also reviewed the effectiveness of the Business Integrity Unit, the whistleblowing policy, as well as reports made through the whistleblowing system and efforts to resolve them.
- Interim and final dividend: the Committee considered the impact of declaring an interim and final dividend in view of the low oil prices and challenging operating environment, and the expectations of shareholders under these conditions.

The significant issues considered by the Committee in relation to the financial statements were:

- Payment of dividends in foreign currency: the Committee considered the implication of the Central Bank of Nigeria foreign exchange directive on the ability of the Company to pay dividends and contracts in foreign exchange.
- Related party transactions: the Committee undertook a thorough review as to the number and extent of related party transactions. It was decided that the Committee would continue to monitor these closely with a goal of reducing the number and value of related party transactions through the introduction of other service providers.
- Impairment: the Committee reviewed the impairment tests performed by management which was also an area of focus for the external auditor. In assessing the impact of impairment, oil price assumptions were compared with a number of external reference points and compared to ensure that the management estimates were appropriate.

Internal audit

During 2017, the Finance Committee on behalf of the Board reviewed the audit plan and received quarterly reports on the internal audit activities. The Internal Audit department was formed in 2014. Prior to 2014, the internal audit activities were outsourced to PwC. PwC continues to support the Internal Audit team under a manpower call-off to provide resources as required in delivering the Internal Audit plan.

The Head of Internal Audit reports directly to the Board through the Chairman of the Finance Committee with an administrative reporting line to the CFO. The Internal Audit function therefore has direct access to the Finance Committee and its main responsibilities include:

- evaluating the adequacy, reliability and effectiveness of governance, risk management and internal controls systems;
- setting the internal audit strategy and plan and delivering risk-based assurance and compliance monitoring;
- evaluating the integrity of information and the means to identify and report on such information;
- evaluating the means of safeguarding assets and verifying the existence of such assets, as appropriate; and
- performing consulting and advisory services on new initiatives as appropriate for the Company.

In 2017, internal audit focused on risk areas in performing both process audits and detailed testing of transactions related to contracting and procurement procedures, financial accounting processes, deep dive review of the vendor master database, legal and regulatory compliance and embedding of corporate governance. The results of the internal audit findings were considered by the Committee at the majority of the meetings and the remedial plan was discussed with management. Control findings led to further testing on contract performance and corporate services to address specific control gaps and assertions. Internal audit also conducted checkpoint remediation reviews to ensure that management was effectively closing out identified control gaps from prior audit findings.

External audit

The objectiveness and independence of the external auditor are taken seriously by the Company and this is reviewed each year prior to commencement of the audit process. The Committee has a policy of ensuring that the external auditors' independence is maintained by minimising the provision of non-audit services. This is monitored closely throughout the year and the non-audit services are generally limited to services related to the audit such as review of the quarterly financial statements which the Company is required to publish. This practice was followed in 2017.

An analysis of the fees earned by the external auditor for the audit and non-audit services can be found in Note 7 to the financial statements.

Prior to commencement of the audit, the Finance Committee meets with the external auditor to review the audit plan and reports. This is to ensure that the Committee has a thorough understanding of the higher risk areas designed to ensure that there are no material misstatements in the financial statements.

The Committee has reviewed the external auditors' performance and independence taking into account input from management as well as interaction with the external auditor without management present. In making its assessment, the Committee focused on the robustness of the audit, the extent of investigation into the business and the quality and objectiveness of the audit team. Based on this information, the Committee concluded that the audit process is operating effectively and has thus recommended to the Board that the current auditor, Ernst & Young ('E&Y'), be reappointed as external auditor. E&Y was first appointed on 20 December 2010. The Company complies with the Nigerian corporate governance regulations, while observing those in the UK by strategically adopting the most stringent conditions under both sets of regulations. This results in the audit partner being rotated every five years and the audit being put out to tender at least every ten years.

Remuneration Committee report

4 Remuneration Committee meetings in 2017

2017 Members	24 Jan	22 Mar	19 July	18 Oct	
Michael Alexander ('S.I.D.')[1], Chairman	⦿	⦿	⦿	⦿	4/4
Charles Okeahalam[2], Member	⦿	⦿	⦿	–	3/4
Basil Omiyi[2], Member	⦿	⦿	⦿	⦿	4/4
Damian Dodo[2], Member	⦿	⦿	⦿	⦿	4/4

1. Senior Independent Non-Executive Director.
2. Independent Non-Executive Director.

In the financial year ended 31 December 2017, the Committee held four meetings, dates and attendance records for which can be seen in the table above.

The Remuneration Committee is a standing committee of the Board, and is comprised wholly of Independent Non-Executive Directors under the chairmanship of the Senior Independent Director, in compliance with the Nigerian Code and the UK Code. You will see below details of the terms of reference for the Remuneration Committee and a summary of the activities carried out during the year.

The Remuneration Committee is established to ensure that remuneration arrangements for Seplat's Chairman, Executive Directors, Non-Executive Directors and senior management support the strategic aims of the business and enable the recruitment, motivation and retention of relevant skilled personnel while satisfying the expectations of shareholders. Details of the Company's remuneration policy are outlined on pages 99 to 109 of this Annual Report and Accounts. In the interest of transparency, no Director by reason of being a member of the Committee is involved in any decisions relating to his/her own remuneration.

The Committee will continue to be mindful of the concerns of shareholders and other stakeholders, and welcomes shareholder feedback on any issue related to executive remuneration. In the first instance, please contact our General Manager, Human Resources.

MR Alexander

Michael Alexander ('S.I.D.')[1]
Chairman of the Remuneration Committee

1. Senior Independent Non-Executive Director.

All members of the Remuneration Committee are Independent Non-Executive Directors in order to preserve the transparency and integrity of remuneration processes. The Remuneration Committee meets at least four times a year, and, when required, the meetings are attended by appropriate senior management of the Company (such as the Chief Executive Officer and General Manager of Human Resources), and external advisers upon invitation.

When proposing remuneration to the Board, the Committee ensures that:

- the remuneration for Executive Directors is appropriately balanced between fixed and variable pay elements, which may include annual bonus and equity-based awards;
- Executive Directors do not receive any sitting allowances or fees that may be payable to Non-Executive Directors;
- the remuneration of Non-Executive Directors is determined by the Chairman and the Executive Directors; and
- no Director or manager is involved in any decisions as to his/her own remuneration.

The Remuneration Committee assists the Board in:

- Determining the framework for the remuneration of the Chairman, Chief Executive Officer, Executive Directors, Non-Executive Directors and members of senior management, including without limitation, the schemes of performance-based incentives (including share incentive plans), awards, and pension arrangements and benefits for the Executive Directors and senior management.
- Ensuring that contractual terms and payments in respect of dismissal, loss of office or termination (whether for misconduct or otherwise) are fair and not excessive to the individual.
- Providing appropriate input on Directors' remuneration for the Company's Annual Report and Accounts.
- Preparing necessary remuneration procedures and policies in compliance with the Nigerian Code, UK Code and other applicable laws, and in consideration of remuneration trends in the oil and gas industry in the area where Seplat operates.
- Reviewing remuneration and related matters to ensure that they are consistent with corporate governance best practice.
- Reviewing up-to-date information about remuneration in other companies in the oil and gas sector with the aid of qualified consultants.
- Overseeing any major changes in employee benefits structures throughout Seplat.
- Designing the policy for authorising claims for expenses from Executive and Non-Executive Directors.
- Regularly reviewing the ongoing appropriateness and relevance of the Company's remuneration policy.

Highlights of business carried out by the Remuneration Committee during the year include:

- Monitoring the implementation of the Company's remuneration policy and practice.
- Ensuring the appropriate cascade of the remuneration policy to the senior management grades.
- Determining the 2018 fee and salary levels for the Chairman, Executive Directors and senior management.
- Determining the level of bonus payments in respect of the current financial year.
- Granting awards under the Company's LTIP as well as monitoring performance progress of outstanding awards and determining the vesting of the 2015, 2016 and 2017 LTIP awards.
- Review and development of a new remuneration policy which will be put to shareholders for approval at the 2018 Annual General Meeting.
- Reviewing the appointment contracts for Directors and the Board Chairman.
- Drafting the Company's Directors' Remuneration Report.

Nomination and Establishment Committee report

3 Nomination and Establishment Committee meetings in 2017

2017 Members	22 Mar	19 July	18 Oct	
A.B.C. Orjiako, Chairman	●	●	●	3/3
Michael Alexander ('S.I.D.)[1], Member	●	●	●	3/3
Basil Omiyi[2], Member	●	●	●	3/3
Damian Dodo[2], Member	●	●	●	3/3

1. Senior Independent Non-Executive Director.
2. Independent Non-Executive Director.

In the financial year ended 31 December 2017, the Committee held three meetings, dates and attendance records for which can be seen in the table above.

The Nomination and Establishment Committee was active during the year. Following the review of a new organisational structure for the Company, strategic steps were taken to leverage this new structure against the Company's business priorities. For example, a succession plan and talent review and re-structuring were conducted for the senior management team with a view to formulate specific development plans that would close any gaps that were identified at that level. In addition, a competency development training plan was developed and implemented to help senior management to build and sustain long-term leadership skills.

The 2017 activities of the Committee are outlined below. For further clarification, I shall be available at the AGM of the Company to be held on 6 June 2018 in Lagos, Nigeria to speak with shareholders. If you are not able to meet me at this year's AGM, I can be contacted via the Company Secretary.

A.B.C. Orjiako
Chairman of the Nomination and Establishment Committee

All four members of the Nomination and Establishment Committee are Non-Executive Directors, three of whom are Independent. The Nomination and Establishment Committee meets at least three times a year. When required, the meetings of the Committee are attended by appropriate senior management of the Company (such as the Chief Executive Officer, Chief Finance Officer, General Manager of Human Resources and Company Secretary) and external advisers upon invitation.

In accordance with the provisions of the SEC Code of Corporate Governance, the Nomination and Establishment Committee assists the Board in:

- reviewing and making recommendations on the size, composition and balance of the Board and its Committees;
- evaluating the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment and ascertaining that nominees are fit and proper to carry out the duties of a Director;
- reviewing the criteria for Board and Board committee memberships, reviewing candidates' qualifications and any potential conflict of interest, assessing the contribution of current Directors in connection with their re-nomination and making recommendations to the Board;
- ensuring that a succession policy and plan exist for the positions of Chairman, CEO, Executive Directors and managing directors for the subsidiary companies;
- reviewing the performance and effectiveness of the subsidiary company boards on an annual basis where applicable;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- preparing a job specification for the Chairman's position, including an assessment of time commitment required of the candidate;
- identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise;

- recommending to the Board any proposed appointments or removals of Directors to be made in accordance with Seplat's Memorandum and Articles of Association; and evaluating the performance of Directors and making recommendations on the addition or replacement of Executive and Non-Executive Directors and the Chairman of the Board;
- overseeing management's implementation of the Company's human capital development policies and procedures;
- recruiting, promoting, developing, succession planning or disciplinary measures affecting Executive Directors and senior management; and
- overseeing the implementation of Seplat's Code of Conduct as it relates to the functions undertaken or overseen by the Committee and reporting any lapses and recommending remedial action to the Board.

Highlights of the business carried out by the Nomination and Establishment Committee during the year include:

- review and recommendations to the Board and management on the 2017 Board evaluation exercise;
- engagement of new hires to fill in key strategic positions;
- retirement of the COO of the Company;
- review and recommendation of courses for the training of the Directors within the period;
- review and approval of Seplat Bullying and Harassment Policy;
- development and presentation of the Human Resources Dashboard for reflection of all key issues and mitigating factors;
- ensure a succession policy and plan for the positions of CEO, Executive Directors, members of boards of subsidiary companies and senior management staff;
- reviewed and approved the promotion of certain key management staff who had distinguished themselves through excellent performances;
- strategic recruitment of senior management roles;
- implementation of cross-functional movements of functional heads to improve job performance and effectiveness as well as the overall deliverables; and
- consideration and implementation of a Company-wide leadership development programme and the Graduate Scheme exercise.

The Board appointment process

The Nomination and Establishment Committee leads the process for identifying and recommending the appointment of new Directors. This process involves engaging an external search company, which conducts an external search for prospective candidates with appropriate skills and qualifications for specified directorship.

Following an external search, the Nomination and Establishment Committee interviews the short-listed candidates and recommends the selected candidate to the Board for appointment after it has determined that the selected candidate has the balance of skills, knowledge and experience that meets the leadership needs of the Company and that the selected candidate is able to fulfil his/her duties and obligations as a Director.

In the event that the candidate is to be appointed as an Independent Non-Executive Director, the Board will determine whether the candidate is independent in character and judgement, and whether there are circumstances which are likely to affect, or appear to affect, the candidate's judgement as a Director.

Diversity at Seplat

The Board recognises that people are Seplat's stakeholders and one of the Company's greatest assets. Diversity among the Company's Directors and employees adds immeasurable value to the Company. The Board further recognises that having a wide range of identities and perspectives represented at Board meetings and at all levels of the business is critical to effective corporate governance and the continued success of the Company. Full consideration is therefore given to diversity matters such as socio-economic background, culture and creed, nationality, age, gender etc.

The current Board consists of nationals from a variety of cultures within Nigeria and internationally, who have diverse expertise in the local and international oil and gas industry and different business sectors. The Nomination and Establishment Committee's consideration of candidates for directorship includes a review of diversity matters. Diversity among Directors provides a strong mix of views and experiences to leverage the Board's decision-making processes and leadership activities. There is currently one female Director on the Board, being Mrs. Ifueko Omoigui Okauru.

The Board also promotes diversity throughout the business. Seplat's senior management team consists of men and women from different cultures in Nigeria and internationally, who have varying skills and experience in the different sub-sectors of the oil and gas industry. The Board is proud of the increasing number of women within the senior management team. Overall, the Company's full-time workforce comprises 25% women and four different nationalities.

The Board is committed to continuous investment in diversity among its Directors and employees.

Risk Management and HSSE Committee report

4 Risk Management and HSSE Committee meetings in 2017

2017 Members	17 Jan	10 Apr	13 July	12 Oct	
Basil Omiyi[1], Chairman	◉	◉	◉	◉	4/4
Macaulay Agbada Ofurhie, Member	◉	◉	◉	◉	4/4
Ifueko Omoigui Okauru[1], Member	◉	◉	◉	◉	4/4

1. Independent Non-Executive Director.

In the financial year ended 31 December 2017, the Committee held four meetings, dates and attendance records for which can be seen in the table above.

The role of the Risk Management and HSSE Committee in compliance with the provisions of the Securities & Exchange Commission ('SEC') Code of Corporate Governance is to assist the Board in overseeing the Company's risk management processes, and key business risks including the risk appetite, risk profile and risk-reward strategies for the Company and as determined by the Board. It also reviews the adequacy and effectiveness of risk management and controls, has the oversight of the Company's process for identification of significant risks across its business operations and the adequacy of prevention, detection and reporting mechanisms. The Committee also carries out a periodic review of changes in the economic and business environment, including trends and other factors relevant to the Company's risk profile.

There is a regular review of the business risks associated with the operations, the health, safety, security and environmental matters in the Company and proposals made on risk mitigation and value protecting strategies to the Board. The Risk Management and HSSE Committee reviews the Corporate Risk Register and Risk Dashboard and receives reports from operational and support management as well as internal auditors.

The activities of the Risk Management and HSSE Committee are summarised below with highlights on certain key activities carried out in 2017.

I shall be available at the AGM of the Company to be held on 6 June 2018 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Basil Omiyi[1]
Chairman of the Risk Management and HSSE Committee

1. Independent Non-Executive Director.

The Risk Management and HSSE Committee consists of three members – two Independent Non-Executive Directors (one of whom is the Committee Chairman), and one Non-Executive Director. The Risk Management and HSSE Committee meets at least three times a year, and when required, the meetings are attended by appropriate senior management of the Company, such as the Chief Executive Officer, Chief Financial Officer, Operations Director, Technical Director, Company Secretary, General Manager Operations Support, General Managers Assets and Head of Internal Controls and Risk Management, and specialists with appropriate technical expertise are invited to attend and present to meetings of the Committee.

The Risk Management and HSSE Committee assists the Board to:

- review and approve Seplat's risk management policies and strategy;
- receive reports from, review with, and provide feedback to, senior management on the categories of risk that Seplat faces, including credit, market, liquidity and operational risk, the exposures in each category, significant concentrations within those risk categories, the metrics used to monitor the exposures and management's views on the acceptable and appropriate levels of those risk exposures;
- review Seplat's credit, market, liquidity and operational risk management frameworks, including significant policies, processes and systems that senior management uses to manage risk exposures, as well as risk measurement methodologies and approaches to stress testing;
- evaluate the adequacy of the Risk Management function;
- oversight of senior management's processes for the identification of significant risk across Seplat and adequacy of prevention, detection and reporting mechanisms;
- review Seplat's compliance levels with applicable laws and regulatory requirements including those that may impact Seplat's risk profile;
- review of relevant changes in the economic and business environment such as emerging trends, management procedures and controls for risk associated with new business;

- review and recommend for approval by the Board risk management procedures and controls for any new businesses acquired or developed by Seplat;
- receive information from the CFO, Operations Director, Technical Director, General Managers Assets, Internal Controls and Risk Management Unit, the Head of the Legal Department, others from senior management, Seplat's independent auditors, regulators and outside experts as appropriate regarding matters related to risk management;
- in consultation with the Audit Committee, review and discuss with senior management, at least annually: (a) the key guidelines and policies governing Seplat's significant processes for risk assessment and risk management; and (b) Seplat's major financial risk exposures and the steps senior management has taken to monitor and control such exposures;
- review the adequacy and frequency of risk reporting to the Board;
- perform other activities related to these terms of reference as requested by the Board;
- review the Company's policies and procedures for detecting fraud and prevention of bribery including review of the Company whistleblowing policy and procedures;
- evaluate the effectiveness of Seplat's policies and systems for identifying and managing environmental, health and safety risks within its operations;
- assess the policies and systems within Seplat for ensuring compliance with environmental, health and safety regulatory requirements, etc.

In the financial year ended 31 December 2017, the Risk Management and HSSE Committee held four meetings, the dates of which are listed above in this report.

Highlights of business carried out by the Committee during the year include:

- quarterly review of the high risks on the Enterprise Risk Dashboard and associated risk mitigations put in place;
- quarterly review of the Enterprise Risk Register;
- highlights of high-level technical, operational and financial business activities including ongoing capital projects;
- quarterly review of report on HSSE Performance activities and Community Relations operations;
- review of risk notes on the ANOH Gas Project;
- review of 2017 Corporate HSSE Business Plan;
- quarterly review of report on risk framework and policy deployment in the Company;
- quarterly review of report on security within the Niger Delta region;
- quarterly review of updates on the alternative export routes; and
- review of risk papers on the operations of the business and certain assets of the Company.

CSR Committee report

3 CSR Committee meetings in 2017

2017 Members	19 Apr	19 July	18 Oct	
Lord Mark Malloch-Brown[1], Chairman	◉	◉	◉	3/3
Macaulay Agbada Ofurhie, Member	◉	◉	◉	3/3
Ifueko Omoigui Okauru[1], Member	◉	◉	◉	3/3

1. Independent Non-Executive Director.

In the financial year ended 31 December 2017, the Committee held three meetings, dates and attendance records for which can be seen in the table above.

Seplat is committed to contributing to economic development while improving the quality of life of our workforce, their families and the community at large. The Company recognises the community as one of its key stakeholders and conducts its business with future generations in mind so as to create and sustain an environment that enables a better standard of living.

The CSR Committee has oversight of Seplat's Community Relations Policy and practices and procedures, its corporate social responsibility initiatives and review of key issues which impact community relations especially with the host oil and gas producing communities. It also advises the Board on broader societal related matters in addition to key issues which may impact Seplat's reputation, brand management and successful business operations.

Although the Company's CSR activities began when the Company commenced operations in 2010, the CSR Committee was constituted in 2014 to strengthen the Company's CSR commitment and initiatives. You will see below details of the activities carried out during the year. Further details of the Company's CSR activities during 2017 are also contained on pages 64 to 67.

I shall be available at the AGM of the Company to be held on 6 June 2018 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Lord Mark Malloch-Brown[1]
Chairman of the CSR Committee

1. Independent Non-Executive Director.

The CSR Committee comprises three Non-Executive Directors, two of whom are Independent and an Alternate Director. The Committee meets at least three times a year, and when required, the meetings are attended regularly by the Seplat Chairman as well as appropriate senior management of the Company (such as the Chief Executive Officer, General Manager Operations Support, and General Manager of External Affairs & Communication), and external advisers upon invitation. The Committee is also strongly supported by the consultancy services provided by Madame Nathalie Delapalme.

The CSR Committee assists the Board to:

- review, agree and establish Seplat's Corporate Strategy to ensure that Corporate Social Responsibility is and remains an integral part of the strategy and its implementation in practice and that the Group's social, environmental and economic activities are aligned;
- ensure that there is recognition by all within the Group of the impact of its activities upon all stakeholders including shareholders, customers, suppliers, employees and the wider community and environment and that those activities are regulated such that, consistent with sustainable business and development, they are conducted in a socially responsible manner and have a positive impact on communities;
- oversee the development of strategy and implementation of Seplat's Community Relations Policy, Corporate Social Responsibility ('CSR') programmes, Corporate Branding efforts and policies on all key areas of CSR including standards of business conduct, ethics, charitable activities, community initiatives while ensuring that Seplat maintains a cooperative relationship with relevant environmental, health and safety agencies (public and private) as well as with community representatives;
- develop and support the activities necessary to convert CSR Policies into an effective plan for implementation across the Group and to agree a programme of specific CSR activities and focus for each financial year, supported by appropriate targets and key performance indicators;

- develop a comprehensive Environmental Sustainability policy/strategy and monitor its total compliance by all parties with respect to protecting the sanctity of the environment;
- oversee and ensure compliance with the CSR Policy and review performance against agreed targets;
- have full responsibility for all environmental matters in relation to the activities and operations of Seplat;
- oversee and monitor implementation of the newly executed Global Memorandum of Understanding ('GMoU') between Seplat and its host communities towards ensuring that equity and fairness are promoted in the distribution of CSR related initiatives amongst the various communities and that the programmes/activities impact the lives of all host community indigenes positively;
- ensure that other communities which are impacted by Seplat's operations though not necessarily designated 'host communities' are given due regard in allocation of CSR initiatives as may be necessary;
- assess the performance of Seplat with regard to the impact of CSR decisions and actions upon employees, communities and other third parties. It shall also assess the impact of such decisions and actions on the reputation of the Group;
- evaluate and oversee on an ongoing basis, the quality and integrity of any reporting to shareholders and external stakeholders concerning community relations issues and approve the annual CSR report for submission to the Board for ratification and publication in the Annual Reports and Accounts;
- ensure that Seplat has a system to identify and evaluate the interests of all stakeholders (both internal and external) and review the Seplat Stakeholder Map and Matrix on a regular basis in order to be aware of charges and initiatives required to address stakeholders' interests;
- review the results of any independent audits of the Group's performance in regard to community relations matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same;
- ensure appropriate monitoring tools are put in place to measure the impact of programmes under the CSR Policy;
- review and oversee other related matters and topics in relation to CSR as may be assigned to it by the Board from time to time; and
- lay down policy guidelines for charitable donations and corporate social responsibility of Seplat, in line with Seplat's corporate social strategy and as allowed by the Memorandum of Incorporation and Articles of Association, having considered the recommendations of the CSR Committee.

Highlights of business carried out by the CSR Committee during the year include:

- successfully achieved the completion of various ongoing projects within both the Western and Eastern Assets Region;
- successfully developed a CSR Strategy for the Eastern Assets which includes immediate, short and long-term programmes;
- development of a communication strategic policy document for the effective management of major programmes executed under the community and CSR projects.
- updated the new Company website for upload of more insightful information on Seplat's CSR activities;
- successfully supported the Internally Displaced Persons ('IDP') by providing sustenance material items; and
- concluded the review of the CSR Committee's terms of reference to ensure alignment with international standard practice.

Audit Committee report

4 Audit Committee meetings in 2017

2017 Members	22 Mar	19 Apr	19 July	18 Oct	
Chief Anthony Idigbe S.A.N., Chairman and shareholder member	◉	◉	◉	◉	4/4
Dr. Faruk Umar, Shareholder member	◉	◉	◉	◉	4/4
Sir Sunday N. Nwosu, KSS Shareholder member	◉	◉	◉	◉	4/4
Macaulay Agbada Ofurhie, Director member	–	◉	◉	◉	3/4
Ifueko Omoigui Okauru[1], Director member	◉	–	◉	◉	3/4
Michel Hochard, Director member	–	◉	◉	–	2/4

1. Independent Non-Executive Director.

In the financial year ended 31 December 2017, the Committee held four meetings, dates and attendance records for which can be seen in the table above.

In compliance with Section 359(6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004 ('CAMA'), we the members of the Audit Committee have reviewed the financial statements of the Company for the year ended 31 December 2017 and reports thereon, and confirm as follows:

- the accounting and reporting policies of the Company are in compliance with legal requirements and agreed ethical practices;
- the scope and planning of audit requirement were, in our opinion, compliant with legal requirements and best practice;
- we have reviewed the findings on management matters, in conjunction with the external auditor, and we are satisfied with the response of management in dealing with such matters;
- the Company's systems of accounting and internal controls are in compliance with legal requirements and best practice; and
- we have, in response to these matters, made the required recommendations to the auditors of the Company.

In addition to the foregoing, we the members of the Audit Committee conducted the following business during the year:

- review of the implementation of the Company's corporate governance framework;
- review of the 2017 external audit plan and the 2018 internal audit plan, including an assessment of the external auditors' independence; and
- review of the proposed 2018 budget and work programme.

Chief Anthony Idigbe, S.A.N.
Chairman of the Audit Committee
FRC/2015/NBA/00000010414

Remuneration Committee Chairman's Annual Statement

2017 has marked a significant improvement in Seplat's financial and operational performance and the Company's return to profitability.

Dear shareholder,

As the Chairman of the Remuneration Committee (the 'Committee'), I am pleased to present the report of the Board covering our remuneration policy and its implementation for the year ended 31 December 2017.

Company highlights for the 2017 financial year
2017 was another challenging year for Seplat, with the lifting of force majeure at the Forcados terminal delayed until 6 June, coupled with the alternate barging operations being constrained by necessary repair and upgrade works to the jetties at the Warri refinery. Despite these operational challenges, oil production recovered to pre force majeure and planned rates once full exports at the terminal were reinstated. This translated into a significantly improved performance through the second half of the year that in turn resulted in the Company returning to profitability for the full year 2017. This was a significant improvement on 2016.

The management team has put significant effort into developing alternate oil export routes and has maintained a strong level of gas production, albeit lower than originally envisaged by the Board, owing to liquid handling constraints as a result of force majeure. Investors have recognised the efforts management were taking across the operations in these unprecedented times, and the sharp improvement in second half performance, resulting in a significant share price increase from the third quarter of 2017 onwards. This strong performance resulted in Seplat delivering above upper quartile relative Total Shareholder Return performance against 19 oil and gas peers over the three years to 31 December 2017. The Committee views this as a significant achievement against the backdrop of our major export terminal being closed for 16 months during this period.

Notwithstanding the positive outlook formed by this improved performance, the business is yet to fully recover from the effects of the past two years. To reflect this, the Committee took the difficult decision that all Executive and Non-Executive Directors' salaries and fees would remain frozen for a third successive year. This approach will be reviewed by the Committee in the coming year in the light of the 2018 results.

We are committed to delivering exceptional performance and sustainably creating long-term value for our shareholders which is reflected in the stretching corporate objectives in the bonus scorecard. The significant improvement in the Company's 2017 cash position and operational performance during the second half of the year, and in particular the final quarter, resulted in an improved reward compared to 2016, although the annual bonuses for Executive Directors were still slightly below target.

As set out above, our share price reacted positively in 2017, both in absolute and relative terms, and combined with the Company's sustained reserves growth resulted in the 2015 LTIP award vesting in full.

In addition, I would like to mention that Stuart Connal, Chief Operating Officer, retired from the Board effective 30 March 2017 after seven years of dedicated service to the Company. In line with our existing remuneration policy, the Committee determined that Stuart was a good leaver under the Company's incentive plans. The details of his remuneration arrangements for 2017 are set out on page 113. I would also like to take this opportunity to welcome Effiong Okon who began his new role of Operations Director and joined the Board with effect from 23 February 2018.

Remuneration Policy review
The major project for the Committee during the latter part of the year was to review the existing remuneration policy to ensure it remains fit for purpose. In approaching this review the Committee assessed the current policy against the following criteria:

- Alignment with the Company's strategy and KPIs;
- Clear linkage between remuneration outcomes and overall corporate performance given the current challenging conditions;
- The commercial needs of the business to ensure that the remuneration structure continues to retain, attract and motivate top talent;
- Market practice and competitiveness around executive pay in the oil and gas sector; and
- Nigerian and UK corporate governance best practice around executive remuneration.

The Remuneration Committee concluded that the current policy which has worked well for the past three years remains fit for purpose and competitive for the next three years. Furthermore shareholder support for the implementation of the policy has been strong with 100% of votes in favour of the Directors' Remuneration Report at last year's AGM. While no structural changes are deemed necessary, the Committee is proposing some minor amendments to the remuneration policy to ensure it better meets governance guidelines. The changes relate to a reduction in the maximum pension contribution to 17% of salary and an increase in the shareholding requirement for the CEO and CFO to 200% and 150% of salary respectively.

The proposed remuneration policy is set out on pages 99 to 109 and will be submitted to the Company's shareholders for their approval at the 2018 AGM.

Remuneration outcomes for the 2017 financial year

The Company's pay structure is simple, consistent with the market and aims to align the interests of the Executive Directors, senior managers and employees with those of shareholders. In line with this commitment to link executive remuneration to annual corporate performance and long-term shareholder returns, the performance levels have driven 2017 pay outcomes upwards compared to 2016. However the pay-out levels remain below target which fairly reflects our corporate performance and the wider business and industry environment.

The main remuneration outcomes are given below:

- Base salaries and fees were frozen again for 2018 for the Executive and Non-Executive Directors. This is the third year running the Remuneration Committee has determined that no increases are appropriate despite significant inflationary pressures in Nigeria. Nevertheless, salary increases were awarded to the wider employee population in Nigeria to reflect personal performance and contribution and ensure the Company's remuneration packages remain competitive. Senior Nigeria-based employees, below Board level, were awarded salary increases of up to 10%, whilst Nigeria-based employees at the lower to middle grades were awarded increases of between 10% and 15%.
- The Remuneration Committee reviewed the Company's performance against the bonus scorecard and established that the Company had achieved a significant year-on-year improvement since 2016. In particular, given the operational instability within the year and the production start-up challenges faced by the Company in the third quarter of 2017, the Committee applied its judgement to use the final quarter 2017 production rates as the benchmark the Company would have hit, if the external factors had not been so disruptive. The resulting 2017 annual bonus outcomes were 49.4% of maximum for the CEO, 49.4%[1] for the COO and 49.5% for the CFO. The bonus levels represent an increase on the 2016 bonus reflecting the significant improvement in the Company's performance in 2017.
- 2015 LTIP awards, for which the performance period ended on 31 December 2017, will vest in April 2018. I am delighted to announce that the Company was placed above the upper quartile of its TSR comparator group and achieved reserves growth in excess of 10% over the performance period which resulted in 100% vesting. 60% of these awards will be released immediately, with the remaining 40% being released in equal instalments after a one and two-year holding period.

The key areas of FY17 performance and FY16 comparative performance are set out below:

Metric	2017	2016
Profit/(loss) before tax (US$ million)	44	(173)
Oil production volume (MMbbls)	6.5	3.4
Gas sales (MMboe)	7.1	5.7
2P Reserves (MMboe)	477	462
Lost time incident frequency rate ('LTIF rate')	0.31	0.33

In our assessment, overall remuneration for 2017 represents a balanced outcome.

Main Remuneration Committee decisions in 2017

- The Committee reviewed the Remuneration Policy and each element of the compensation structure and determined that no significant changes should be made, with the exception of the reduced pension policy maximum and an increase in the shareholding requirement for the CEO and CFO.
- In line with the existing remuneration policy and the LTIP rules, the Committee applied the default treatment for outstanding share awards and other components of remuneration in relation to the Chief Operating Officer's retirement. The details of the treatment are set out on page 113.
- The Committee considered annual bonus and LTIP performance and applied judgement to determine the annual bonus outcomes, in the area of lost production resulting from export pipeline closures outside our control.
- The Committee determined base salary and fee levels for 2018.

Summary

I hope that you find the information in this report helpful and I look forward to your support at the Company's AGM. I am always happy to hear from the Company's shareholders and you can contact me via the GM Human Resources, Alero Onosode, if you have any questions on this report or more generally in relation to the Company's remuneration.

Michael Alexander ('S.I.D.')[2]
Chairman of the Remuneration Committee

Notes

This report has been prepared taking into account the principles of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (the 'Code') and the Listing Rules.

As Seplat is a Nigerian registered company, this report has also been prepared taking into account the disclosure requirements under Nigerian law, and specifically the Companies and Allied Matters Act ('CAMA'). These rules, consistent with the UK regulations, require the remuneration of all Directors, other than the Chief Executive Officer, to be approved by shareholders at the AGM.

The report consists of four sections:

- the Annual Statement by the Remuneration Committee Chairman (pages 94 to 95);
- the At a Glance section (pages 96 to 98);
- the Remuneration Policy report which sets out the Company's remuneration policy for Directors and the key factors that were taken into account in setting the policy. This policy applies for three years from 11 May 2018, the date of our 2018 AGM (pages 99 to 109); and
- the Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2017 financial year (pages 110 to 117).

1. Stuart Connal (COO) retired on 30 March 2017 and in line with our Remuneration Policy he received a pro-rated annual bonus payment for 2017 of 11.9% of salary.
2. Independent Non-Executive Director.

At a glance

Introduction

In this section, we highlight the performance and remuneration outcomes for the 2017 financial year.

2017 single total figure of remuneration

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2017 financial year.

Executive Directors	Period	Salary[1] US$'000	Taxable benefits US$'000	Bonus US$'000	LTIP[2] US$'000	Pension US$'000	Other US$'000	Total US$'000
Austin Avuru (CEO)	**2017**	**1,097**	**470**	**813**	**1,587**	**187**	**0**	**4,153**
	2016	1,097	569	582	708	187	0	3,143
Roger Brown (CFO)	**2017**	**631**	**76**	**312**	**965**	**95**	**0**	**2,078**
	2016	663	78	233	404	99	197	1,674
Stuart Connal (COO)[3]	**2017**	**152**	**21**	**75**	**643**	**34**	**0**	**926**
	2016	663	223	233	404	146	0	1,668

Notes:

1. For the CEO, the July 2014 USD:GBP exchange rate has been used to calculate 2016 and 2017 remuneration. For the CFO and COO the average 2017 USD:GBP exchange rate of 1.29 has been used where applicable.
2. The value of the 2015 LTIP awards vesting in April 2018 is shown in 2017 as the performance period ended on 31 December 2017. The estimated value of these awards uses a 2017 Q4 average share price; the actual value will be updated in the 2018 Directors' Remuneration Report when the awards vest on 21 April 2018. The Value of the 2014 LTIP awards that vested in April 2017 is shown in 2016. The value has been restated based on the actual share price on 9 April 2017 ($1.00) and includes dividend equivalents.
3. Stuart Connal (COO) retired on 30 March 2017 and his 2017 remuneration reflects this.

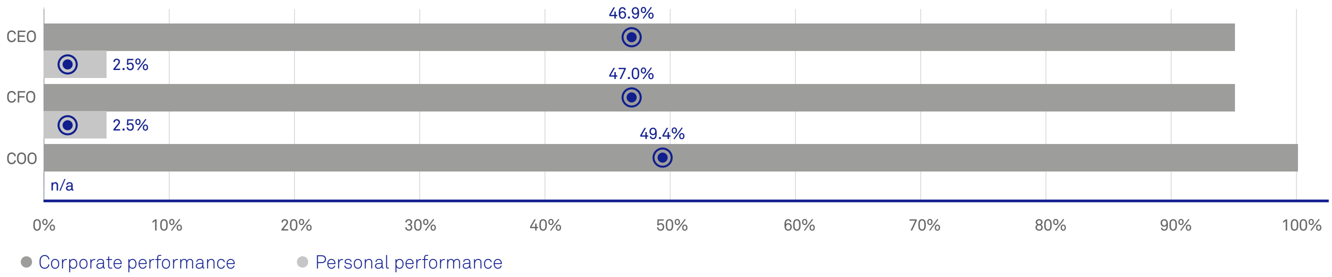
Further detail regarding the disclosures in the table above is presented in the Annual Report on Remuneration on page 110.

Variable pay outcomes for 2017

The Remuneration Committee determined both the 2017 annual bonus outcome and the vesting level of the 2015 LTIP awards (where the performance ended on 31 December 2017). We set out below a summary of the 2017 annual bonus performance outcomes, together with details of the determination of the 2015 LTIP vesting level. Further details are set out in the Annual Report on Remuneration on page 111.

2017 Annual bonus performance assessment

The chart below summarises the 2017 annual bonus performance assessment against the corporate and personal targets for the Executive Directors:



For the COO, annual bonus was awarded pro-rata based on service to the date of his retirement (30 March 2017), with the outcome aligned to the corporate scorecard.

2015 LTIP awards vesting

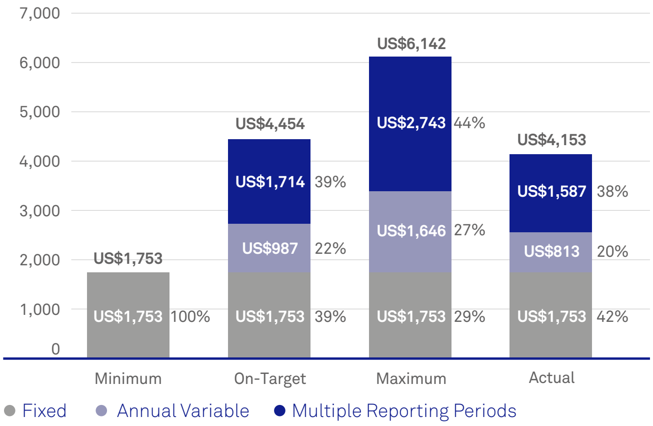
The 2015 LTIP awards vest on 21 April 2018. However, the performance period for these awards ended on 31 December 2017 and their value is included in the single figure table above. 100% of the awards vested after testing the relative TSR and reserves growth performance conditions as set out below:

TSR performance vs comparator group				2P Reserves growth underpin			
Seplat TSR growth	Median TSR growth (25% vesting)	Upper quartile TSR growth (100% vesting)	Vesting under TSR condition	Seplat reserves growth between FY14 and FY17	Reserves growth required to fully satisfy underpin	Reduction in vesting based on the underpin	Final vesting level
-33.4%	-59.4%	-45.5%	100%	70%	10%	0%	100%

Actual pay versus opportunity

The chart below illustrates how the 2017 total single figure of remuneration for the CEO compares to minimum, on-target and maximum opportunity in accordance with the remuneration policy that applied in the year. 2017 remuneration is slightly below the on-target opportunity as the Corporate Scorecard fell short in some areas, although considerably higher than in 2016, and the value of the 2015 LTIP vesting reflects alignment with the share price over the past three years.

CEO (US$'000)

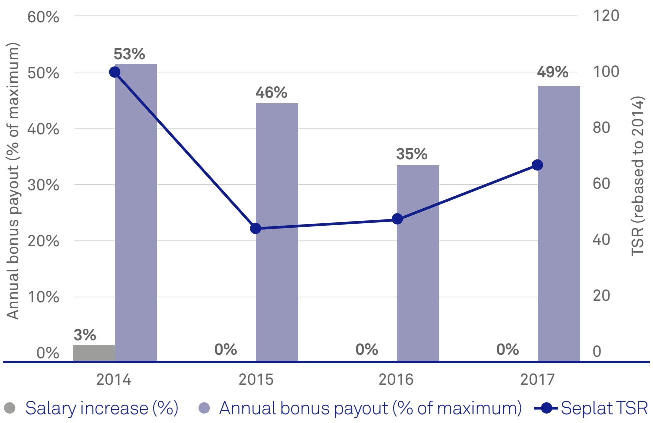


Actual CEO pay versus total shareholder return ('TSR')

The Company feels it is critical that CEO pay reflects the returns delivered to shareholders, where TSR is the core performance measure chosen to reflect shareholder experience.

Reflecting the shareholder experience the Committee took the difficult decision that the CEO's salary would remain frozen for a third successive year. Annual bonus has recovered to close to 2014 levels as a result of significantly improved performance in 2017. This is illustrated in the chart below.

CEO pay vs. TSR performance



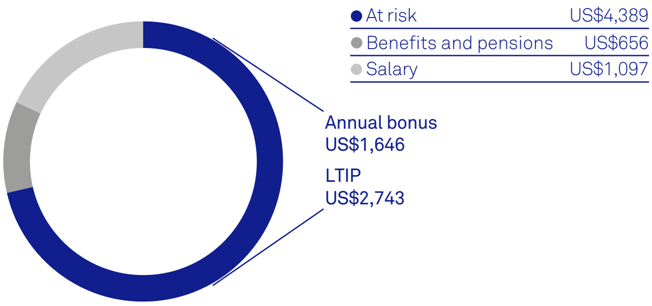
Pay at risk

The charts below set out the elements of the remuneration provided under the Policy which remain 'at risk'. For example:

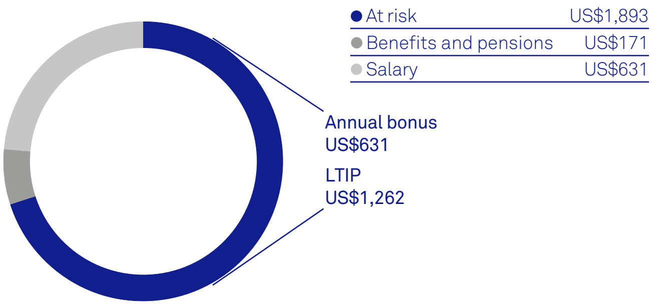
- Payment is subject to continuing employment for a period (deferred shares and LTIP awards);
- Performance conditions must still be satisfied (LTIP awards); or
- Elements are subject to clawback or malus for a period, over which the Company can recover sums paid or withhold vesting.

Numbers have been calculated based on maximum performance (fixed elements plus maximum annual bonus and the maximum LTIP). The charts have been based on the same assumptions as set out above for the illustrations of the application of the Remuneration Policy and demonstrate that 70% of Executive Directors' pay is at risk.

CEO (Austin Avuru)



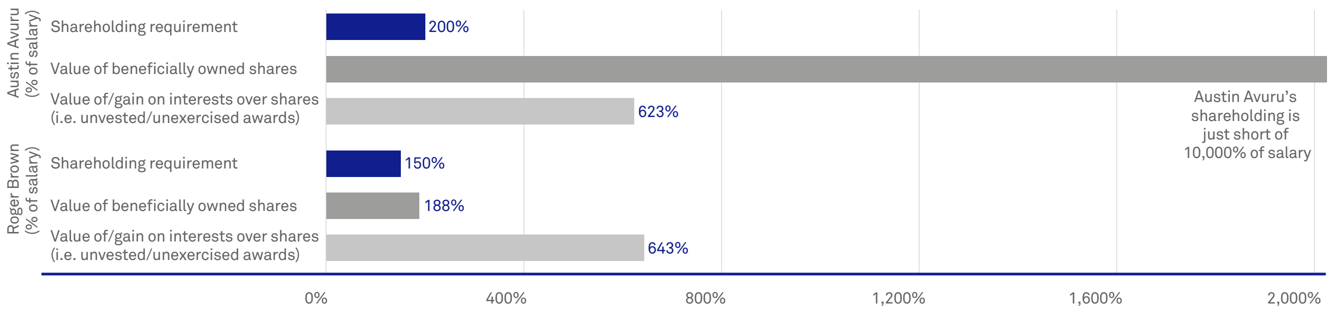
CFO (Roger Brown)



Equity exposure of Executive Directors and wealth at risk

The share ownership and wealth of our Executives is impacted by changes in our share price as illustrated in the table below. The value of shares held by the Executives increased over the last year with the rise of the share price from US$0.90 to US$1.47. This provides additional incentive for the Executive Directors to drive share price performance.

	Shares owned	Unvested shares from DBP and LTIP	Total shares	Value at 31 December 2016	Value at 31 December 2017	Difference
Austin Avuru	74,546,740	4,646,323	79,193,063	US$71,273,757	US$116,413,803	**US$45,140,046**
Roger Brown	807,942	2,760,516	3,568,458	US$3,211,612	US$5,245,633	**US$2,034,021**



Summary of changes proposed to the remuneration policy

As set out in the Chairman's Statement on pages 94 to 95, the Committee reviewed the Remuneration Policy and determined that the current policy remains fit for purpose and that it will continue to complement the Company's strategy in the medium term. The table below sets out proposed changes to the 2018 Remuneration Policy.

Element	Summary of current policy	Proposed changes
Base salary	An Executive Director's base salary is set on appointment, reviewed annually and is aimed to provide a competitive base salary relative to an appropriate benchmark.	No change
Benefits	Benefits provided to the Executive Directors are in line with market practice in their location. Benefits can be provided either in the form of a cash allowance or as the actual benefit itself.	No change
Pension	Employer contributions of up to 22% of salary. This may be provided either as a contribution into a personal pension fund or as a cash supplement.	Reduce the maximum contribution level to 17% of salary in line with the CEO contribution level.
Annual Bonus	The Committee will determine the maximum participation in the annual bonus for each year, which will not exceed 200% of salary. 75% of any bonus earned will be paid in cash at the end of year 1. The remaining 25% of any bonus earned will be deferred into shares and paid at the end of year 3. The Company operates an annual bonus scorecard of performance metrics, incorporating the Company's KPIs as well as individual performance targets.	No change
LTIP	Annual grants of performance share awards linked to relative TSR and a reserves growth underpin. To the extent that awards vest, 60% of the awards will be exercisable after three years, 20% of the awards will be exercisable after four years and 20% of the awards will be exercisable after five years. A full description of LTIP structure is presented on the following pages.	No change
Shareholding requirement	CEO: 150% of base salary; CFO: 100% of base salary. Built up over a five-year period from IPO.	Increase to 200% for CEO and 150% for CFO to further align with best practice. Compliance to be achieved over 5 years from 2018 AGM.
NED fees	Provides a level of fees to support recruitment and retention of NEDs with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives. Structured as base fee plus Committee/SID fees.	No changes

The full Remuneration Policy is presented in the following section.

Directors' remuneration policy

Introduction
The Remuneration Committee reviewed the previous Directors' Remuneration Policy (the 'Policy') and deemed that it still remained appropriate to incentivise Executives and provides a market competitive package that is aligned to the Company's strategy. As a result no significant changes are proposed to the Policy (except increased shareholding guidelines and a reduced maximum pension contribution, as summarised on page 98). The new Policy will be put to a shareholder vote at the Annual General Meeting on 11 May 2018 and will apply for a period of three years from commencement.

Policy review
The process by which the Policy was reviewed is set out in the table below.

Steps	Details	Timeframe
Review	The Committee's independent consultant, PwC, was asked to conduct a detailed review of current remuneration policy against market and corporate governance best practice and develop alternatives where required.	July to August 2017
Refinement and sign off	PwC presented the alternatives to the Committee and a number of discussions were held to refine these design features. Management was also consulted, as appropriate, during this period. The Committee approved the proposed Policy at its October meeting and agreed that a formal shareholder consultation was not appropriate given the limited changes to Policy being proposed.	September to October 2017
Shareholder Approval	The proposed changes to the remuneration policy will be put to a binding shareholder vote at the AGM on 11 May 2018.	May 2018

Policy summary
The Company's aim is to attract, retain and motivate the best talent to help execute the business strategy successfully and ensure long-term value creation for shareholders in the current challenging environment for the oil and gas industry. Overall remuneration levels have been set at a level that is considered by the Committee to be appropriate for the size, nature and aspirations of the business, having taken specialist, independent advice where necessary, in order to ensure that the policies and remuneration structure are appropriate for the listed company environment.

Our principles of remuneration
The remuneration policy aims to align the interests of the Executive Directors, senior managers and employees to the long-term interests of shareholders and aims to support a high performance culture with appropriate reward for superior performance without creating incentives that will encourage excessive risk taking or unsustainable Company performance.

The guiding principles behind the setting and implementation of our remuneration policy are as follows:

Principle	Explanation
Balanced	There should be an appropriate balance between fixed and performance-related elements of the remuneration package.
Competitive	Remuneration packages should be competitive taking into account the level of remuneration paid in respect of comparable positions in similar companies within the industry.
Equitable	There should be an appropriate level of gearing in the package to ensure that Executive Directors receive an appropriate proportion of the value created for shareholders whilst taking into account pay and conditions throughout the remainder of the Group, where the Company operates and where it is listed.
Risk-weighted	Remuneration should not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, the overall remuneration policy should not encourage inappropriate operational risk.
Aligned	There should be suitable provision of equity awards over the longer term, focusing the Executive Directors on delivering the business strategy, allowing them to build a meaningful holding in the Company to further align their interests with those of shareholders.

How our remuneration structure supports the business strategy

In line with our remuneration principles, the Committee will manage incentive plans for the Executive Directors such that they are closely linked to the business success, as outlined below:

Maximise production and cash flows from operated assets	Oil Production Profit before Tax	**Annual Bonus** To ensure we act as a team, the Committee, on behalf of the Board, sets management a challenging annual bonus performance scorecard. Whilst many scorecard elements are financial and operational at the Executive Director level, they do contain a number of quality targets (for example, around health and safety and corporate governance) designed to ensure we deliver the longer-term goals as a responsible and sustainable company. This scorecard is devolved down into the management line with an increasing emphasis on the quality and technical component elements needed to sustain corporate progress. The content of this annual scorecard will change to mitigate short-term pressures and exploit short-term opportunities – all aligned to deliver the longer-term strategic objectives.
Commercialise and produce gas reserves	Gas sales	
Be a highly responsible corporate citizen	Health & Safety	
Maintain and expand quality reserves	Reserves growth	**LTIP** Our overall strategic goal is to be a high performing oil & gas company – a shareholder stock of choice, within our sector and region. To achieve this, we align Executive Director equity awards with the fortunes of the shareholder through a relative TSR measure – based on performance against comparable oil & gas companies – seeking to attain regular upper quartile results. If we achieve median positioning or above over a three-year cycle, management are well rewarded in that year; if we fall below the median position, management share the financial disappointment. This strategic three to five-year reward structure is further underpinned by the need to grow the key E&P long-term core assets – recoverable reserves – at an acceptable rate.
Deliver shareholder value	Share price growth and dividends (TSR)	
	Alignment to shareholder interests	**Shareholding requirement** Success will deliver growing management share-ownership with extended retention periods, clawback in case of mis-statement, and sizable personal retained shareholdings. This is all working towards aligning the Company's executive leadership with the interests of shareholders.

Remuneration policy in practice

In order to deliver upper quartile performance against our oil and gas contemporaries, making Seplat the investor's sector choice, we need to attract and retain highly experienced individuals. This applies not just at the executive level, but also within the management line. This is a recruitment and selection function led by the Nomination and Establishment Committee at the highest level, through the CEO, and into management levels. To attract and retain the top talent within the industry, we will be paying median to upper quartile packages. We accept that this requires strong performance delivery and hence expect to set challenging performance targets.

Our Executive Director remuneration policy which, once approved, will apply for three years starting from 11 May 2018 is outlined below.

Element, purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes from previous Policy
Base salary				
Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy. Set to reflect the role, the nature of operations and the contribution, skills and experience of the individual.	An Executive Director's base salary is set on appointment and is aimed to provide a competitive base salary relative to an appropriate benchmark. When determining an appropriate level of salary, the Committee considers: • remuneration practices within the Group; • the general performance of the Group; • salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking[1]; and • the economic environment. It is reviewed annually (effective from 1 January each year) or when there is a change in position or responsibility. Any subsequent salary increases will take into account factors such as: • the performance of the individual; • pay and conditions throughout the Company; • inflation/cost of living in jurisdictions where Executive Directors reside; and • the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity in the E&P sector.	Over the policy period, base salaries for current Executive Directors will be set at a highly competitive level within the comparator group and will increase in line with the increase for the general workforce in the Company other than in exceptional circumstances or when there is a change in role or responsibility. Base salary increases will be capped at 10% p.a. New promotes or recruits to the Board may on occasion have their salaries set below the targeted policy level while they become established in their role. In such cases salary increases may be higher than the increase for the general workforce of the Company until the target market positioning is achieved. The Company will set out in the section headed implementation of remuneration policy in the following financial year the salaries for that year for each of the Executive Directors (see page 115).	N/A	None.
Benefits				
Provides a level of benefits consistent with local market practice to support individuals in carrying out their roles.	Benefits provided to the Executive Directors are dependent on their working location.[2] Benefits can be provided either in the form of a cash allowance or as the actual benefit itself. The Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensures it is able to support the objective of attracting and retaining personnel.	The maximum opportunity for benefits is defined by the nature of the benefit itself and the cost of providing it. As the cost of providing such benefits is dependent on market rates and other factors, there is no formal maximum monetary value.	N/A	None.
Pensions				
Provides a competitive level of retirement benefit.	Employer retirement funding is determined as a percentage of gross basic salary, up to a maximum limit of 17%. This may be provided either as a contribution into a personal pension fund or as a cash supplement.	A maximum pension contribution of 17% of salary. The Company will set out in the section headed implementation of remuneration policy in the following financial year the pension contributions for that year for each of the Executive Directors (see page 115).	N/A	Maximum employer contribution reduced from 22% to 17% of salary.

1. Salaries are set compared to a peer group of international oil and gas companies.
2. All Executive Directors receive medical insurance, club membership and car allowance. The CFO also receives life assurance and critical illness cover. The CEO also receives an allowance in line with local Nigerian market practice – this allowance includes home security, rest and recreation, company accommodation, furniture and fittings, generator and diesel, utilities, petrol/diesel, child education support and a 13th month allowance. These allowances have been part of the remuneration policy pre and post IPO.

Element, purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes from previous Policy
Annual bonus				
Provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy (by including performance conditions around both financial and quality targets) and the creation of value for shareholders. In particular, it supports the Company's objectives allowing the setting of annual targets based on the Company's' strategic objectives at that time, meaning that performance conditions will change to mitigate short-term pressures and exploit short-term opportunities – all aligned to deliver the longer-term objective.	The Committee will determine the maximum annual participation in the annual bonus for each year, which will not exceed 200% of salary. 75% of any bonus earned will be paid in cash at the end of year one. The remaining 25% of any bonus earned will be deferred into shares (under the rules of the LTIP) and paid at the end of year three. The Committee may award dividend equivalents on awards to the extent that these vest. The Company operates an annual bonus scorecard of performance metrics, incorporating the Company's KPIs as well as individual performance targets. Details of the performance conditions and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration.	Maximum bonus opportunity of 200% of salary. Percentage of bonus maximum earned for levels of performance: • Threshold – 30% • Target – 60% • Maximum – 100%	The Company operates an annual bonus scorecard of performance metrics, incorporating the Company's KPIs around financial, strategic and operational conditions as well as individual performance targets. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. The performance measures, achievement against targets and the value of awards made will be published at the end of the performance periods so shareholders can assess the basis for any pay-outs under the annual bonus. Although there are no specific plan rules for the annual bonus, the Committee has decided to adopt malus and clawback provisions. The deferred bonus shares are awarded under the LTIP and so will be subject to the malus and clawback provisions contained within the LTIP rules.	None.
Long Term Incentive Plan				
Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value. If targets are reached, Executive Directors are well rewarded – however if we fail, management share the financial disappointment. The use of relative TSR measures the success of the implementation of the Company's strategy in delivering an above market level of return. The use of reserves growth ensures that vesting is further underpinned by the need to grow the key E&P long-term core assets (recoverable reserves) at an acceptable rate on a sustainable basis.	Awards are made annually to Executive Directors. The number of share awards to be granted under the LTIP will be calculated based on the higher of the average share price over Q1 in each year or £1. The awards will vest at the end of a three-year period subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. The Committee may award dividend equivalents on awards to the extent that these vest based on dividends paid between grant and vesting. To the extent that awards vest: • 60% of the awards will be exercisable on vesting three years after award; • 20% of the awards will be exercisable four years after award; and • 20% of the awards will be exercisable five years after award.	Maximum value of 250% of salary p.a. based on the market value at the date of award set in accordance with the rules of the Plan. There is no requirement to make this level of award every year.	100% of the award will vest based on relative TSR performance as assessed against a bespoke comparator group of E&P companies. Further details of the 2018 comparator group are provided in the Annual Report on Remuneration on page 113. 25% of the award will vest for median performance. 100% of the award will vest for upper quartile performance. There will be straight-line vesting between these points. 50% of the award will also be subject to a reserves growth underpin, which will operate as follows: • 100% of the award subject to the underpin will lapse if reserves fall by 10% or more over the performance period; • None of the award subject to the underpin will lapse if reserves grow by 10% or more over the performance period; and • There will be a straight-line reduction in vesting between these points. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. Details of the performance conditions for awards made in the year will be set out in the Annual Report on Remuneration and for future awards in the statement of implementation of remuneration policy in the future financial year. The LTIP contains malus and clawback provisions.	None.

Element, purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes from previous Policy
Non-Executive Director Fees				
Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors. Non-Executive Directors are paid a base fee and additional fees for chairmanship/membership of Committees/Senior Independent Directorship. Fees are reviewed annually based on equivalent roles in UK listed companies taking account of the Company's location and sector. Non-Executive Directors do not participate in any variable remuneration arrangements.	In general the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	N/A	None.
Shareholding requirement				
	To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon the Committee operates formal shareholder guidelines to encourage long-term share ownership by the Executive Directors.	CEO: 200% of annual base salary Other Executive Directors: 150% of annual base salary Executive Directors will be given five years from the date of the policy implementation, or date of appointment if later, to satisfy the increased shareholding requirement.	N/A	Shareholding requirement increased from 150% of salary for the CEO and 100% of salary for other Executive Directors.

It is the Committee's intention that commitments made in line with its current remuneration policy and policies prior to Admission will be honoured. Those areas that differ are being addressed to bring them into line with the proposed policy, where appropriate.

The Committee is satisfied that its approach to the Directors' remuneration is designed to promote the long-term success of the Company.

Discretion

The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of the Annual Bonus and LTIP (the LTIP being operated in general terms according to the rules). These include, but are not limited to, the following:

- the participants;
- the timing of an award;
- the size of an award;
- the determination of vesting and/or payout;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures and weighting for the Annual Bonus and LTIP.

These discretions, which in certain circumstances can be operated in both an upward and downward manner, are consistent with market practice and are necessary for the proper and fair operation of the plans so that they achieve their original purpose. The Committee retains discretion to make adjustments to the amount of incentives payable (following approval of this policy) resulting from the application of the performance measures if it believes that the outcomes are not a fair and accurate reflection of corporate performance. It is the Committee's policy that there should be no element of reward for failure and any upward discretion will only be applied in exceptional circumstances.

Differences in policy from the wider employee population

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Executive Directors' annual scorecard is devolved down into the management line with an increasing emphasis on the quality and technical component elements needed to sustain corporate progress.

The Company continues to cascade the LTIP to management grades below Executive Directors, ensuring a consistent reward framework. The Group also operates variable pay plans on a discretionary basis, with pension provision offered to all Executives and employees.

Recruitment policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the remuneration policy table on pages 101 to 103. The Committee is mindful that it wishes to avoid paying more than it considers necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. As a result, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The Company's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Recruitment policy
Salary	Salary will be set in line with the policy for existing Executive Directors. New promotes and recruits to the Board may on occasion have their salaries set below the targeted policy level while they become established in their role. In such cases salary increases may be higher than the increase for the general workforce of the Company until the target market positioning is achieved.
Benefits	The standard benefits package (depending on the local market) will apply.
Pension	The maximum employer contribution will be set in line with the Company's policy for existing Executive Directors.
Annual bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary.
LTIP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 250% of salary.
Maximum variable pay (incentive opportunity)	In the year of recruitment the maximum variable pay will be 450% of salary. For the avoidance of doubt this excludes the value of any "Buy Out" of incentives forfeited on cessation of previous employment.
Sign-on compensation	The Committee's policy is not to provide sign-on compensation.
"Buy Out" of incentives forfeited on cessation of employment	The Committee's policy is not to provide buy outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justified the provision of a Buy Out, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: • the proportion of the performance period completed on the date of the Executive Director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and • any other terms and conditions having a material effect on their value ('lapsed value'). The Committee may then award up to the same expected value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the Buy Out within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation	In instances where the new Executive Director is relocated from one work-base to another, the Company will provide ongoing compensation to reflect the cost of relocation for the executive in cases where they are expected to spend significant time away from their country of domicile. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences and/or any other benefits/allowances which are standard market practice in the host location.

The Committee's policy is to align internal promotes to the Board with the remuneration policy from the date of promotion. However, new promotes to the Board may on occasion have their salaries set below the targeted policy level while they become established in their role. In such cases salary increases may be higher than the increase for the general workforce of the Company until the target market positioning is achieved. In exceptional circumstances, where contractual benefits are forfeited on promotion, an equivalent cash payment can be made to compensate the value of contractual arrangements foregone. Any such payment will be made at the Remuneration Committee's discretion on a fair and reasonable basis.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Service agreements and letters of appointment

Executive Directors

Name	Date of service contract	Nature of contract	Notice period from Company	Notice period from Director	Compensation provisions for early termination
Austin Avuru	27 March 2014	Rolling	12 months	12 months	Payment in lieu of notice equal to 12 months' salary and benefits, including any payments accrued at the date of termination.
Roger Brown	20 May 2013	Rolling	12 months	12 months	

Non-Executive Directors

Name	Date of appointment/ re-appointment	Nature of contract	Notice period from Company	Notice period from Director	Compensation provisions for early termination
A.B.C. Orjiako	1 June 2017	Fixed term to 31 May 2020	12 months	12 months	None.
Michael Alexander	30 June 2014	Fixed term to 2018 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Michel Hochard	14 December 2009	Rolling	6 months	6 months	None.
Macaulay Agbada Ofurhie	14 December 2009	Rolling	6 months	6 months	None.
Basil Omiyi	1 June 2017	Fixed term to 2020 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Ifueko Omoigui Okauru	30 June 2014	Fixed term to 2019 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Charles Okeahalam	1 June 2017	Fixed term to 2020 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Lord Mark Malloch-Brown	2 June 2015	Fixed term to 2018 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Damian Dodo	30 June 2014	Fixed term to 2019 AGM	6 months	6 months	6 months' fees if not re-elected or retired.

The Committee's policy for setting notice periods is that a 12 month period will apply for Executive Directors unless the Committee determines otherwise.

The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors are appointed by letters of appointment, which are kept at Seplat's registered office along with Executive Director service contracts. As required by Nigerian law, the Company follows the provisions set out in its Memorandum and Articles of Association and annually places one-third of its Independent Non-Executive Directors for re-election.

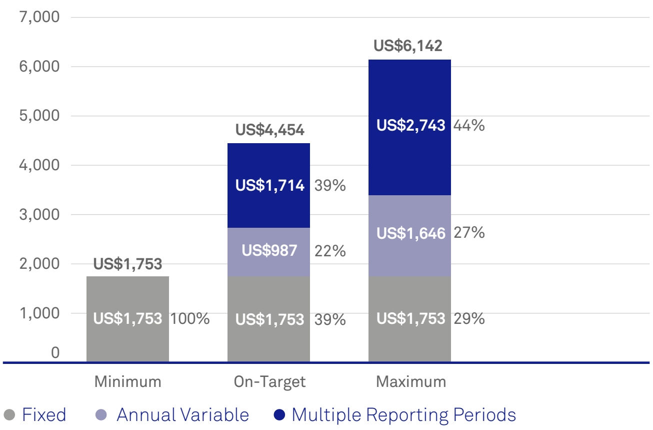
Illustrations of the application of the remuneration policy

The charts below illustrate the remuneration that would be paid to each of the Executive Directors, based on salaries at the start of financial year 2018, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Variable; and (iii) Multiple Reporting Periods.

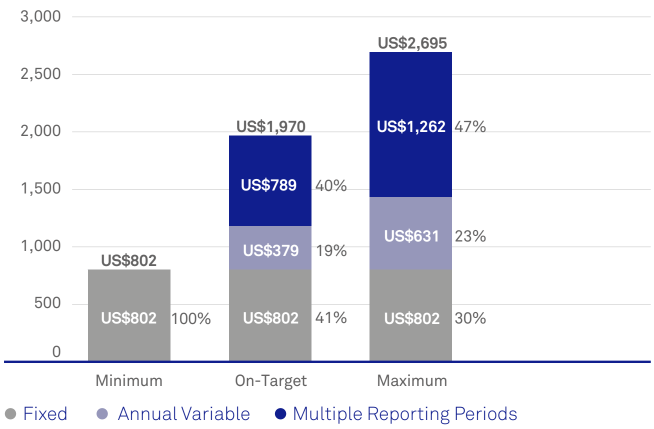
Element	Description	Minimum	On-target	Maximum
Fixed	Salary, benefits and pension	Included	Included	Included
Annual Variable	Annual bonus (including deferred shares)	No annual variable	60% of maximum bonus	100% of maximum bonus
Multiple Reporting Periods	Award under the Long Term Incentive Plan	No multiple year variable	62.5%[1] of the maximum award	100% of the maximum award

1. On-target % pay-out is calculated as the mid-point between threshold vesting of 25% (for median performance) and the maximum vesting of 100% (for upper quartile performance).

Austin Avuru (US$'000)



Roger Brown (US$'000)



The following table sets out the key aspects of policy used to populate the charts above.

Role	2018 salary (US$'000)	Annual Bonus (% salary)	LTIP[1] (% salary)	Pension (% salary)
CEO	1,097	150%	250%	17%
CFO	631	100%	200%	15%

1. The Committee introduced a minimum share price of £1 that would be used to determine the number of shares awarded under the LTIP from 2016. For the purpose of this calculation the policy award of 250% of salary for CEO and 200% of salary for CFO was used. However, the actual 2018 LTIP award may be lower as a percentage of base salary if the Q1 2018 average share price is lower than £1.

In accordance with the regulations, share price growth has not been included. In addition, dividend equivalents have not been added to deferred share bonus and LTIP share awards.

Payment for loss of office policy

When determining any loss of office payment for a departing individual the Committee will always seek to minimise the cost to the Company whilst seeking to reflect the circumstances in place at the time. The Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

Under Nigerian law, any payment for loss of office to Directors must be approved by shareholders at the AGM. The table on the following page sets out, for each element of total remuneration, the Company's policy on payment for loss of office in respect of the Executive Directors and any discretion available to the Committee. In any year where a Director has received payment for loss of office the Company will ask shareholders to vote on that payment on a retrospective basis.

Remuneration element	Treatment on cessation of employment		
Salary	In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances, Executive Directors may be entitled to receive compensation for loss of office which will be a maximum of 12 months salary. Salary will be paid over the notice period. The Company has discretion to make a lump sum payment on termination of the salary payable during the notice period. In all cases the Company will seek to mitigate any payments due.		
Benefits	Benefits will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the benefits payable during the notice period. In all cases the Company will seek to mitigate any payments due.		
Pension	Company pension contributions will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the Company pension contributions, or equivalents, during the notice period. In all cases the Company will seek to mitigate any payments due.		
Annual Bonus (cash)	Good leaver reason Performance conditions will be measured at the normal measurement date. The bonus will normally be pro-rated for the period worked during the financial year and paid entirely in cash.	Other reason No bonus payable for year of cessation.	
Annual Bonus (deferred shares)	Good leaver reason All subsisting deferred share awards will vest in full on the normal vesting dates.	Other reason Lapse of any unvested deferred share awards.	Discretion The Committee has the following elements of discretion: • to determine that an executive is a good leaver; • whether to pro-rate the maximum number of shares to the time from the date of award to the date of cessation. The Committee's policy is generally to not pro-rate to time. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director's departure; and • whether to deliver awards at the time of cessation or at the normal vesting date. The Committee's policy is to deliver awards at the normal vesting date.
LTIP	Good leaver reason Pro-rated to time and performance in respect of each subsisting LTIP award with awards vesting on the normal vesting dates.	Other reason Lapse of any unvested LTIP awards.	Discretion The Committee has the following elements of discretion: • to determine that an executive is a good leaver; • to measure performance (or any other condition) over the original performance period or at the date of cessation; • whether to pro-rate the maximum number of shares to the time from the date of award to the date of cessation (rounded up to the nearest month). The Committee's policy is generally to pro-rate to time; and • whether to deliver awards at the time of cessation or at the normal vesting date. The Committee's policy is to deliver awards at the normal vesting date.
Other contractual obligations	Compensation for forfeited remuneration: • On termination, any "buy out" awards would normally lapse. Other benefits e.g. relocation allowances, international mobility benefits and expenses: • Will depend on what has been agreed on appointment; the Committee would not expect any or all of these elements of pay to form part of any termination arrangement. • The Committee has discretion to make payments in respect of these elements of remuneration, provided the termination is not as a result of poor performance.		

A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- redundancy;
- injury or disability;
- retirement with the consent of the Company;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than for 'good leaver' reasons is classified as cessation for 'other reasons' as set out in the table above.

Change of control

The Committee's policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
Annual Bonus (cash)	Performance conditions will be measured at the date of the change of control. The bonus will normally be pro-rated to the date of the change of control.	The Committee retains discretion to continue the operation to the end of the bonus year. The Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.
Annual Bonus (deferred shares)	Subsisting deferred share awards will vest on a change of control.	The Committee retains the discretion to pro-rate to time.
LTIP	The number of shares subject to subsisting LTIP awards on a change of control will be pro-rated to time and performance.	Discretion: the Committee has discretion: • to determine whether to pro-rate the award to time. The Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied; and • to determine to pay cash in lieu of shares.

Malus and Clawback

Malus provisions apply to the Annual bonus and LTIP. Malus is the reduction of a payout or the number of shares under an award (including to zero) as a result of the occurrence of one or more circumstances as set out below.

Clawback is the recovery of cash payments made or vested share awards as a result of the occurrence of one or more circumstances as set out below. Clawback may apply to all or part of a participant's payment under the LTIP or annual bonus and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The malus and clawback trigger events are set out below:

- material misstatement in the published results of the Group;
- discovery of an error in assessing any applicable performance condition;
- fraud or gross misconduct on the part of the Award Holder; or
- the Board determining, as a result of an appropriate review of accountability, that the Award Holder has caused wholly or in part a material loss for the Group as a result of:
  - reckless, negligent or wilful actions; or
  - inappropriate values or behaviour.

The following table sets out the periods during which malus and clawback may be effected by the Committee.

	Annual Bonus	Long Term Incentive Plan ('LTIP')
Malus	At any time prior to the payment / vesting date of deferred shares.	At any time prior to the vesting date.
Clawback	The second anniversary of the earlier of i) the two years from the date of payment of cash bonus or vesting of the deferred share element or ii) cessation of employment.	Five years from the date of grant.

Statement of conditions elsewhere in the Company

The Committee, along with setting the remuneration packages of the Executive Directors, also has purview over the reward arrangements of the Senior Management Team, which consists of 30 additional employees.

When considering the salary movements on a year-on-year basis for the Senior Management Team, the Committee will take account of salary increases across the general employee base. Executive Director annual bonus targets are also devolved down into the management line with an increasing emphasis on the quality and technical component elements needed to sustain corporate progress. In addition, the Company continues to cascade the LTIP to management grades below Executive Directors, ensuring a consistent reward framework, as shown below.

Number of participants	Element of pay	Employee level – % of salary			
		CEO	Board	Senior management (grades 1-4)	Other key employees
Executive Directors, senior management, other key employees	**LTIP**	250%	200%	50-150%	25-35%
Executive Directors	**Annual bonus – Deferred shares**	37.5%	25%	n/a	n/a
All employees	**Annual bonus – Cash**	112.5%	75%	40-75%	Up to 30%
All employees	**Pension**	17%	15-17%	Up to 17%	Up to 17%
All employees	**Benefits**	All employees			
All employees	**Salary**	All employees			

Consideration of shareholder views

The Committee takes the views of shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy. Given the changes proposed in this report are insignificant and are designed to ensure the Policy is more fully aligned with UK corporate governance best practice, the Committee determined that such an engagement process was not appropriate in this instance.

At the 2015 AGM we received 86% shareholder support for our remuneration policy and practice through the acceptance of our 2014 Annual Report and Accounts. At the 2017 AGM we received strong support of 100% for our 2016 Remuneration Report.

Annual report on remuneration

Single total figure of remuneration

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2017 financial year, on a receivable basis in accordance with the policy as approved by shareholders. Comparative figures for the 2016 financial year have also been provided.

Executive Directors	Period	Salary[1] US$'000	Taxable benefits[2] US$'000	Bonus[3] US$'000	LTIP[4] US$'000	Pension[5] US$'000	Other[6] US$'000	Total US$'000
Austin Avuru (CEO)[7]	**2017**	**1,097**	**470**	**813**	**1,587**	**187**	**0**	**4,153**
	2016	1,097	569	582	708	187	0	3,143
Roger Brown (CFO)	**2017**	**631**	**76**	**312**	**965**	**95**	**0**	**2,078**
	2016	663	78	233	404	99	197	1,674
Stuart Connal (COO)[7,8]	**2017**	**152**	**21**	**75**	**643**	**34**	**0**	**926**
	2016	663	223	233	404	146	0	1,668

Notes:

1. Salaries for Executive Directors are set in GBP – 2016 and 2017 salaries were £643,750 for the CEO and £489,250 for the CFO and COO. For the CEO, the July 2014 USD:GBP exchange rate has been used to calculate 2016 and 2017 remuneration. For the CFO and COO the average 2017 USD:GBP exchange rate of 1.29 has been used where applicable.
2. The taxable benefits for each Executive Director comprise those which are quantifiable.
3. Bonus payments planned for 2018 relate to 2017.
4. The value of the 2015 LTIP awards vesting in April 2018 is shown in 2017 as the performance period ended on 31 December 2017. The estimated value of these awards uses a 2017 Q4 average share price; the actual value will be updated in the 2018 Directors' Remuneration Report when the awards vest on 21 April 2018 and will include dividend equivalents. The Value of the 2014 LTIP awards vested in April 2017 is shown in 2016 and has been restated based on the actual share price on 9 April 2017 ($1.00) and includes dividend equivalents.
5. Pension contributions are provided as a cash supplement/contribution into a personal pension fund and equal 17% of salary for the CEO, 15% for the CFO and 22% for the COO.
6. The CFO's 2016 figures also include a fixed cash payment relating to the value of share awards foregone from his previous employer, a payment of US$197,118 was made on 7 September 2016.
7. For the CEO and COO (who are located in Nigeria), income tax credits of 20% have been partly paid by the Company as a carry-over of historical practice. This practice is in the process of being phased out by 2019, so that in 2017 only 50% of income tax was paid by the Company. It is intended that in 2018 25% will be paid. This is not included in the salary, taxable benefits, bonus or pension figures above.
8. Stuart Connal (COO) retired on 30 March 2017 and therefore received a pro-rated remuneration package for the proportion of the year he was in office. Further details of his 2017 package can be found in the Payments for loss of office section on page 113.

Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director for 2017, on a receivable basis in accordance with the policy as approved by shareholders.

Name	2017 Fees[1] (US$'000)	2016 Fees[1] (US$'000)	Role
A.B.C. Orjiako[2]	1,011	1,011	Non-Executive Chairman and Nomination and Establishment Committee Chairman
Michael Alexander	423	444	Senior Independent Director, Remuneration Committee Chairman, Finance and Nomination and Establishment Committee member
Michel Hochard	133	140	Audit Committee member
Macaulay Agbada Ofurhie	184	194	Risk Management and HSSE, CSR and Audit Committee member
Basil Omiyi	223	234	Risk Management and HSSE Committee Chairman, Remuneration and Nomination and Establishment Committee member
Ifueko Omoigui Okauru	217	228	Finance, Audit, CSR and Risk Management and HSSE Committee member
Charles Okeahalam	210	221	Finance Committee Chairman and Remuneration Committee member
Lord Mark Malloch-Brown	197	207	CSR Committee Chairman and Finance Committee member
Damian Dodo	184	194	Remuneration and Nomination and Establishment Committee member

Notes:

1. Fees shown are those receivable in GBP, converted at the average exchange rate for the relevant year. This is with the exception of the Chairman, whose fees are converted at the July 2014 USD: GBP exchange rate. Although the NED base fee remained unchanged for 2017, many of the NED fees expressed in USD have decreased from 2016, reflecting the 5% decrease in the average USD: GBP exchange rate for 2017 compared to 2016.
2. For the Chairman (who is located in Nigeria), income tax credits of 20% have been partly paid by the Company as a carry-over of historical practice. This practice is in the process of being phased out by 2019, so that in 2017 only 50% of income tax was paid by the Company. The tax credits are not included in the table above.
3. The Company has settled, on behalf of each Non-Executive Director, the local Nigerian withholding tax on Directors' fees and this not included above.

Annual fees

Position	2017 Annual Fee[1] (US$'000)	2016 Annual Fee[1] (US$'000)
Chairman	960	960
Board	133	140
Senior Independent Director	193	203
Committee Chairmanship	39	41
Finance Committee Chairmanship[2]	52	54
Committee membership	26	27
Finance Committee membership[2]	32	34

Notes:

1. Fees shown are those receivable in GBP, converted at the average exchange rate for the relevant year. This is with the exception of the Chairman, whose fees are converted at the July 2014 USD:GBP exchange rate. Although the NED base fee remained unchanged for 2017, many of the NED fees expressed in USD have decreased from 2016, reflecting the 5% decrease in the average USD:GBP exchange rate for 2017 compared to 2016.
2. Only applicable to those Directors who have additional responsibilities.

Additional information regarding single figure table

The Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the cyclical nature of the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Annual Bonus

Seplat promotes a culture of high performance and uses a scorecard to assess the annual bonus outcome. The bonus scorecard is reviewed annually to ensure strong alignment with Company strategic priorities, prevailing market practice and the operating environment.

In respect of the 2017 financial year, the bonus awards payable to Executive Directors were agreed by the Committee having reviewed the Company's results. Details of the achievement of the measures used to determine bonuses in respect of the 2017 financial year and the extent to which they were satisfied are shown in the table below. These resulting bonus figures are included in the single figure table.

Achievement of corporate performance conditions

The Executive Directors' bonus scorecard is weighted in favour of corporate measures, with 95% of the maximum opportunity depending on the KPIs set out below. The remaining 5% of the bonus opportunity is measured against individual objectives. Individual performance goals are set annually for each Executive Director based on the Company's strategic priorities for the respective year. These measures would typically fall under one of the following categories: development of strategic focus, corporate governance, team development and succession planning, technical and operational excellence. It is the Committee's view that the specific individual performance conditions are commercially sensitive and therefore details cannot be fully disclosed.

The significant improvement in the Company's 2017 cash position and operational performance during the second half of the year, and in particular the final quarter, resulted in an improved reward compared to 2016, although the annual bonuses for Executive Directors were still slightly below target.

Overall, the annual bonus reward level for Executive Directors was slightly below target as set out in the corporate scorecard below:

		Performance achieved against targets				
Performance measure	Specific	Below Threshold	Threshold to Target	Target to Maximum	Maximum	Resulting level of award for element (% of maximum opportunity)
Production and operational efficiency	Oil production volume				✓	100%
	Gas sales		✓			45%
	Alternative crude export	✓				0%
Financial	Cash balance				✓	100%
	Profit after tax	✓				0%
	NPDC receipts			✓		99%
	Capital restructuring			✓		95%
Health and safety	LTIF rate		✓			55%
Strategy	Strategic objectives (set for each Director individually)		✓			25%

Annual Bonus pay-out

The table below sets out the annual bonus earned for the year:

	CEO		CFO		COO[1]	
Performance measures	Achieved (% of max)	Bonus earned (US$'000)	Achieved (% of max)	Bonus earned (US$'000)	Achieved (% of max)	Bonus earned (US$'000)
Corporate measures	46.9% out of 95%	772	47.0% out of 95%	296	49.4% out of 100%	75
Individual performance	2.5% out of 5%	41	2.5% out of 5%	16	n/a	n/a
Total	**49.4% out of 100%**	**813**	**49.5% out of 100%**	**312**	**49.4% out of 100%**	**75**

1. Stuart Connal (COO) retired on 30 March 2017 and in line with our Remuneration Policy he received a pro-rated annual bonus payment for 2017 of 11.9% of salary.

In line with Policy, 25% of the CEO's and CFO's bonus will be deferred into shares and will be released at the end of year 3 subject to continued employment. Additionally, in line with our payment for loss of office policy, the COO's bonus has been paid fully in cash.

Long-term incentives vesting in 2018

The 2015 LTIP awards were made to the CEO, COO and CFO on 21 April 2015 (conditional on approval by the Nigerian Stock Exchange, which was subsequently received). The awards vest on 21 April 2018; however the performance period for these awards ended on 31 December 2017. The performance conditions for these awards are set out in the Remuneration Policy table on page 102. 100% of the awards vested after testing the relative TSR and reserves growth performance conditions as set out below:

TSR performance vs comparator group				2P Reserves growth underpin			
Seplat TSR growth	Median TSR growth (25% vesting)	Upper quartile TSR growth (100% vesting)	Vesting under TSR condition	Seplat reserves growth between FY14 and FY17	Reserves growth required to fully satisfy underpin	Reduction in vesting based on the underpin	Final vesting level
-33.4%	-59.4%	-45.5%	100%	70%	10%	0%	100%

The following table presents the number of 2015 LTIP awards that will vest in April 2018 based on the assessment of the performance conditions and the resulting value of awards on vesting for each Executive Director.

Role	Number of 2015 LTIP awards granted	Number of 2015 LTIP awards vesting in April 2018	Value of vested awards[1]
CEO	1,120,500	1,120,500	US$ 1,586,628
CFO	681,264	681,264	US$ 964,670
COO[2]	681,264	454,176	US$ 643,113

1. Based on Q4 2017 average share price and excludes dividend equivalents.
2. 2015 LTIP awards vesting have been prorated to the date of retirement (30 March 2017) with rounding up to the nearest month in line with the LTIP rules and our payment for loss of office policy.

Long-term incentives awarded in 2017

The table below sets out the details of the long-term incentive awards made in the 2017 financial year where vesting will be determined (conditional on approval by the Nigerian Stock Exchange) according to the achievement of performance conditions that will be tested in future reporting periods.

Name	Basis on which award made	Face value of award (US$'000)	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest	Performance conditions
Austin Avuru	Annual	1,803	25%	100%	100% Relative TSR and reserves growth underpin – see policy table on page 102 for further details.
Roger Brown	Annual	1,096	25%	100%	

Notes:

The share price used to calculate the face value of awards was that at the date of award, being 20 April 2017 (conditional on approval by the Nigerian Stock Exchange) of US$ 1.12, noting that the number of awards was calculated by reference to a share price of £1 given the average share price in Q1 2017 was below £1.

Stuart Connal did not receive any 2017 LTIP awards due to his retirement.

The comparator group used for assessing relative TSR consists of the following companies:

- Africa Oil
- Amerisur Resources
- Cairn Energy
- Cobalt Int. Energy
- Enquest
- Erin Energy (formerly Camac Energy)
- Exillon Energy
- Faroe Petroleum
- Genel Energy
- Gulf Keystone Petroleum
- Kosmos Energy
- Nostrum Oil & Gas
- Oando Plc
- Ophir Energy
- Premier Oil
- San Leon Energy
- Soco International
- Sound Energy
- Tullow Oil

Payments to past Directors

There were no payments in the financial year.

Payments for loss of office

When Stuart Connal stepped down from his role as Chief Operating Officer on 30 March 2017, he did not receive termination payments from the Company on his cessation of employment. However, in line with Seplat's policy for loss of office and the rules of the LTIP, the Committee determined he was a good leaver. As a result he is entitled to the following:

Element	Detail	Treatment applied
Base salary	FY17 base salary	Paid to the date of retirement (30 March 2017), therefore no additional payment for loss of office.
Pension & Benefits	FY17 pension & benefits	Paid to the date of retirement (30 March 2017), therefore no additional payment for loss of office.
Annual bonus	FY14 deferred bonus shares	Deferred shares were not pro-rated to time in line with the default treatment under the remuneration policy. Shares vested on 21 April 2017.
	FY15 and FY16 deferred bonus shares	Deferred shares were not pro-rated to time in line with the default treatment under the remuneration policy. Shares will vest on the normal vesting dates.
	FY17 annual bonus	Annual bonus was awarded pro-rata to the date of retirement (30 March 2017), with the outcome aligned to the corporate scorecard. In line with policy, FY17 annual bonus will be fully paid in cash.
LTIP	2014 LTIP award	2014 LTIP vested in April 2017. In line with the Plan rules the time pro-ration was applied with rounding up to the nearest month. Shares will become exercisable on the normal exercise dates.
	2015 and 2016 LTIP awards	2015 and 2016 LTIP awards will be prorated to the date of retirement (30 March 2017) with rounding up to the nearest month in line with policy. Performance will be assessed and shares will become exercisable on the normal exercise dates.
	2017 LTIP award	2017 LTIP was not awarded.

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

Statement of Directors' shareholdings

The table below sets out the number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 31 December 2017.

	Shareholding					
Director	Shares required to be held % of salary	Beneficially owned[1]	Shareholding requirement met (only required to be met in April 2019)	Interests subject to performance conditions[2]	Interests not subject to performance conditions	Total interests held as at 31/12/2017
Austin Avuru	200%	74,546,740	Yes	4,351,411	294,912	79,193,063
Roger Brown	150%	807,942	Yes	2,645,658	114,858	3,568,458
Stuart Connal[3]	n/a	0	n/a	810,193	116,031	926,224

1. Beneficial interests include shares held directly or indirectly by connected persons and include shares held by Stanbic IBTC Trustee Limited/Seplat LTIP.
2. Includes 2015 LTIP awards which vest in April 2018.
3. Stuart Connal retired on 30 March 2017 and in line with our Remuneration Policy, the number of LTIP shares held by him was pro-rated to the date of retirement.

Details of the Non-Executive Directors' interests in shares are set out below:

Director	Shares held as at 31/12/2017[1]
A.B.C. Orjiako	47,251,325
Michael Alexander	105,238
Michel Hochard	95,238
Macaulay Agbada Ofurhie	4,901,611
Basil Omiyi	495,238
Ifueko Omoigui Okauru	95,238
Charles Okeahalam	597,238
Lord Mark Malloch-Brown	31,746
Damian Dodo	0

1. Beneficial interests include shares held directly or indirectly by connected persons and include shares held by Stanbic IBTC Trustee Limited/Seplat LTIP in relation to vested awards made on Admission.

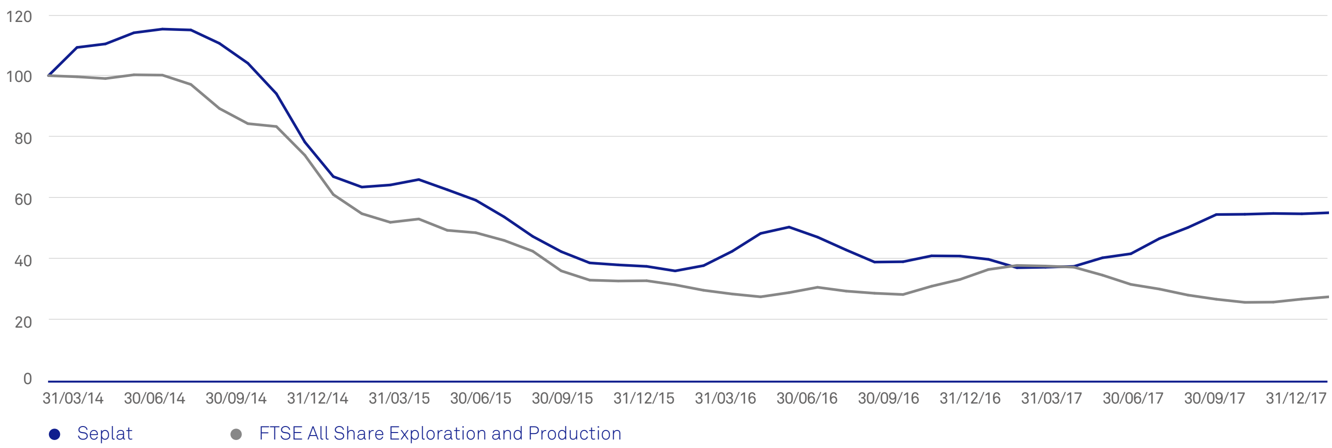
There have been no changes in the shareholdings of the Executive Directors and Non-Executive Directors between 31 December 2017 and the publication of the Full Year 2017 Financial Results on 28 February 2018.

Comparison of overall performance and pay

The graph below shows the value of US$100 invested in the Company's shares since listing compared to the median of the FTSE All Share Exploration & Production companies. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment over the same period of dividend income.

The Committee considers that the FTSE All Share Exploration & Production is an appropriate comparator group as it contains the UK companies that are constituents of Seplat's TSR comparator group. This graph has been calculated in accordance with the Regulations. It should be noted that the Company began trading conditionally on the London Stock Exchange on 9 April 2014 and therefore only has a listed share price for the period of 9 April 2014 to 31 December 2017.

TSR (rebased to 100 at 9 April 2014)[1]



Source: Thomson Reuters Datastream

1. In line with the methodology used for LTIP performance assessment, TSR was calculated using a three-month average.

CEO historical remuneration

The table below sets out the total remuneration delivered to the CEO between 2014 and 2017 valued using the methodology applied to the single total figure of remuneration. The Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only from 2014:

CEO (Austin Avuru)	2017	2016	2015	2014
Total single figure (US$'000)[1]	4,153	3,143	3,004	2,866
Annual bonus payment level achieved (% of maximum opportunity)	49%	35%	46%	53%
LTIP vesting level achieved (% of maximum opportunity)	100%	97%	N/A[2]	N/A[2]

1. Includes vesting in relation to the one-off Global Offer Bonus award in 2014 and 2015.
2. No LTIP awards vested in 2014 and 2015 – vesting of the first LTIP awards (awarded in 2014) occurred in 2017 (however the performance period for these awards ended on 31 December 2016 so it is included in the 2016 column). There were no equity based arrangements operating prior to listing.

Change in the CEO's remuneration compared with employees

Year-on-year change	Chief Executive Officer[1] (%) (US$)	Average employee pay in comparator group[2] (%) (Naira)
Base salary	0%	8%
Taxable benefits	-15%	0%
Annual bonus	40%	35%

1. CEO year-on-year change has been expressed in USD to reflect the currency in which he is paid (for his base salary and taxable benefits). The annual bonus change for the CEO reflects the change in maximum bonus opportunity achieved.
2. Average employee pay year-on-year change is expressed in Naira as a significant majority of employees are paid in Naira.

Relative importance of the spend on pay

The table below sets out the overall spend on pay for all employees compared with the dividends distributed to shareholders:

Significant contributions	2017 ($m)	2016 ($m)	% change
Overall spend on pay[1]	56.9	40.8	39%
Distributions to shareholders (dividends)	0	0	N/A

1. Calculated by converting 2016 and 2017 figures (from Naira) at the relevant year's average NGN: USD exchange rate.

Implementation of remuneration policy in financial year 2018

The Committee proposes to implement the policy for the 2018 financial year as set out below.

Salary

There will be no salary increase for Executive Directors in the financial year ending 31 December 2018.

Name	Salary 2018 (US$'000)
Austin Avuru	1,097
Roger Brown	631[1]

1. Actual amount paid in 2018 will depend on the USD:GBP exchange rate in the year.

Benefits and Pension

There are no proposed changes for the financial year ending 31 December 2018.

The value of pension contribution/salary supplement for the financial year is as follows:

Name	Pension/Salary supplement 2018 (US$'000)
Austin Avuru	187
Roger Brown	95[1]

1. Actual amount paid in 2018 will depend on the USD:GBP exchange rate in the year.

Annual Bonus

Operation and potential value	Performance metrics used, weightings and time period applicable
Maximum bonus opportunity as a percentage of salary: CEO – 150% CFO – 100% 75% of any bonus earned will be paid in cash at the end of year one. The remaining 25% of any bonus earned will be deferred into shares and paid at the end of year three. Annual bonus will be subject to clawback and malus.	The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial, operational and strategic targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in the best interests of shareholders. The performance measures, achievement against targets and the value of awards made will be published at the end of the performance periods, so shareholders can assess the basis for any pay-outs under the annual bonus.

Long Term Incentive Plan

Potential value	Performance metrics used, weightings and time period applicable
Maximum value of 250% of salary p.a. based on the market value at the date of award set in accordance with the rules of the LTIP. The intended awards for the Executive Directors as a percentage of salary are: CEO – 250% CFO –200% In line with previous years, the number of share awards to be granted under the LTIP will be calculated based on the higher of the average share price over Q1 2018 or £1. This may result in a reduction in the number of shares awarded in 2018. The actual number of awards granted will be confirmed in our 2018 remuneration report. The LTIP vests after three years, subject to performance conditions, but holding periods will be applied such that awards can only be exercised as follows: 60% after year 3 20% after year 4 20% after year 5	The performance metrics will be the same as those employed for previous awards. 100% of the award will vest based on relative TSR performance as assessed against a bespoke comparator group of listed E&P companies. 25% of the award will vest for median performance. 100% of the award will vest for upper quartile performance. There will be straight-line vesting between these points. 50% of the award will also be subject to a reserves growth underpin, which will operate as follows: • 50% of the award will lapse if FY20 reserves fall by 10% or more from FY17 reserves; • None of the award will lapse if FY20 reserves grow by 10% or more from FY17 reserves; and • There will be a straight-line reduction in vesting between these points.

Non-Executive Director fees

All NED fees have remained unchanged in comparison to the year 2018. The table below shows the total fees to be paid for NED roles in respect of the financial year 2018:

Position	Fees (US$'000)
Chairman	960
Board	133
Senior Independent Director	193
Committee Chairmanship	39
Finance Committee Chairmanship[1]	52
Committee membership	26
Finance Committee membership[1]	32

1. Only applicable to those Directors who have additional responsibilities.
2. Fees shown are those receivable in GBP, converted at the average exchange rate for 2017 of 1.29. This is with the exception of the Chairman, whose fees are converted at the July 2014 USD: GBP exchange rate. Actual fees paid in 2018 will depend on the USD:GBP exchange rate in the year.

Composition and terms of reference of the Remuneration Committee

The members of Seplat's Remuneration Committee are as follows:

- Michael Alexander (Chairman)
- Basil Omiyi
- Charles Okeahalam
- Damian Dodo

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the remuneration policy and for determining specific packages for the Executive Directors, the Chairman, Non-Executive Directors and other members of the Executive Team. The terms of reference for the Committee are available on the Company's website, www.seplatpetroleum.com, and from the Company Secretary at the registered office.

The Committee receives assistance from the GM Human Resources, who attends meetings by invitation. The Executive Directors attend by invitation on occasions, except when issues relating to their own remuneration are being discussed. The Committee met five times during the financial year.

Advisers to the Remuneration Committee

The Committee continues to engage the services of PricewaterhouseCoopers LLP ('PwC') as independent remuneration adviser. Other services received by the Company from PwC during the financial year included those in relation to payroll, personal/ corporate tax advice and internal audit.

During the financial year, PwC advised the Committee on all aspects of remuneration policy for Executive Directors, Non-Executive Directors and members of the Executive Team. The Committee is satisfied that advice received from PwC during the year was objective and independent.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees.

Shareholder voting at general meeting

At the previous AGM held on 1 June 2017, the Company received a vote of 100% in favour of its Remuneration Report.

MR Alexander

Michael Alexander ('S.I.D.')[1]
Chairman of the Remuneration Committee

1. Independent Non-Executive Director.

The Directors are pleased to present to the shareholders of the Company their report with the audited financial statements for the year ended 31 December 2017.

Principal activity
The Company is principally engaged in oil and gas exploration and production.

Corporate structure and business
Seplat Petroleum Development Company Plc ('Seplat' or the 'Company'), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the Companies and Allied Matters Act 2004. The Company commenced operations on 1 August 2010.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets:

OML 4, OML 38 and OML 41 are located in Nigeria. The total purchase price for these assets was US$340 million paid at the completion of the acquisition on 31 July 2010 and a contingent payment of US$33 million payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds US$80 per barrel.

US$358.6 million was allocated to the producing assets including US$18.6 million as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of US$33 million was paid on 22 October 2012.

Seplat Petroleum Development Company Plc was successfully listed on the Nigerian Stock Exchange and the main market of the London Stock Exchange on 14 April 2014.

In 2013, Newton Energy Limited ('Newton Energy'), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited ('Pillar Oil') a 40% participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the 'Umuseti/Igbuku Fields').

In 2015, the Group purchased a 40% participating interest in OML 53, onshore north-eastern Niger Delta, from Chevron Nigeria Ltd. for US$259.4 million. It also concluded negotiations to buy 56.25% of BelemaOil Producing Ltd., a Nigerian special purpose vehicle that bought a 40% interest in the producing OML 55, located in the swamp to coastal zone of south eastern Niger Delta. NNPC holds the remaining 60.00% interest in OML 55, and Seplat's effective participating interest in OML 55 as a result of the acquisition was 22.50%.

Based on the above, Seplat consolidated BelemaOil in its 31 December 2015 consolidated financial statements.

During the year, the minority shareholders of BelemaOil began to dispute Seplat's majority shareholding in the entity. In July 2016, Seplat instituted legal action in a bid to secure its investment in OML 55.

Subsequent to the year end, the Asset Management Team of OML 55 has been formally inaugurated, and first lifting has taken place, the proceeds of which have been deposited into the escrow account as prescribed in the agreements.

Subsequently, and in a bid to resolve pending legal disputes, representatives of both Seplat and BelemaOil have agreed to a new arrangement which provides for a discharge sum of US$330 million, as at the reporting date fair valued at US$250 million, to be paid to Seplat over a six-year period, through allocation of crude oil reserves of OML 55. In turn, Seplat relinquishes all claims to its shareholding of BelemaOil as an entity. The 40% stake in OML 55 will be held by Seplat and BelemaOil over the period of this arrangement through an Asset Management Team comprising equal representatives of both parties. The Asset Management Team makes all the key decisions regarding the relevant activities of the underlying asset, and consent of all parties is required for decision making. The agreements have been signed by both parties but are subject to ministerial consent. The Group however believes consent will be received as the agreements were brokered by the Ministry of Petroleum Resources.

As a result of the foregoing, Seplat no longer exercises control and has now deconsolidated BelemaOil in the financial statements in accordance with IFRS 10 (par B97). Seplat has recorded its rights to receive the discharge sum from the crude oil reserves of OML 55 as other asset.

The Company together with its subsidiary, Newton Energy, and four wholly owned subsidiaries, namely, Seplat Petroleum Development Company UK Limited ('Seplat UK'), which was incorporated on 21 August 2014; Seplat East Onshore Limited ('Seplat East'), which was incorporated on 12 December 2014; Seplat East Swamp Company Limited ('Seplat Swamp'), which was incorporated on 12 December 2014; and Seplat Gas Company Limited ('Seplat Gas'), which was incorporated on 12 December 2014, are referred to as the Group.

Subsidiary	Country of incorporation and place of business	Shareholding %	Principal activities
Newton Energy Limited	Nigeria	100%	Oil & gas exploration and production
Seplat Petroleum Development UK	United Kingdom	100%	Oil & gas exploration and production
Seplat East Onshore Limited	Nigeria	100%	Oil & gas exploration and production
Seplat East Swamp Company Limited	Nigeria	100%	Oil & gas exploration and production
Seplat Gas Company	Nigeria	100%	Oil & gas exploration and production
ANOH Gas Processing Company Limited	Nigeria	100%	Gas processing

Operating results

	Nigerian ₦ million		US$ '000	
	2017	2016	2017	2016
Revenue	138,281	63,384	452,179	254,217
Operating profit/(loss)	34,376	(44,949)	112,414	(157,883)
Profit/(loss) before taxation	13,454	(47,419)	43,997	(172,766)
Profit/(loss) after taxation	81,111	(45,384)	265,230	(166,094)

Proposed dividend

No dividend was proposed during the year (2016: nil). During a period in which Seplat is focusing on preservation of liquidity and selective capital allocation and in order to ensure the Group maintains a necessary level of financial flexibility, the Board believes that the Group and its shareholders are better served at this point in time by selectively deploying available capital (on a discretionary basis) into the portfolio of production opportunities and preserving a liquidity buffer.

Unclaimed dividend

The total amount outstanding as at 31 December 2017 is US$236,052.89 and ₦86,957,768.04. A list of shareholders and corresponding unclaimed dividends is available on the Company's website: www.seplatpetroleum.com.

Changes in property, plant and equipment

Movements in property, plant and equipment and significant additions thereto are shown in Note 14 to the financial statements. In the opinion of the Directors, the market value of the Group's property, plant and equipment is not less than the value shown in the financial statements.

Board changes

The Group announced in March that Stuart Connal retired from his role as COO and Executive Director effective 31 March 2017. The Board, management and all staff would like to thank Mr Connal for his significant contribution to Seplat in the last few years. Stuart's vast expertise remains available to the Group through his continued involvement on a consultancy basis in support of the large scale ANOH gas and condensate project.

The Board has appointed an Executive Director since the last Annual General Meeting. Effiong Okon was appointed Operations Director effective 23 February 2018. The appointment will be presented to shareholders for approval at the 2018 Annual General Meeting. Effiong brings a wealth of relevant Nigerian and international operational experience from 26 years in the industry with Shell. He is an asset to the Board and we look forward to his contribution to the growth of the Company.

The appointment and removal or reappointment of Directors is governed by the Company's Articles of Association and the Companies and Allied Matters Act ('CAMA') LFN 2004.

Rotation of Directors

In accordance with the provisions of Section 259 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria ('LFN') 2004, one third of the Directors of the Company shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last election. Apart from the Executive Directors and Founding Directors (who are referred to as the Non-Executive Directors), all other Directors are appointed for a fixed term. Upon expiration of the terms, they become eligible for re-appointment. The Directors who are eligible for re-appointment this year are Mr. Michael Alexander and Lord Mark Malloch-Brown.

Corporate governance

The Board of Directors of the Company is committed to sound corporate governance, and ensures that the Company complies with Nigerian and UK corporate governance regulations as well as international best practice.

The Board is aware of the Code of Corporate Governance issued by the Securities and Exchange Commission in the administration of the Company and is ensuring that the Company complies with the code. The Board is responsible for keeping proper accounting records with reasonable accuracy. It is also responsible for safe guarding the assets of the Company through prevention and detection of fraud and other irregularities.

The Corporate Governance Report details compliance with relevant legislation and relations with shareholders on pages 76 to 81, and forms part of the Directors' Report.

Directors' interest in shares

The interests of the Directors (and of persons connected with them) in the share capital of the Company (all of which are beneficial unless otherwise stated) are as follows:

	31 Dec 16	31 Dec 17		28 Feb 18	
	No. of ordinary shares	No. of ordinary shares	As a percentage of ordinary shares in issue	No. of ordinary shares	As a percentage of ordinary shares in issue[3]
A.B.C. Orjiako	77,962,680	47,251,325	8.39%	47,251,325[1]	8.03%
Austin Avuru	74,064,823	74,546,740	13.23%	74,546,740[2]	12.67%
Roger Brown	535,715	807,942	0.14%	807,942	0.14%
Effiong Okon	n/a	n/a	n/a	0	0.00%
Stuart Connal	627,289	n/a	n/a	n/a	n/a
Michel Hochard	95,238	95,238	0.02%	95,238	0.02%
Macaulay Agbada Ofurhie	4,901,611	4,901,611	0.87%	4,901,611	0.83%
Michael Alexander	95,238	105,238	0.02%	105,238	0.02%
Charles Okeahalam	597,238	597,238	0.11%	597,238	0.10%
Basil Omiyi	495,238	495,238	0.09%	495,238	0.08%
Ifueko Omoigui Okauru	95,238	95,238	0.02%	95,238	0.02%
Lord Mark Malloch-Brown	31,746	31,746	0.01%	31,746	0.01%
Damian Dodo	0	0	0.00%	0	0.00%
Total	159,532,054	128,927,554	22.88%	128,927,554	21.91%

1. 16,151,325 ordinary shares are held directly by A.B.C. Orjiako and Shebah Petroleum Development Company Limited; 18,500,000 ordinary shares are held by Vitol Energy Limited for the benefit of Shebah Petroleum Development Company Limited, which is an entity controlled by A.B.C. Orjiako and members of his family; and 12,600,000 ordinary shares are held directly by A.B.C. Orjiako's siblings.
2. 27,217,010 ordinary shares are held by Professional Support Limited and 1,920,000 ordinary shares are held by Abtrust Integrated Services Limited, each of which is an entity controlled by Austin Avuru. 44,160,000 ordinary shares are held by Platform Petroleum Limited, which is an entity in which Austin Avuru has a 23% equity interest and 1,249,730 ordinary shares are held by Austin Avuru.
3. At 1 February 2018, the issued share capital increased by 25,000,000 shares in furtherance of the Company's Long Term Incentive Plan. Seplat's share capital now consists of 588,444,561 ordinary shares of ₦0.50k each, all with voting rights.

Directors' interest in contracts

The Chairman and the Chief Executive Officer have disclosable indirect interests in contracts with which the Company was involved as at 31 December 2017 for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, LFN, 2004. These have been disclosed in Note 31.

Substantial interest in shares

According to the register of members at 31 December 2017 and also the date of this report, the following shareholders held more than 5.0% of the issued share capital of the Company:

Shareholder	Number	%
CIS PLC – MAIN[1]	413,825,196	73.45
Platform Petroleum Limited	44,160,000	7.84

1 CIS PLC – MAIN is made up of the total shareholdings held in the UK by the registrars.

Free float

The Company's free float at 31 December 2017 was 51.49%.

Acquisition of own shares

The Company did not acquire any of its shares during the year.

Shareholding analysis

The shareholding pattern as at 31 December 2017 is as stated below:

Share range	Number of shareholders	% of shareholders	Number of holdings	% Shareholding
1-10,000	1,548	84.64	1,317,791	0.23
10,001-50,000	148	8.09	3,841,344	0.68
50,001-100,000	40	2.19	2,838,987	0.50
100,001-500,000	60	3.28	13,606,409	2.41
500,001-1,000,000	12	0.66	8,602,910	1.53
1,000,001-5,000,000	15	0.82	33,912,939	6.02
5,000,001-10,000,000	3	0.16	19,763,750	3.51
10,000,001-50,000,000	2	0.11	65,735,235	11.67
100,000,001-500,000,000	1	0.05	413,825,196	73.45
Total	1,829	100.00	563,444,561	100.00

Share capital history

Year	Authorised increase	Cumulative	Issued increase	Cumulative	Consideration
Jun-09	–	100,000,000	100,000,000	100,000,000	cash
Mar-13	100,000,000	200,000,000	100,000,000	200,000,000	stock split from ₦1.00 to 50k
Jul-13	200,000,000	400,000,000	200,000,000	400,000,000	bonus (1 for 2)
Aug-13	600,000,000	1,000,000,000	153,310,313	553,310,313	cash
Dec-14	–	1,000,000,000	–	553,310,313	No change
Dec-15	–	1,000,000,000	10,134,248	563,444,561	staff share scheme
Dec-16	–	1,000,000,000	–	563,444,561	No change
Dec-17	–	1,000,000,000	–	563,444,561	No change

At 1 February 2018, the issued share capital increased by 25,000,000 shares in furtherance of the Company's Long Term Incentive Plan. Seplat's share capital now consists of 588,444,561 ordinary shares of ₦0.50k each, all with voting rights.

Donations

The following donations were made by the Group during the year (2016: ₦37,333,000, US$163,482).

Name of beneficiary	₦'000	US$
Africa Center Association	67,568	220,949
African Business & Social Responsibility Forum	826	2,701
Chartered Institute of Procurement and Supply	522	1,707
Children International School	225	736
Daniel Ogechi Akujobi Memorial Foundation	451	1,475
Energy Correspondents of Nigeria	450	1,473
International Institute of Petroleum Energy Law and Policy	1,354	4,426
Medical Women's Association	922	3,016
Nigerian Association of Petroleum Explorationists	3,780	12,360
Nigerian Bar Association (Lagos branch)	158	516
Nigerian Gas Association	450	1,472
Nigerian Orthopaedic Association	450	1,472
Nigerian Union of Journalists	90	294
Nigeria & Entrepreneurship, Summit & Honors ('NESH')	445	1,456
Oil and Gas Council	1,050	3,435
Oil Council – Clarion Events Limited	1,658	5,423
Okparavero Memorial Hospital	6,706	21,929
Olufunke Olaiya	225	736
Owerri Sports Club	901	2,946
Petroleum Technology Association	2,703	8,838
Raitas Communications	936	3,060
SOJA Magazine	68	221
Solomon Uwaifo	450	1,471
Sustainability in the Extractive Industries ('SITEI') Conference	450	1,471
The Nigerian Stock Exchange	675	2,208
University of Benin Medical Students' Association	90	294
University of Nigeria Teaching Hospital Neurogic Association	901	2,946
Others	10,857	35,504
Total	**105,361**	**344,535**

Employment and employees

Employees' involvement and training

The Company continues to observe industrial relations practices such as the joint Consultative Committee and briefing employees on the developments in the Company during the year under review.

Various incentive schemes for staff were maintained during the year while regular training courses were carried out for the employees.

Educational assistance is provided to members of staff. Different cadres of staff were also assisted with payment of subscriptions to various professional bodies during the year.

The Company provides appropriate HSSE training to all staff, and Personal Protective Equipment ('PPE') to the appropriate staff.

Health, safety and welfare of employees

The Company continues to enforce strict health and safety rules and practices at the work environment which are reviewed and tested regularly. The Company provides free medical care for its employees and their families through designated hospitals and clinics. Fire prevention and firefighting equipment are installed in strategic locations within the Company's premises. The Company operates Group life insurance cover for the benefit of its employees. It also complies with the requirements of the Pension Reform Act, 2004 regarding its employees.

Employment of disabled or physically challenged persons

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. As at the end of the reporting period, the Group has no disabled persons in employment.

Auditor

The auditor, Ernst & Young, has indicated its willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004. A resolution will be proposed for the re-appointment of Ernst & Young as the Company's auditor and for authorisation to the Board of Directors to fix auditors' remuneration.

By Order of the Board

Dr. Mirian Kene Kachikwu
FRC/2015/NBA/00000010739
Company Secretary,
Seplat Petroleum Development Company Plc
25a Lugard Avenue
Ikoyi
Lagos
Nigeria

28 February 2018

Statement of Directors' responsibilities
For the year ended 31 December 2017

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Group at the end of the year and of its profit or loss. The responsibilities include ensuring that the Group:

1. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;
2. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
3. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, which are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards ('IFRS'), the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No. 6, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of its financial performance and cash flows for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least 12 months from the date of this statement.

Signed on behalf of the Directors by:

A.B.C. Orjiako
Chairman
FRC/2014/IODN/00000003161

28 February 2018

Austin Avuru
Chief Executive Officer
FRC/2014/IODN/00000003100

28 February 2018

Financial statements

Independent auditors' report	126
Consolidated statement of profit or loss and other comprehensive income	130
Consolidated statement of financial position	131
Consolidated statement of changes in equity	132
Consolidated statement of cash flows	133
Notes to the consolidated financial statements	134
Consolidated statement of value added	183
Consolidated five-year financial summary	184
Consolidated supplementary financial information (unaudited)	185
Separate statement of profit or loss and other comprehensive income	187
Separate statement of financial position	188
Separate statement of changes in equity	189
Separate statement of cash flows	190
Notes to the separate financial statements	191
Separate statement of value added	235
Separate five-year financial summary	236
Separate supplementary financial information (unaudited)	237

Ernst & Young
10th Floor, UBA House
57, Marina
P.O. Box 2442, Marina
Lagos, Nigeria

Tel: +234 (01) 631 4500
Fax: +234 (01) 463 0481
Email: services@ng.ey.com
www.ey.com

Independent auditors' report to the members of Seplat Petroleum Development Company Plc

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Seplat Petroleum Development Company Plc ('the Company') and its subsidiaries (together 'the Group') which comprise:

Group	Company
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.	Company statement of profit or loss and other comprehensive income for the year ended 31 December 2017.
Consolidated statement of financial position as at 31 December 2017.	Company statement of financial position as at 31 December 2017.
Consolidated statement of changes in equity for the year ended 31 December 2017.	Company statement of changes in equity for the year ended 31 December 2017.
Consolidated statement of cash flows for the year ended 31 December 2017.	Company statement of cash flows for the year ended 31 December 2017.
Related notes to the consolidated financial statements.	Related notes to the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of the Group and Company financial performance and cash flows for the year then ended;
- the financial statements of the Group and Company have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'); and
- the financial statements of the Group and Company have been prepared in accordance with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No. 6, 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code') and other independence requirements applicable to performing audits of Seplat Petroleum Development Company Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Seplat Petroleum Development Company Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the matter was addressed in the audit
Impact of the estimation of the quantity of oil and gas reserves on impairment testing, depreciation, depletion and amortisation ('DD&A'), decommissioning provisions and the going concern assessment. As at 31 December 2017, Group reported 477.3 MMboe (Company: 288.0 MMboe) of proved plus probable reserves. The estimation and measurement of oil and gas reserves impacts a number of material elements of the financial statements including DD&A, decommissioning provisions and impairments. There is technical uncertainty in assessing reserve quantities, as this reserve is an indicator of the future potential of the Group and Company performance. Due to the significant impact on the financial statements of these provisions, we have considered this as a key audit matter.	We focused on management's estimation process, including whether bias exists in the determination of reserves and resources. We carried out the following procedures: • ensured that significant movements in reserves are compliant with guidelines and policies; • ensured that additions to oil assets during the year were properly recognised and accounted for; • confirmed that the reserve information at year end is supported by underlying documentation and data; • performed procedures to assess the competence and objectivity of the experts involved in the estimation process; and • reviewed disclosures in the Annual Report to ensure consistency with the reserves data that we have reviewed.
Assessment of the recoverable amount of exploration and production assets. As at 31 December 2017, Seplat recognised ₦393.377 billion/ US$1.3 billion/(Company ₦278.841 billion/$912 million) of oil and gas properties. A sustained low oil and gas price environment could have a significant impact on the recoverable amounts of Seplat's oil and gas properties. In view of the generally long-lived nature of Seplat's assets, the most critical assumption in forecasting future cash flows is management's view on the long term oil and gas price outlook beyond the next three to four years. Other key inputs used in assessing recoverable amounts are the discount rate used, future expected production volumes and capital and operating expenditures. Given the complexity of impairment testing methodologies and the judgemental nature of management assumptions in the estimation of cash flows forecasts, we have considered this as a key audit matter.	Accounting standards require management to assess at each reporting date whether indicators of impairment exist. Seplat carried out an impairment test. Our audit procedures on the impairment test included: • assessed whether or not reserve movements represented an impairment trigger; • considered oil and gas forward curves and long-term commodity price assumptions and whether these are indicators of impairment; • discussed with management the operational status of key assets; • separately from management, we assessed whether or not indicators of impairment exist; and • challenged management's assumptions and methodologies used in estimating future cash flows from assets.
Assessment of recoverability of the Nigerian Petroleum Development Company ('NPDC') receivables. As at 31 December 2017, the value of the Group NPDC receivable balance was ₦34 billion/ US$113 million (Company: ₦34 billion/ US$113 million). Management has made certain assumptions about the recoverability of financial assets exposed to credit risk from NPDC. These are based on management's recent experiences and current discussions with NPDC and financial capacity of NPDC. Given the significant nature of this account, we focused on the recoverability of this amount and have thus considered it as a key audit matter.	We carried out the following procedures: • validated the receipts during the year and post year-end; • obtained confirmation from NNPC of amounts owed to Seplat; • recalculated the US dollar equivalent of amounts owed in Nigerian Naira; • obtain and challenged management assessment of the recoverability of the receivables; and • discussed and challenged management's expectations in relation to the in-flow of funds.

Key audit matter	How the matter was addressed in the audit
Assessment of recoverability of deferred tax assets. In determining if deferred tax asset should be recognised, Management assessed the recoverability of the balance. Assumptions and judgements were used to determine the probability that deferred tax assets recognised in the financial statements will be recovered from taxable income in future years. The Group total computed deferred tax assets amounted to ₦85 billion/US$279 million (Company: ₦68 billion/US$224 million). However, the Group has recognised only ₦68 billion/US$224 million (Company: ₦68 billion/US$224 million) of the total deferred tax assets, being the amount management assessed as realisable from future taxable profits. The Group has not recognised deferred tax assets of ₦17 billion/US$55 million (Company: nil), being the taxable timing differences arising from losses and capital allowances carried forward which recoverability, in management's assessment, could not be quantified with reasonable certainty as at 31 December 2017. Given the materiality of the deferred tax asset value and the judgemental nature of management assumptions in the estimation of profit forecasts based on which the asset is recognised, we have considered this as a key audit matter.	• We evaluated the five-year financial forecasts (years ended 31 December 2018 to 31 December 2022), the reliability of the financial forecast preparation process and the reasonableness of the five-year forecasts at the level of individual entities as well as at Group level. • Challenged management assumptions used by comparing the projected inputs (Revenue, Royalty and OPEX) to actuals in the year ended 31 December 2017 and challenged the inputs in the light of increasing prices in 2018. • Compared the inputs and assumptions for appropriateness and consistency with the oil assets' impairment assessment. • Assessed the current loss positions and challenged the profit projections of the applicable subsidiaries and concluded that the future taxable profits of the applicable subsidiaries could not be quantified with reasonable certainty and hence not to be recognised but only disclosed in notes to the financial statements. • Assessed the adequacy of the disclosures in Notes 11 and 12 of the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Audit Committee's Report, Statement of Directors' Responsibilities and Other National Disclosures, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No. 6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting processes.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii) the statement of financial position and profit or loss and other comprehensive income are in agreement with the books of account; and

iv) in our opinion, the financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 so as to give a true and fair view of the state of affairs and financial performance.

Bernard Carrena, FCA
FRC/2013/ICAN/00000000670
Partner
For: Ernst & Young
Lagos, Nigeria

28 February 2018

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	Notes	31 Dec 2017 ₦ million	31 Dec 2016 ₦ million	31 Dec 2017 US$ '000	31 Dec 2016 US$ '000
Revenue	5	138,281	63,384	452,179	254,217
Cost of sales	6	(73,414)	(47,076)	(240,059)	(182,424)
Gross profit		64,867	16,308	212,120	71,793
General and administrative expenses	7	(25,037)	(30,001)	(81,870)	(113,832)
Gains/(losses) on foreign exchange (net)	8	209	(28,684)	682	(101,455)
Gain on deconsolidation of subsidiary	15a	–	210	–	680
Fair value loss	9	(5,663)	(2,782)	(18,518)	(15,069)
Operating profit/ (loss)		34,376	(44,949)	112,414	(157,883)
Finance income	10	1,326	15,800	4,335	59,017
Finance costs	10	(22,248)	(18,270)	(72,752)	(73,900)
Profit/(loss) before taxation		13,454	(47,419)	43,997	(172,766)
Taxation	11	67,657	2,035	221,233	6,672
Profit/(loss) for the year		81,111	(45,384)	265,230	(166,094)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference		441	144,248	(1,778)	3,350
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations	27b	(90)	172	(294)	563
Deferred tax assets on remeasurement losses	12a	76	–	250	–
		(14)	172	(44)	563
Other comprehensive income for the year (net of tax)		427	144,420	(1,822)	3,913
Total comprehensive income/(loss) for the year (net of tax)		81,538	99,036	263,408	(162,181)
Profit/(loss) attributable to equity holders of parent		81,111	(44,921)	265,230	(164,590)
Loss attributable to non-controlling interest		–	(463)	–	(1,504)
		81,111	(45,384)	265,230	(166,094)
Total comprehensive income/(loss) attributable to equity holders of parent		81,538	99,572	263,408	(160,677)
Total comprehensive loss attributable to non-controlling interest		–	(536)	–	(1,504)
		81,538	99,036	263,408	(162,181)
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Group:					
Basic earnings/(loss) per share (₦)/(US$)	29	143.96	(79.73)	0.47	(0.29)
Diluted earnings/(loss) per share (₦)/(US$)	29	141.89	(79.51)	0.46	(0.29)

Notes 1 to 34 on pages 134 to 182 are an integral part of the financial statements.

Consolidated statement of financial position

As at 31 December 2017

	Notes	31 Dec 2017 ₦ million	31 Dec 2016 ₦ million	31 Dec 2017 US$ '000	31 Dec 2016 US$ '000
Assets					
Non-current assets					
Oil & gas properties	14a	393,377	373,442	1,286,387	1,224,400
Other property, plant and equipment	14b	1,553	2,430	5,078	7,967
Other asset	15	66,368	76,277	217,031	250,090
Prepayments	16	9,957	10,253	32,562	33,616
Deferred tax assets	12	68,417	–	223,731	–
Total non-current assets		**539,672**	**462,402**	**1,764,789**	**1,516,073**
Current assets					
Inventories	18	30,683	32,395	100,336	106,213
Trade and other receivables	19	94,904	119,160	310,345	390,694
Prepayments	16	595	2,035	1,948	6,672
Cash and cash equivalents	20	133,699	48,684	437,212	159,621
Total current assets		**259,881**	**202,274**	**849,841**	**663,200**
Total assets		**799,553**	**664,676**	**2,614,630**	**2,179,273**
Equity and liabilities					
Equity					
Issued share capital	21	283	283	1,826	1,826
Share premium	21c	82,080	82,080	497,457	497,457
Share-based payment reserve	21b	4,332	2,597	17,809	12,135
Capital contribution	22	5,932	5,932	40,000	40,000
Retained earnings		166,149	85,052	944,108	678,922
Foreign currency translation reserve		200,870	200,429	1,897	3,675
Total shareholders' equity		**459,646**	**376,373**	**1,503,097**	**1,234,015**
Non-current liabilities					
Interest bearing loans and borrowings	24	93,170	136,060	304,677	446,098
Contingent consideration	25	4,251	3,672	13,900	12,040
Provision for decommissioning obligation	26	32,510	182	106,312	597
Defined benefit plan	27	1,994	1,559	6,518	5,112
Total non-current liabilities		**131,925**	**141,473**	**431,407**	**463,847**
Current liabilities					
Interest bearing loans and borrowings	24	81,159	66,489	265,400	217,998
Trade and other payables	28	125,559	79,766	410,593	261,528
Current taxation	11	1,264	575	4,133	1,885
Total current liabilities		**207,982**	**146,830**	**680,126**	**481,411**
Total liabilities		**339,907**	**288,303**	**1,111,533**	**945,258**
Total shareholders' equity and liabilities		**799,553**	**664,676**	**2,614,630**	**2,179,273**

Notes 1 to 34 on pages 134 to 182 are an integral part of the financial statements.

The Group's financial statements of Seplat Development Company Plc and its subsidiaries for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 28 February 2018 and were signed on its behalf by:

A.B.C. Orjiako
FRC/2013/IODN/00000003161
Chairman
28 February 2018

Austin Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
28 February 20187

Roger Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
28 February 2018

Consolidated statement of changes in equity

For the year ended 31 December 2017

₦ million

	Notes	Issued share capital	Share premium	Capital contribution	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
At 1 January 2016		282	82,080	5,932	1,729	134,919	56,182	281,124	(148)	280,976
Loss for the year		–	–	–	–	(44,921)	–	(44,921)	(463)	(45,384)
Other comprehensive income/(loss)		–	–	–	–	172	144,247	144,419	(73)	144,346
Total comprehensive (loss)/income for the year		–	–	–	–	(44,749)	144,247	99,498	(536)	98,962
Transactions with owners in their capacity as owners:										
Dividends	30	–	–	–	–	(5,118)	–	(5,118)	–	(5,118)
Share-based payments	21b	–	–	–	869	–	–	869	–	869
Loss of control		–	–	–	–	–	–	–	684	684
Issue of shares		1	–	–	(1)	–	–	–	–	–
Total		1	–	–	868	(5,118)	–	(4,249)	684	(3,565)
At 31 December 2016		**283**	**82,080**	**5,932**	**2,597**	**85,052**	**200,429**	**376,373**	**–**	**376,373**
At 1 January 2017		**283**	**82,080**	**5,932**	**2,597**	**85,052**	**200,429**	**376,373**	**–**	**376,373**
Profit for the year		–	–	–	–	81,111	–	81,111	–	81,111
Other comprehensive (loss)/income		–	–	–	–	(14)	441	427	–	427
Total comprehensive income/(loss) for the year		–	–	–	–	81,097	442	81,538	–	81,538
Transactions with owners in their capacity as owners:										
Share-based payments	21b	–	–	–	1,735	–	–	1,735	–	1,735
Total		–	–	–	1,735	–	–	1,735	–	1,735
At 31 December 2017		**283**	**82,080**	**5,932**	**4,332**	**166,149**	**200,871**	**459,646**	**–**	**459,646**

US$ '000

	Notes	Issued share capital	Share premium	Capital contribution	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
At 1 January 2016		1,821	497,457	40,000	8,734	865,483	325	1,413,820	(745)	1,413,075
Loss for the year		–	–	–	–	(164,590)	–	(164,590)	(1,504)	(166,094)
Other comprehensive income		–	–	–	–	563	3,350	3,913	–	3,913
Total comprehensive (loss)/income for the year		–	–	–	–	(164,027)	3,350	(160,677)	(1,504)	(162,181)
Transactions with owners in their capacity as owners:										
Dividends	30	–	–	–	–	(22,534)	–	(22,534)	–	(22,534)
Share-based payments	21b	–	–	–	3,406	–	–	3,406	–	3,406
Loss of control		–	–	–	–	–	–	–	2,249	2,249
Issue of shares		5	–	–	(5)	–	–	–	–	–
Total		5	–	–	3,401	(22,534)	–	(19,128)	2,249	(16,879)
At 31 December 2016		**1,826**	**497,457**	**40,000**	**12,135**	**678,922**	**3,675**	**1,234,015**	**–**	**1,234,015**
At 1 January 2017		**1,826**	**497,457**	**40,000**	**12,135**	**678,922**	**3,675**	**1,234,015**	**–**	**1,234,015**
Profit for the year		–	–	–	–	265,230	–	265,230	–	265,230
Other comprehensive loss		–	–	–	–	(44)	(1,778)	(1,822)	–	(1,822)
Total comprehensive income/(loss) for the year		–	–	–	–	265,186	(1,778)	263,408	–	263,408
Transactions with owners in their capacity as owners:										
Share-based payments	21b	–	–	–	5,674	–	–	5,674	–	5,674
Total		–	–	–	5,674	–	–	5,674	–	5,674
At 31 December 2017		**1,826**	**497,457**	**40,000**	**17,809**	**944,108**	**1,897**	**1,503,097**	**–**	**1,503,097**

Notes 1 to 34 on pages 134 to 182 are an integral part of the financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	31 Dec 2017 ₦ million	31 Dec 2016 ₦ million	31 Dec 2017 US$ '000	31 Dec 2016 US$ '000
Cash flows from operating activities					
Cash generated from operations	13	136,870	62,661	447,574	161,098
Receipts from derivatives		–	3,275	–	10,739
Defined benefits paid		(163)	(74)	(532)	(242)
Net cash inflows from operating activities		136,707	65,862	447,042	171,595
Cash flows from investing activities					
Investment in oil and gas properties		(9,777)	(15,805)	(31,970)	(51,834)
Investment in other property, plant and equipment		(459)	(992)	(1,500)	(2,349)
Proceeds from disposal of other property, plant and equipment		50	151	162	385
Proceeds from sale of other asset	15	10,947	–	35,794	
Interest received		1,326	15,800	4,335	1,664
Net cash inflows/(outflows) from investing activities		2,087	(846)	6,821	(52,134)
Cash flows from financing activities					
Repayments of bank financing		(29,970)	(44,835)	(98,000)	(187,000)
Dividends paid	30	–	(5,118)	–	(22,534)
Interest paid on bank financing		(21,213)	(18,165)	(69,366)	(73,420)
Interest paid on advance payments for crude oil sales		(1,770)	–	(5,789)	–
Net cash (outflows) from financing activities		(52,953)	(68,118)	(173,155)	(282,954)
Net increase/(decrease) in cash and cash equivalents		85,841	(3,102)	280,708	(163,493)
Cash and cash equivalents at beginning of year		48,684	64,828	159,621	326,029
Effects of exchange rate changes on cash and cash equivalents		(826)	(13,042)	(3,117)	(2,915)
Cash and cash equivalents at end of year	20	133,699	48,684	437,212	159,621

Notes 1 to 34 on pages 134 to 182 are an integral part of the financial statements.

1. Corporate information and business

Seplat Petroleum Development Company Plc ('Seplat' or the 'Company'), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production.

The Company's registered address is: 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets:

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was US$340 million (₦104 billion) paid at the completion of the acquisition on 31 July 2010 and a contingent payment of US$33 million (₦10 billion) payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds US$80 (₦24,464) per barrel. US$358.6 million (₦110 billion) was allocated to the producing assets including US$18.6 million (₦5.7 billion) as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of US$33 million (₦10 billion) was paid on 22 October 2012.

In 2013, Newton Energy Limited ('Newton Energy'), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited ('Pillar Oil') a 40% participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the 'Umuseti/Igbuku Fields').

On 12 December 2014, Seplat Gas Company Limited ('Seplat Gas') was incorporated as a private limited liability company to engage in oil and gas exploration and production.

In 2015, the Group purchased a 40% participating interest in OML 53, onshore north eastern Niger Delta, from Chevron Nigeria Ltd for US$259.4 million (₦79 billion).

In 2017, the Group incorporated a new subsidiary, ANOH Gas Processing Company Limited. The principal activity of the Company is the processing of gas from OML 53.

The Company together with its six wholly owned subsidiaries namely, Newton Energy, which was incorporated on 1 June 2013, Seplat Petroleum Development Company UK Limited ('Seplat UK'), which was incorporated on 21 August 2014, Seplat East Onshore Limited ('Seplat East'), which was incorporated on 12 December 2014, Seplat East Swamp Company Limited ('Seplat Swamp'), which was incorporated on 12 December 2014, Seplat Gas Company Limited ('Seplat GAS'), which was incorporated on 12 December 2014, and ANOH Gas Processing Company Limited, which was incorporated on 18 January 2017, are collectively referred to as the Group.

Subsidiary	Country of incorporation and place of business	Shareholding %	Principal activities
Newton Energy Limited	Nigeria	100%	Oil & gas exploration and production
Seplat Petroleum Development UK	United Kingdom	100%	Oil & gas exploration and production
Seplat East Onshore Limited	Nigeria	100%	Oil & gas exploration and production
Seplat East Swamp Company Limited	Nigeria	100%	Oil & gas exploration and production
Seplat Gas Company	Nigeria	100%	Oil & gas exploration and production
ANOH Gas Processing Company Limited	Nigeria	100%	Gas processing

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

During the reporting period ended 31 December 2017, the Group renegotiated its lending arrangements resulting in a 12-month extension of its revolving credit facility till 31 December 2018. Force majeure was also lifted in the period and as a result the Group significantly increased its production volumes. The Group continued its efforts towards securing alternative evacuation routes to ensure sustained growth in production volumes.

Resumption of exports via the Forcados terminal has strengthened the Group's financial performance and position during the period ended 31 December 2017.

2.2 Basis of preparation

i) Compliance with IFRS

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ('IASB'). Additional information required by national regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

ii) Historical cost convention

The financial information has been prepared under the going concern assumption and historical cost convention, except for contingent consideration, and financial instruments on initial recognition measured at fair value. The financial statements are presented in US Dollars and Nigerian Naira and all values are rounded to the nearest thousand (₦'million and US$'000), except when otherwise indicated.

iii) Going concern
Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least 12 months from the date of this statement.

iv) New and amended standards adopted by the Group
There were a number of new standards and amendments to standards that are effective for annual periods beginning after 1 January 2017; the Group has adopted these new or amended standards in the consolidated financial statements. The nature and impact of the new standards and amendments to the standards are described below.

Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

a) Disclosure initiative – Amendments to IAS 7
The Group is now required to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets are included in this disclosure if the cash flows were, or are, included in cash flows from financing activities. This is the case, for example, for assets that hedge liabilities arising from financing liabilities.

The Group may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items are disclosed separately from the changes in liabilities arising from financing activities.

The Group discloses this information in tabular format as a reconciliation from opening and closing balances. There were no other standards adopted that have a material impact on the financial statements.

The Group discloses this information in Note 24.

v) New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 9 Financial Instruments
Nature of change	IFRS 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.
Impact	The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018: **Classification and measurement:** From the results, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets which are all currently classified as loans and receivables and are measured at amortised cost. IFRS 9 retains but simplifies the mixed measurement model and establishes three (3) primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The financial assets currently classified as loans and receivables in the financial statements will satisfy the conditions for classification at amortised cost under IFRS 9. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. **Impairment of financial assets:** The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') which considers more forward looking information in establishing a provision for impairment. It applies to financial assets classified at amortised cost and contract assets under IFRS 15 Revenue from Contracts with Customers. Based on assessments undertaken on the Group's portfolio of impaired NPDC receivables, it estimates that on adoption of the new principles on 1 January 2018, loss allowance for NPDC receivables would increase by approximately US$1.6 million (₦489 million) at that date and retained earnings would decrease by the same amount. The loss allowance is an estimated value which is subject to change in the 2018 financial statements. **Hedge accounting:** The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not expect a significant impact on the accounting for its hedging relationships as a result of the adoption of IFRS 9, as it has not formally elected to apply hedge accounting. **Disclosures:** The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments, particularly in the year of the adoption of the new standard.
Date of adoption	The Group will apply the new rules retrospectively from 1 January 2018. Comparatives for 2017 will not be restated.

2. Summary of significant accounting policies continued

Title of standard	IFRS 15 Revenue from Contracts with Customers
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard introduces a five-step model approach which is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.
Impact	Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected: **Accounting for underlifts and overlifts:** IFRS 15 is applicable only if the counterparty to the contract is a customer. The standard defines a customer as a party that has contracts with an entity to obtain goods or services that are an output of the entity's ordinary activities. IFRS 15 makes a distinction between customers and partners or collaborators who share in the risks and benefits that result from the activity or process. Since the joint venture ('JV') partners do not meet the definition of a customer, overlifts and underlifts should not be recognised as revenue from contracts with customers. In addition, even if the partner meets the definition of a customer, the transaction would still be outside the scope of the standard since the transaction is a non-monetary exchange (exchange of crude oil for crude oil). The Group estimates that on adoption of the new principles as at 1 January 2018, revenue would increase by ₦11 billion (US$38 million) and cost of sales would increase by the same amount, as a result of the difference in accounting for overlifts and underlifts. **Accounting for consideration payable to the customer:** The standard requires that an entity accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, net of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. If the amount of consideration payable to the customer exceeds the fair value of the distinct good or service that the entity receives from the customer, then the entity accounts for such an excess as a reduction of the transaction price. If the entity cannot reasonably estimate the fair value of the good or service received from the customer, it accounts for all of the consideration payable to the customer as a reduction of the transaction price. The Group incurs barging costs in the course of the satisfaction of its performance` obligations i.e. delivery of crude oil and gas. These costs do not transfer any distinct good or service and as such represent consideration payable to the customer and will be accounted for as a direct deduction from revenue when the Group recognises revenue for the delivery of crude oil and gas. The Group estimates that on adoption of the new principles as at 1 January 2018, revenue would reduce by an additional ₦2.7 billion (US$9 million) as a result of barging costs reclassified from general and administrative expenses. **Presentation of contract assets and contract liabilities on the balance sheet:** IFRS 15 requires the separate presentation of contract assets and contract liabilities on the balance sheet. On adoption of the new principles as at 1 January 2018, it would result in a reclassification of advances for future oil sales amounting to ₦41 billion (US$136 million) which are currently included in deferred revenue to contract liabilities. The estimated impact in revenue on adoption of the new principles of IFRS 15 is subject to change in the 2018 financial statements.
Date of adoption	The Group will adopt the new standard on 1 January 2018 using the modified retrospective approach.

Title of standard	IFRS 16 Leases
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	**Operating leases:** The standard will affect primarily the accounting for the Group's operating leases which include leases of buildings, boats, storage facilities, rigs, land and motor vehicles. As at the reporting date, the Group has non-cancellable operating lease commitments of ₦1.3 billion (US$4.2 million). A right of use asset and lease liability will be recognised for these commitments. As at the reporting period, the full extent of the impact is yet to be quantified for the affected leases. **Short-term leases & low-value leases:** The Group's one-year contracts with no planned extension commitments mostly applicable to leased staff flats will be covered by the exception for short-term leases, while none of the Group's leases will be covered by the exception for low-value leases. **Service contracts:** Some commitments such as contracts for the provision of drilling, cleaning and community services were identified as service contracts as they did not contain an identifiable asset which the Group had a right to control. They therefore did not qualify as leases under IFRS 16.
Date of adoption	The standard for leases is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group.

2.3 Basis of consolidation

i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The consolidated financial information comprises the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated from the date on which control is obtained by the Group and are deconsolidated from the date control ceases.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

ii) Change in the ownership interest of subsidiary

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting periods as the Parent Company using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. Summary of significant accounting policies continued

iii) Disposal of subsidiary

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

iv) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. As at the reporting date, the Group has only joint operations.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

The Group recognises in its own accounting records as follows:

a) Its share of the mineral properties is shown within property, plant and equipment.
b) Any liabilities that it has incurred including those incurred to finance its share of the asset.
c) Its share of any liabilities incurred jointly with other venturers, including the decommissioning liability of production and field facilities.
d) Any income from its sale or use of its share of the output.
e) Any expenses that it has incurred in respect of its interest in the venture, together with its share of any expenses incurred by the joint operation.

In addition to joint costs, the Group also incurs exclusive costs, which are fully borne by the Group.

2.4 Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ('the functional currency'), which is the US Dollar except the UK subsidiary which is the Great Britain Pound. The consolidated financial statements are presented in Nigerian Naira and US Dollars.

The Group has chosen to show both presentation currencies side by side and this is allowable by the regulator.

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss in profit or loss or other comprehensive income depending on where fair value gain or loss is reported.

ii) Group companies

The results and financial position of foreign operations 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 presented are translated at the closing rate at the date of the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.5 Oil and gas accounting

i) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

ii) Exploration licence cost

Exploration licence costs are capitalised within oil and gas properties. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised on a straight-line basis over the life of the permit.

Licence costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence is written off through profit or loss.

iii) Acquisition of producing assets

Upon acquisition of producing assets which do not constitute a business combination, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The purchase price paid for the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

iv) Exploration and evaluation expenditures

Geological and geophysical exploration costs are charged to profit or loss as incurred.

Exploration and evaluation expenditures incurred by the entity are accumulated separately for each area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure, but do not include general overheads or administrative expenditure that is not directly related to a particular area of interest. Each area of interest is limited to a size related to a known or probable hydrocarbon resource capable of supporting an oil operation.

Costs directly associated with an exploration well, exploratory stratigraphic test well and delineation wells are temporarily suspended (capitalised) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons ('proved reserves') are not found, the exploration expenditure is written off as a dry hole and charged to profit or loss. If hydrocarbons are found, the costs continue to be capitalised.

Suspended exploration and evaluation expenditure in relation to each area of interest is carried forward as an asset provided that one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale;
- exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; and
- active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and/or evaluation expenditures which fail to meet at least one of the conditions outlined above are written off. In the event that an area is subsequently abandoned or exploration activities do not lead to the discovery of proved or probable reserves, or if the Directors consider the expenditure to be of no value, any accumulated costs carried forward relating to the specified areas of interest are written off in the year in which the decision is made. While an area of interest is in the development phase, amortisation of development costs is not charged pending the commencement of production. Exploration and evaluation costs are transferred from the exploration and/or evaluation phase to the development phase upon commitment to a commercial development.

v) Development expenditures

Development expenditure incurred by the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure directly related to the development property. All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment is expected to be derived from the sale of production from the relevant development property.

2.6 Revenue recognition

Revenue arises from the sale of crude oil and gas. Revenue comprises the realised value of crude oil lifted by customers. Revenue is recognised when crude products are lifted by a third party (buyer) Free on Board ('FOB') at the Group's designated loading facility or lifting terminals. At the point of lifting, all risks and rewards are transferred to the buyer. Gas revenue is recognised when gas passes through the custody transfer point.

Overlift and underlift

The excess of the product sold during the period over the Group's ownership share of production is termed as an overlift and is accrued for as a liability and not as revenue. Conversely, an underlift is recognised as an asset and the corresponding revenue is also reported.

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 revenue or cost of sales.

2. Summary of significant accounting policies continued

2.7 Property, plant and equipment

Oil and gas properties and other plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the entity, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised as incurred as long as these costs increase the efficiency of the unit or extend the useful life of the asset. All other maintenance costs are expensed as incurred.

Depreciation

Production and field facilities are depreciated on a unit-of-production basis over the estimated proved developed reserves. Assets under construction are not depreciated. Other property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

Plant and machinery	20%
Motor vehicles	25%
Office furniture and IT equipment	33.33%
Leasehold improvements	Over the unexpired portion of the lease

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

2.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. These costs may arise from: specific borrowings used for the purpose of financing the construction of a qualifying asset, and those that arise from general borrowings that would have been avoided if the expenditure on the qualifying asset had not been made. The general borrowing costs attributable to an asset's construction are calculated by reference to the weighted average cost of general borrowings that are outstanding during the period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

If any such indication of impairment exists or when annual impairment testing for an asset group is required, the entity makes an estimate of its recoverable amount. Such indicators include changes in the Group's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

The recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and value in use ('VIU'). 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 group of assets, in which case, the asset is tested as part of a larger cash-generating unit to which it belongs. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In calculating VIU, 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/CGU. In determining FVLCD, 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.

Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment once commercial reserves are found before they are transferred to oil and gas assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Impairment – proved oil and gas production properties

Proven oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.11 Inventories

Inventories represent the value of tubulars, casing and wellheads. These are stated at the lower of cost and net realisable value. Cost is determined using the invoice value and all other directly attributable costs to bringing the inventory to the point of use determined on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

2.12 Other asset

The Group's interest in the oil and gas reserves of OML 55 has been classified as other asset. On initial recognition, it is measured at the fair value of future recoverable oil and gas reserves.

Subsequently, the other asset is carried at fair value through profit or loss.

2.13 Segment reporting

Segment reporting has not been prepared as the Group operates one segment, being the exploration, development and production of oil and gas related products located in Nigeria. Operations in the different OMLs are integrated due to geographic proximity, the use of shared infrastructure and common operational management.

2.14 Financial instruments

2.14.1 Financial assets

i) Financial assets – initial recognition and measurement

The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which do not include transaction costs. The Group's financial assets include cash and short-term deposits, trade and other receivables, favourable derivatives and loan and other receivables.

ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Trade receivables, loans and other receivables

Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in the current assets, except for maturities greater than 12 months after the reporting date. The Group's loans and receivables comprise trade and other receivables in the consolidated historical financial information.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method net of any impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade is uncollectable, it is written off against the allowance account for trade receivables.

iii) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

iv) Derecognition of financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire. When an existing financial asset is transferred, the transfer qualifies for derecognition if the Group transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

2. Summary of significant accounting policies continued

2.14.2 Financial liabilities

Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, and financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

v) Financial liabilities – initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

vi) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost while any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of borrowings using the effective interest method.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

vii) Derecognition of financial liabilities

A financial liability is derecognised when the associated obligation is discharged or cancelled or expired. 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 in the statement of profit or loss.

2.14.3 Derivative financial instruments

The Group uses derivative financial instruments, such as forward exchange contracts, to hedge its foreign exchange risks as well as put options to hedge against its oil price risk. However, such contracts are not accounted for as designated hedges. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss and presented within operating profit.

Commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 and IAS 39, which is known as the 'normal purchase or sale exemption'. For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 4 financial risk management.

2.14.4 Fair value of financial instruments

The Group measures all financial instruments at initial recognition at fair value and financial instruments carried at fair value through profit and loss such as derivatives at fair value at each reporting date. From time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g. when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit ('CGU') at FVLCD.

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 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. From time to time external valuers are used to assess FVLCD of the Group's non-financial assets. Involvement of external valuers is decided upon 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.

Changes in estimates and assumptions about these inputs could affect the reported fair value. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2.15 Share capital
Issued share capital has been translated at the exchange rate prevailing at the date of the transaction and is not retranslated subsequent to initial recognition.

2.16 Earnings and dividends per share
Basic EPS
Basic earnings per share is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

Diluted EPS
Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent (after adjusting for outstanding share options arising from the share-based payment scheme) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividends on ordinary shares are recognised as a liability in the period in which they are approved.

2.17 Post-employment benefits
Defined contribution scheme
The Group contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Group. The Group's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. The Group operates a defined contribution plan and it is accounted for based on IAS 19 Employee Benefits.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

Defined benefit scheme
The Group operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund. The Group also provides certain additional post-employment benefits to employees. These benefits are unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation.

The Group recognises the following changes in the net defined benefit obligation under employee benefit expenses in general and administrative expenses:

- Service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest cost.

2. Summary of significant accounting policies continued

2.18 Provisions

Provisions are recognised when (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of economic resources will be required to settle the obligation as a whole; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

In measuring the provision:

- risks and uncertainties are taken into account;
- the provisions are discounted where the effect of the time value of money is considered to be material;
- when discounting is used, the increase of the provision over time is recognised as interest expense;
- future events, such as changes in law and technology, are taken into account where there is subjective audit evidence that they will occur; and
- gains from expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.

Decommissioning

Liabilities for decommissioning costs are recognised as a result of the constructive obligation of past practice in the oil and gas industry, when it is probable that an outflow of economic resources will be required to settle the liability and a reliable estimate can be made. The estimated costs, based on current requirements, technology and price levels, prevailing at the reporting date, are computed based on the latest assumptions as to the scope and method of abandonment.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The corresponding amount is capitalised as part of the oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the estimated cost of the restoration and abandonment cost is capitalised, while the charge arising from the accretion of the discount applied to the expected expenditure is treated as a component of finance charges.

If the change in estimate results in an increase in the decommissioning provision and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas assets net of decommissioning provisions exceed the recoverable value, that portion of the increase is charged directly to expense.

2.19 Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

2.20 Income taxation

i) Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Taxation on crude oil activities is provided in accordance with the Petroleum Profits Tax Act ('PPTA') CAP. P13 Vol. 13 LFN 2004 and on gas operations in accordance with the Companies Income Tax Act ('CITA') CAP. C21 Vol. 3 LFN 2004. Education tax is assessed at 2% of the assessable profits.

ii) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated historical financial information and the corresponding tax bases used in the computation of taxable profit.

A deferred income tax charge is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax 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.

iii) New tax regime

Effective 1 January 2013, the Company was granted the inter tax status incentive by the Nigerian Investment Promotion Commission for an initial three-year period and a further two-year period on approval. For the period the incentive applies, the Company is exempt from petroleum profits tax on crude oil profits (which would be otherwise taxed at 65.75%, to increase to 85% in 2017), corporate income tax on natural gas profits (currently taxed at 30%) and education tax of 2%. Newton Energy was also granted pioneer tax status on the same basis. The Company has completed its first three years of the pioneer tax period and is no longer exempted from paying petroleum profits tax on crude oil profits, corporate income tax on natural gas profits and education tax of 2%.

Tax incentives do not apply to Seplat East Onshore Limited (OML 53) and Seplat East Swamp Company Limited (OML 55), hence all taxes have been included in full for these entities in the financial statements.

2.21 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.22 Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

i) Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the ‘vesting period’). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date and for fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated historical financial information:

i) OMLs 4, 38 and 41

OMLs 4, 38 and 41 are grouped together as a cash-generating unit for the purpose of impairment testing. These three OMLs are grouped together because they each cannot independently generate cash flows. They currently operate as a single block sharing resources for the purpose of generating cash flows. Crude oil and gas sold to third parties from these OMLs are invoiced together.

ii) Advances on investment

The Group considers that the advances on investment of ₦20 billion (US$65.7 million) in relation to the acquisition of additional assets is fully recoverable in accordance with the terms of the deposit.

iii) New tax regime

As at the end of the year, the Nigerian Investment Promotion Commission is yet to approve the tax incentives for the additional two years of the tax holidays for the Company. The financial statements have been prepared on the assumption that the tax incentives may not be renewed and hence this forms the basis of the Group's current and deferred taxation in the financial statements. Deferred tax assets have been recognised during the year. Deferred tax liabilities were not recognised in current and prior reporting periods as the Group was not liable to make future income taxes payment in respect of taxable temporary differences.

iv) Unrecognised deferred tax asset

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax assets of ₦17 billion, 2016: ₦58 billion (US$55 million, 2016: US$192 million) in respect of temporary differences amounting to ₦29 billion, 2016: ₦89 billion (US$96 million, 2016: US$292 million) for its subsidiaries as management does not believe that future taxable profits would be available against which the deferred tax assets would be utilised. Out of this, deferred tax asset of ₦8.8 billion, 2016: ₦14 billion (US$29 million, 2016: US$47 million) relates to tax losses of ₦14 billion, 2016: ₦21 billion (US$47 million, 2016: US$71 million). There are no expiration dates for the tax losses.

v) Foreign currency translation reserve

The Group has used the CBN rule to translate its Dollar currency to its Naira presentation currency. Management has determined that this rate is available for immediate delivery. If the rate used was 10% higher or lower, revenue in Naira would have increased/decreased by ₦13.8 billion (2016: ₦6.3 billion).

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i) Other asset

Seplat has recorded its rights to receive the discharge sum of ₦89.9 billion, 2016: ₦100 billion (US$294 million, 2016: US$330 million) from the crude oil reserves of OML 55 as other asset. The fair value is determined using the income approach in line with IFRS 13 (discounted cash flow). The fair value of the other asset is disclosed in Note 15.

ii) NPDC receivables

In 2016, an impairment assessment was carried out on NPDC receivables using the future estimated cash flow expected to be recoverable from NPDC over the next 18 months. The estimated future cash payments and receipts recoverable over the expected life of the receivable were discounted using Seplat's average borrowing cost of 8%. The resulting adjustment was recognised under general and administrative expenses in the statement of comprehensive income.

As at December 2017, management's reassessment of these receivables showed that the full value is deemed to be fully recoverable. As a result, the previously recognised impairment loss was reversed. The total amount owed by NPDC as at 31 December 2017 is ₦34 billion, 2016: ₦72 billion (US$113 million, 2016: US$239 million).

iii) Contingent consideration

During the year the Group continued to recognise the contingent consideration of ₦5.6 billion (US$18.5 million) for OML 53 at the fair value of ₦4.2 billion, 2016: ₦3.6 billion (US$13.9 million, 2016: US$12 million). It is contingent on the oil price rising above US$90 (₦27,522)/bbl over the next three years. See Note 4.2.1 for further details.

iv) Defined benefit plans (pension benefits)

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and changes in inflation rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The rates of mortality assumed for employees are the rates published in 67/70 ultimate tables, published jointly by the Institute and Faculty of Actuaries in the UK.

v) Oil and gas reserves

Proved oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure for estimating decommissioning liabilities and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

vi) Share-based payment reserve

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share award or appreciation right, volatility and dividend yield and making assumptions about them. The Group measures the fair value of equity-settled transactions with employees at the grant date. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 21b.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

vii) Provision for decommissioning obligations

Provisions for environmental clean-up and remediation costs associated with the Group's drilling operations are based on current constructions, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

During the year, the Group undertook a detailed review of the assumptions used in calculating the provision for decommissioning liabilities and has revised its estimates at the end of the reporting period. This resulted in a change in inflation rate, risk-free discount rate and reserves estimates which increased the oil and gas properties and provision for decommissioning liabilities. See Note 26 for further details.

viii) Property, plant and equipment

The Group assesses its property, plant and equipment, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date.

If there are low oil prices or natural gas prices during an extended period the Group may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas.

During the year, the Group carried out an impairment assessment on OMLs 4, 38 and 48, OML 56 and OML 53. The Group used the value in use in determining the recoverable amount of the cash-generating unit. In determining the value, the Group used a recent forward curve for five years, reverting to the Group's long-term price assumption for impairment testing which is US$45 (₦13,725) in 2018, US$50 (₦15,250) in 2019 and US$55 (₦16,775) from 2020 point forward. The Group used a post-tax discount rate of 10% based on the Group weighted average cost of capital. The impairment test did not result in an impairment charge for both 2017 and 2016 reporting periods.

In 2016 however, the impairment assessment was as a result of the force majeure on OMLs 4, 38 and 48. The Group calculated the value in use of the assets using a recent forward curve for five years, reverting to the Group's long-term price assumption for impairment testing which is US$55 (₦16,775) in 2017, US$60 (₦18,300) in 2018 and US$70 (₦21,350) per barrel from 2019 point forward. The Group used a post-tax discount rate of 10% based on the Group weighted average cost of capital. The assessment did not result in an impairment charge.

Management has considered whether a reasonable possible change in one of the main assumptions will cause an impairment and believes otherwise. See Note 14 for further details.

ix) Useful life of other property, plant and equipment

The Group recognises depreciation on other property, plant and equipment on a straight-line basis in order to write-off the cost of the asset over its expected useful life. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal and other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Group may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

x) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. See Note 33 for further details.

xi) Income taxes

The Group is subject to income taxes by the Nigerian tax authority, which does not require significant judgement in terms of provision for income taxes, but a certain level of judgement is required for recognition of deferred tax assets. Management is required to assess the ability of the Group to generate future taxable economic earnings that will be used to recover all deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. The estimates are based on the future cash flow from operations taking into consideration the oil and gas prices, volumes produced, operational and capital expenditure. See Note 11 for further details.

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks such as market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	• Future commercial transactions. • Recognised financial assets and liabilities not denominated in US Dollars.	• Cash flow forecasting • Sensitivity analysis	• Match and settle foreign denominated cash inflows with foreign denominated cash outflows.
Market risk – interest rate	• Long-term borrowings at variable rate	• Sensitivity analysis	• Review refinancing opportunities.
Market risk – commodity prices	• Future sales transactions	• Sensitivity analysis	• Oil price hedges.
Credit risk	• Cash and cash equivalents, trade receivables and derivative financial instruments.	• Ageing analysis • Credit ratings	• Diversification of bank deposits.
Liquidity risk	• Borrowings and other liabilities	• Rolling cash flow forecasts	• Availability of committed credit lines and borrowing facilities.

4.1.1 Market risk

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

i) Commodity price risk

The Group is exposed to the risk of fluctuations on crude oil prices. The Group economically hedges against this risk and sells the oil that it produces to Shell Trading and Mercuria at market prices calculated in accordance with the terms of the Off-take Agreement.

The following table summarises the impact on the Group's profit/(loss) before tax of a 10% change in crude oil prices, with all other variables held constant:

Increase/decrease in commodity price	Effect on profit/(loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+10%	10,037	–	4,537	–
-10%	(10,037)	–	(4,537)	–

Increase/decrease in commodity price	Effect on profit/(loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+10%	32,821	–	14,876	–
-10%	(32,821)	–	(14,876)	–

The following table summarises the impact on the Group's profit/(loss) before tax of a 10% change in gas prices, with all other variables held constant:

Increase/decrease in commodity price	Effect on profit/(loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+10%	3,791	–	3,217	–
-10%	(3,791)	–	(3,217)	–

Increase/decrease in commodity price	Effect on profit/(loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+10%	12,397	–	10,546	–
-10%	(12,397)	–	(10,546)	–

ii) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk relates primarily to long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and fixed deposits held at variable rates. At the end of the reporting date, the Group had no borrowings at fixed rates. The Group's borrowings are denominated in US Dollars and the Nigerian Naira.

The Group is exposed to cash flow interest rate risk on short-term deposits to the extent that the significant reductions in market interest rates would result in a decrease in the interest earned by the Group.

The following table demonstrates the sensitivity of the Group's profit/(loss) before tax to changes in LIBOR rate, with all other variables held constant.

Increase/decrease in interest rate	Effect on profit/(loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+1%	(1,743)	–	(2,025)	–
-1%	1,743	–	2,025	–

Increase/decrease in interest rate	Effect on profit/(loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+1%	(5,701)	–	(6,641)	–
-1%	5,701	–	6,641	–

iii) Foreign exchange risk

The Group has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currency. The Group is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US Dollar.

The Group holds the majority of its cash and cash equivalents in US Dollars. However, the Group does maintain deposits in Naira in order to fund ongoing general and administrative activities and other expenditure incurred in this currency. Other monetary assets and liabilities which give rise to foreign exchange risk include trade and other receivables and trade and other payables.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Financial assets				
Cash and cash equivalents	27,370	9,972	89,504	32,695
Trade and other receivables	22,699	20,604	74,229	67,555
	50,069	30,576	163,733	100,250
Financial liabilities				
Trade and other payables	(25,425)	(2,869)	(83,144)	(9,406)
Net exposure to foreign exchange risk	24,644	27,707	80,589	90,844

Sensitivity to foreign exchange risk is based on the Group's net exposure to foreign exchange risk due to Naira denominated balances. If the Naira strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit/(loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+5%	(1,174)	–	(1,319)	–
-5%	1,297	–	1,458	–

Increase/decrease in foreign exchange risk	Effect on profit/(loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+5%	(3,838)	–	(4,326)	–
-5%	4,242	–	4,781	–

4. Financial risk management continued

4.1.2 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions as well as credit exposures to customers and joint venture partners, i.e. NPDC receivables and NGC receivables.

i) Risk management

The Group is exposed to credit risk from its sale of crude oil to Shell Western Supply and Trading Limited and Mercuria. The Group's trade with Shell Western Supply and Trading Limited is as specified within the terms of the crude off-take agreement and runs for five years until 31 December 2017 with a 30 day payment term. The off-take agreement with Mercuria also runs for five years until 31 July 2020 with a 30 day payment term.

In addition, the Group is exposed to credit risk in relation to its sale of gas to Nigerian Gas Company ('NGC') Limited, a subsidiary of NNPC, its sole gas customer during the year.

The Group monitors receivable balances on an ongoing basis and there has been no significant history of impairment losses except for the NPDC receivables which are now deemed to be fully recoverable during the reporting period.

The credit risk on cash is limited because the majority of deposits are with banks that have an acceptable credit rating assigned by an international credit agency. The Group's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

The accounts receivable balance includes the following related party receivables:

		Percentage of total receivables	
		2017	2016
Cardinal Drilling Services Limited	Receivables relate to deposits that are expected to be utilised or refunded	2%	2%

The maximum exposure to credit risk as at the reporting date is:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Trade and other receivables (gross)	91,613	119,431	299,584	391,579
Cash and cash equivalents	133,699	48,684	437,212	159,621
Gross amount	225,312	168,115	736,796	551,200
Impairment of NPDC receivables	–	(3,129)	–	(10,260)
Net amount	225,312	164,986	736,796	540,940

Trade and other payables (excluding non-financial liabilities such as provisions, accruals, taxes, pension and other non contractual payables), trade and other receivables (excluding prepayments) and cash and cash equivalents are financial instruments whose carrying amounts as the financial statements approximate their fair values.

31 Dec 2017	Trade receivables ₦ million	NPDC/ NAPIMS receivables ₦ million	Other receivables ₦ million	Cash & bank balances ₦ million	Total ₦ million
Neither past due nor impaired	9,468	–	8	133,699	143,175
Past due but not impaired	23,768	38,276	20,093	–	82,137
Gross amount	33,236	38,276	20,101	133,699	225,312
Impairment loss	–	–	–	–	–
Net amount	33,236	38,276	20,101	133,699	225,312
31 December 2016					
Neither past due nor impaired	334	–	1,579	48,684	50,597
Past due but not impaired	22,061	2,512	20,040	–	44,613
Impaired	–	72,905	–	–	72,905
Gross amount	22,395	75,417	21,619	48,684	168,115
Impairment loss	–	(3,129)	–	–	(3,129)
Net amount	22,395	72,288	21,619	48,684	164,986

31 Dec 2017	Trade receivables US$'000	NPDC/ NAPIMS receivables US$'000	Other receivables US$'000	Cash & bank balances US$'000	Total US$'000
Neither past due nor impaired	30,960	–	25	437,212	468,197
Past due but not impaired	77,725	125,169	65,705	–	268,599
Gross amount	108,685	125,169	65,730	437,212	736,796
Impairment loss	–	–	–	–	–
Net amount	108,685	125,169	65,730	437,212	736,796
31 Dec 2016					
Neither past due nor impaired	1,096	–	5,180	159,621	165,897
Past due but not impaired	72,331	8,233	65,705	–	146,269
Impaired	–	239,034	–	–	239,034
Gross amount	73,427	247,267	70,885	159,621	551,200
Impairment loss	–	(10,260)	–	–	(10,260)
Net amount	73,427	237,007	70,885	159,621	540,940

ii) Credit quality of financial assets that are neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Counterparties with external credit rating (Fitch's)	2017 ₦ million	2016 ₦ million	2017 US$'000	2016 US$'000
Cash and cash equivalents				
Non rated	62,937	26,434	205,811	86,669
B -	24,978	587	81,681	1,924
B	16,589	7,786	54,247	25,527
B +	4,308	2,863	14,090	9,388
A +	24,331	11,014	79,564	36,113
A A-	556	–	1,819	–
	133,699	48,684	437,212	159,621

	2017 ₦ million	2016 ₦ million	2017 US$'000	2016 US$'000
Trade and other receivables [1]				
Group 1	–	–	–	–
Group 2	9,476	1,914	30,985	6,276
Group 3	–	–	–	–
	9,476	1,914	30,985	6,276

1 Includes trade receivables, intercompany receivables, NPDC receivables and other receivables.

Group 1 – new customers (less than one year).

Group 2 – existing customers (more than one year) with some defaults in the past. All defaults are recoverable.

Group 3 – government entities.

4. Financial risk management continued

iii) Ageing analysis for financial assets that are past due but not impaired

The ageing analysis of the trade receivables and amounts due from NPDC/NAPIMS is as follows:

	Total	Past due but not impaired				
	₦ million	<30 days ₦ million	30-60 days ₦ million	60-90 days ₦ million	90-120 days ₦ million	>120 days ₦ million
Trade receivables						
31 December 2017	23,768	5,489	3,328	5,168	6,103	3,680
31 December 2016	22,061	13,925	–	1,513	–	6,623
NPDC/NAPIMS receivables						
31 December 2017	38,276	1,307	11,369	–	–	25,600
31 December 2016	2,510	–	179	1,075	183	1,073

	Total	Past due but not impaired				
	US$ '000	<30 days US$ '000	30-60 days US$ '000	60-90 days US$ '000	90-120 days US$ '000	>120 days US$ '000
Trade receivables						
31 December 2017	77,725	17,951	10,884	16,899	19,957	12,034
31 December 2016	72,331	45,656	–	4,961	–	21,714
NPDC/NAPIMS receivables						
31 December 2017	125,169	4,273	37,179	–	–	83,717
31 December 2016	8,233	–	588	3,526	600	3,519

iv) Impaired receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate allowance for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment allowance was recognised are written off against the allowance when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses. See Note 2.14.1(iii) for information about how impairment losses are calculated.

Individually impaired trade receivables relate to NPDC receivables that were outstanding in 2016 (₦2.27 billion, US$10.26 million) which are now deemed to be fully recoverable. The Group expects to recover the receivables, however due to the timing of the receipts the future cash flows have been discounted to reflect the time value of money.

Movements in the provision for impairment of trade receivables that are assessed for impairment are as follows:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
At 1 January	3,129	–	10,260	–
Allowance for impairment recognised during the year	–	2,273	–	10,260
Reversal of previously recognised impairment losses	(3,138)	–	(10,260)	–
Exchange rate differences	9	856	–	–
At 31 December	–	3,129	–	10,260

4.1.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Group uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Group's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in deposit bearing current accounts, time deposits and money market deposits.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.

31 December 2017	Effective interest rate %	Less than 1 year ₦ million	1 – 2 years ₦ million	2 – 3 years ₦ million	3 – 5 years ₦ million	After 5 years ₦ million	Total ₦ million
Non-derivatives							
Variable interest rate borrowings (bank loans):							
Allan Gray	8.5% + LIBOR	1,696	1,564	1,124	538	–	4,922
Zenith Bank Plc	8.5% + LIBOR	23,243	21,439	15,404	7,371	–	67,457
First Bank of Nigeria Limited	8.5% + LIBOR	12,830	11,835	8,503	4,069	–	37,237
United Bank for Africa Plc	8.5% + LIBOR	14,527	13,400	9,628	4,607	–	42,162
Stanbic IBTC Bank Plc	8.5% + LIBOR	2,177	2,008	1,443	690	–	6,318
The Standard Bank of South Africa Limited	8.5% + LIBOR	2,177	2,008	1,443	690	–	6,318
Standard Chartered Bank	6.0% + LIBOR	5,747	–	–	–	–	5,747
Natixis	6.0% + LIBOR	5,747	–	–	–	–	5,747
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	4,470	–	–	–	–	4,470
The Mauritius Commercial Bank Plc[1]	6.0% + LIBOR	3,831	–	–	–	–	3,831
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.0% + LIBOR	–	–	–	–	–	–
Nomura Bank Plc[1]	6.0% + LIBOR	3,831	–	–	–	–	3,831
NedBank Ltd, London Branch	6.0% + LIBOR	3,831	–	–	–	–	3,831
Stanbic IBTC Bank Plc	6.0% + LIBOR	2,874	–	–	–	–	2,874
The Standard Bank of South Africa Ltd	6.0% + LIBOR	4,152	–	–	–	–	4,152
Other non-derivatives							
Trade and other payables[2]	–	38,876	–	–	–	–	38,876
Contingent consideration	–	–	–	5,657	–	–	5,657
		130,009	**52,254**	**43,202**	**17,965**	**–**	**243,430**

1 Nomura and The Mauritius Commercial Bank replace JP Morgan and Bank of America.

2 Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

4. Financial risk management continued

31 December 2017	Effective interest rate %	Less than 1 year US$ '000	1 – 2 years US$ '000	2 – 3 years US$ '000	3 – 5 years US$ '000	After 5 years US$ '000	Total US$ '000
Non-derivatives							
Variable interest rate borrowings (bank loans):							
Allan Gray	8.5% + LIBOR	5,546	5,116	3,676	1,759	–	16,097
Zenith Bank Plc	8.5% + LIBOR	76,006	70,109	50,373	24,104	–	220,592
First Bank of Nigeria Limited	8.5% + LIBOR	41,957	38,702	27,807	13,306	–	121,772
United Bank for Africa Plc	8.5% + LIBOR	47,504	43,818	31,483	15,065	–	137,870
Stanbic IBTC Bank Plc	8.5% + LIBOR	7,119	6,567	4,718	2,258	–	20,662
The Standard Bank of South Africa Limited	8.5% + LIBOR	7,119	6,567	4,718	2,258	–	20,662
Standard Chartered Bank	6.0% + LIBOR	18,794	–	–	–	–	18,794
Natixis	6.0% + LIBOR	18,794	–	–	–	–	18,794
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	14,617	–	–	–	–	14,617
The Mauritius Commercial Bank Plc[1]	6.0% + LIBOR	12,529	–	–	–	–	12,529
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.0% + LIBOR	12,529	–	–	–	–	12,529
Nomura Bank Plc[1]	6.0% + LIBOR	12,529	–	–	–	–	12,529
NedBank Ltd, London Branch	6.0% + LIBOR	12,529	–	–	–	–	12,529
Stanbic IBTC Bank Plc	6.0% + LIBOR	9,399	–	–	–	–	9,399
The Standard Bank of South Africa Ltd	6.0% + LIBOR	13,576	–	–	–	–	13,576
Other non-derivatives							
Trade and other payables[2]	–	127,128	–	–	–	–	127,128
Contingent consideration	–	–	–	18,500	–	–	18,500
		437,675	**170,879**	**141,275**	**58,750**	**–**	**808,579**

1 Nomura and The Mauritius Commercial Bank replace JP Morgan and Bank of America.
2 Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

31 December 2016	Effective interest rate %	Less than 1 year ₦ million	1 – 2 years ₦ million	2 – 3 years ₦ million	3 – 5 years ₦ million	After 5 years ₦ million	Total ₦ million
Non-derivatives							
Variable interest rate borrowings (bank loans):							
Zenith Bank Plc	8.5% + LIBOR	11,409	23,182	21,383	22,715	–	78,689
First Bank of Nigeria Limited	8.5% + LIBOR	7,131	14,489	13,364	14,197	–	49,181
United Bank for Africa Plc	8.5% + LIBOR	7,131	14,489	13,364	14,197	–	49,181
Stanbic IBTC Bank Plc	8.5% + LIBOR	1,069	2,171	2,003	2,128	–	7,371
The Standard Bank of South Africa Limited	8.5% + LIBOR	1,069	2,171	2,003	2,128	–	7,371
Standard Chartered Bank	6.0% + LIBOR	8,452	–	–	–	–	8,452
Natixis	6.0% + LIBOR	8,452	–	–	–	–	8,452
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	8,452	–	–	–	–	8,452
Bank of America Merrill Lynch International Ltd	6.0% + LIBOR	5,635	–	–	–	–	5,635
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.0% + LIBOR	5,635	–	–	–	–	5,635
JP Morgan Chase Bank NA, London Branch	6.0% + LIBOR	5,635	–	–	–	–	5,635
NedBank Ltd, London Branch	6.0% + LIBOR	5,635	–	–	–	–	5,635
Stanbic IBTC Bank Plc	6.0% + LIBOR	4,225	–	–	–	–	4,225
The Standard Bank of South Africa Ltd	6.0% + LIBOR	4,225	–	–	–	–	4,225
Other non-derivatives							
Trade and other payables[1]	–	49,341	–	–	–	–	49,341
Contingent consideration	–	–	–	–	5,643	–	5,643
		133,496	**56,502**	**52,117**	**61,008**	**–**	**303,123**

1 Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

31 December 2016	Effective interest rate %	Less than 1 year US$ '000	1 – 2 years US$ '000	2 – 3 years US$ '000	3 – 5 years US$ '000	After 5 years US$ '000	Total US$ '000
Non-derivatives							
Variable interest rate borrowings (bank loans):							
Zenith Bank Plc	8.5% + LIBOR	37,406	76,006	70,109	74,477	–	257,998
First Bank of Nigeria Limited	8.5% + LIBOR	23,379	47,504	43,818	46,548	–	161,249
United Bank for Africa Plc	8.5% + LIBOR	23,379	47,504	43,818	46,548	–	161,249
Stanbic IBTC Bank Plc	8.5% + LIBOR	3,504	7,119	6,567	6,976	–	24,166
The Standard Bank of South Africa Limited	8.5% + LIBOR	3,504	7,119	6,567	6,976	–	24,166
Standard Chartered Bank	6.0% + LIBOR	27,711	–	–	–	–	27,711
Natixis	6.0% + LIBOR	27,711	–	–	–	–	27,711
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	27,711	–	–	–	–	27,711
Bank of America Merrill Lynch International Ltd	6.0% + LIBOR	18,474	–	–	–	–	18,474
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.0% + LIBOR	18,474	–	–	–	–	18,474
JP Morgan Chase Bank NA, London Branch	6.0% + LIBOR	18,474	–	–	–	–	18,474
NedBank Ltd, London Branch	6.0% + LIBOR	18,474	–	–	–	–	18,474
Stanbic IBTC Bank Plc	6.0% + LIBOR	13,856	–	–	–	–	13,856
The Standard Bank of South Africa Ltd	6.0% + LIBOR	13,856	–	–	–	–	13,856
Other non-derivatives							
Trade and other payables[1]	–	161,773	–	–	–	–	161,773
Contingent consideration	–	–	–	–	18,500	–	18,500
		437,686	**185,252**	**170,879**	**200,025**	**–**	**993,842**

1 Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

4.2 Fair value

Set out below is a comparison by category of carrying amounts and fair value of all financial instruments:

	Carrying amount		Fair value	
	2017 ₦ million	2016 ₦ million	2017 ₦ million	2016 ₦ million
Financial assets				
Trade and other receivables	91,613	116,302	91,613	116,302
Cash and cash equivalents	133,699	48,684	133,699	48,684
	225,312	164,986	225,312	164,986
Financial liabilities				
Borrowings – Bank loans	174,329	202,549	174,329	202,549
Contingent consideration	4,251	3,672	4,251	3,672
Trade and other payables	38,876	49,341	38,876	49,341
	217,456	255,562	217,456	255,562

	Carrying amount		Fair value	
	2017 US$ '000	2016 US$ '000	2017 US$ '000	2016 US$ '000
Financial assets				
Trade and other receivables	299,584	381,319	299,584	381,319
Cash and cash equivalents	437,212	159,621	437,212	159,621
	736,796	540,940	736,796	540,940
Financial liabilities				
Borrowings – Bank loans	570,077	664,096	570,077	664,096
Contingent consideration	13,900	12,040	13,900	12,040
Trade and other payables	127,128	161,773	127,128	161,773
	711,105	837,909	711,105	837,909

In determining the fair value of the borrowings, non-performance risks of the Group as at year-end were assessed to be insignificant.

Trade and other payables (excluding non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables), trade and other receivables (excluding prepayments) and cash and cash equivalents are financial instruments whose carrying amounts as per the financial statements approximate their fair values. This is mainly due to their short-term nature. Contingent consideration is measured and recognised at fair value.

4. Financial risk management continued

4.2.1 Fair value hierarchy

The Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table. These are all recurring fair value measurements.

31 Dec 2017	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000
Financial liabilities:						
Borrowings – Bank loans	–	174,329	–	–	570,077	–
Contingent consideration	–	–	4,251	–	–	13,900
	–	174,329	4,251	–	570,077	13,900
31 Dec 2016						
Financial liabilities:						
Borrowings – Bank loans	–	202,549	–	–	664,096	–
Contingent consideration	–	–	3,672	–	–	12,040
	–	202,549	3,672	–	664,096	12,040

- 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.

There were no transfers between fair value levels during the year.

The fair value of the financial instruments is included at 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 following methods and assumptions were used to estimate the fair values:

- Fair values of the Group's interest-bearing loans and borrowings are determined by using discounted cash flow models that use effective interest rates that reflect the borrowing rate as at the end of the year.
- The fair value of the Group's contingent consideration is determined using the discounted cash flow model. The cash flows were determined based on probable future oil prices. The estimated future cash flow was discounted to present value using a discount rate of 15.45% which is based on the applicable FGN Bond rates.

The valuation process

The finance & planning team of the Group performs the valuations of financial and non-financial assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the Finance Manager ('FM') who reports to the Chief Financial Officer ('CFO') and the Audit Committee ('AC'). Discussions of valuation processes and results are held between the FM and the valuation team at least once every quarter, in line with the Group's quarterly reporting periods.

The main Level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a government risk free rate to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Contingent consideration – expected cash inflows are determined based on the terms of the contract (see Note 25) and the entity's knowledge of the business and how the current economic environment is likely to impact it.
- Changes in Level 3 fair values are analysed and the reason for the change explained at the end of each reporting period during the quarterly discussion between the FM and the valuation team and eventually the CFO and Audit Committee.

4.2.2 Reconciliation of fair value measurements of Level 3 financial instruments

Contingent consideration	₦ million	US$ '000
At 1 January 2016	4,355	21,900
Fair value movement	596	2,614
Deconsolidation of subsidiary	(3,805)	(12,474)
Exchange differences	2,526	–
At 31 December 2016	3,672	12,040
At 1 January 2017	**3,672**	**12,040**
Fair value movement	568	1,860
Exchange difference	11	–
At 31 December 2017	**4,251**	**13,900**

4.2.3 Contingent consideration sensitivity

The following table demonstrates the sensitivity to changes in the discount rate of the contingent consideration, with all other variables held constant, of the Group's profit/(loss) before tax.

Increase/decrease in discount rate – The Group	Effect on profit/ (loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+10%	676	–	1,338	–
-10%	(883)	–	(2,602)	–

Increase/decrease in discount rate – The Group	Effect on profit/ (loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+10%	2,209	–	5,868	–
-10%	(2,888)	–	(8,535)	–

There were no quantitative unobservable inputs used in determining the fair value of the contingent consideration.

4.3 Capital management

4.3.1 Risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain optimal capital structure and reduce cost of capital. Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio, net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Borrowings:	174,329	202,549	570,077	664,096
Less: cash and cash equivalents	(133,699)	(48,684)	(437,212)	(159,621)
Net debt	40,630	153,865	132,865	504,475
Total equity	459,646	376,373	1,503,097	1,234,015
Total capital	500,276	530,238	1,635,962	1,738,490
Net debt (net debt/total capital) ratio	8%	29%	8%	29%

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain a gearing ratio of 20% to 40%. Capital includes share capital, share premium, capital contribution and all other equity reserves attributable to the equity holders of the parent.

4.3.2 Loan covenant

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants every six months:

- Total net financial indebtedness to annualised EBITDA is not to be greater than 3:1.
- Six-month Debt Service Reserve Account ('DSRA') not to be lower than 1.25x on a forward looking basis.
- Satisfactory 12-month Group liquidity test.

The Group has complied with these covenants throughout the reporting period (2016: The Group complied with the applicable covenants) with the exception of the financial indebtedness/EBITDA covenant which was waived by a majority lender consent.

5. Revenue

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Crude oil sale	112,045	34,575	366,386	132,975
(Overlift)/ Underlift	(11,676)	1,346	(38,180)	15,782
	100,369	35,921	328,206	148,757
Gas sales	37,912	27,463	123,973	105,460
	138,281	**63,384**	**452,179**	**254,217**

The major off-taker for crude oil is Mercuria (₦96 billion, 2016: ₦26.1 billion) (US$316 million, 2016: US$104 million). The major off-taker of gas is the Nigerian Gas Company (₦22 billion, 2016: ₦27 billion), (2017: US$72 million, 2016: US$105 million).

6. Cost of sales

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Royalties	22,413	12,308	73,289	44,796
Depletion, depreciation and amortisation (Note 14a)	25,102	13,683	82,082	54,326
Crude handling fees	9,831	1,202	32,148	7,804
Nigeria Export Supervision Scheme ('NESS') fee	124	35	404	142
Barging costs	2,787	5,484	9,113	17,885
Niger Delta Development Commission Levy	1,200	–	3,924	–
Rig-related costs	985	2,584	3,220	9,067
Operational & maintenance expenses	10,972	11,780	35,879	48,404
	73,414	**47,076**	**240,059**	**182,424**

7. General and administrative expenses

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Depreciation (Note 14b)	1,283	1,418	4,195	5,544
Auditors' remuneration	229	150	746	505
Professional and consulting fees	6,451	7,559	21,094	28,424
Directors' emoluments (executive)	1,073	680	3,509	2,758
Directors' emoluments (non-executive)	976	1,075	3,193	4,309
Donations	105	42	344	184
Employee benefits (Note 7a)	7,925	5,340	25,917	20,869
Business development expenses	–	3,362	–	11,023
Flights and other travel costs	2,253	1,647	7,366	6,176
Rentals	514	1,380	1,680	4,855
Loss on disposal of plant & equipment	10	307	32	1,509
Other general expenses	4,218	4,768	13,794	17,416
Impairment losses (Note 19)	–	2,273	–	10,260
	25,037	**30,001**	**81,870**	**113,832**

Directors' emoluments have been split between Executive and Non-Executive Directors' share-based payment expenses, included in employee benefits expense.

There were no non-audit services rendered by the Group's auditors during the year.

Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others. It also includes reversal of impairment loss of ₦3.14 billion, 2016: ₦2.27 billion (US$ 10 million, 2016: US$ 10 million). Impairment loss relates to the impairment of receivables due from Nigerian Petroleum Development Company ('NPDC') in Note 19. This provision is no longer required and the reversal of ₦2.27 billion (US$10 million) is included in general and administrative expenses.

7a. Salaries and employee-related costs include the following:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Short-term employee benefits:				
Basic salary	3,684	2,097	12,047	8,194
Housing allowances	484	816	1,582	3,190
Other allowances	1,065	890	3,484	3,468
Post employment benefits:				
Defined contribution expenses	455	428	1,489	1,673
Defined benefit expenses (Note 27)	502	240	1,641	938
Share-based payment benefits (Note 21b)	1,735	869	5,674	3,406
Total salaries and employee-related costs	**7,925**	**5,340**	**25,917**	**20,869**

8. Gains/(losses) on foreign exchange (net)

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Exchange gains/(losses)	209	(28,684)	682	(101,455)
Total	**209**	**(28,684)**	**682**	**(101,455)**

This is principally as a result of translation of Naira denominated monetary assets and liabilities. In the current reporting period, the Naira which is the Group's major foreign currency was relatively stable all year round (2016: Foreign exchange losses resulted from the Naira devaluation of approximately 53% as announced by the Central Bank of Nigeria).

9. Fair value loss

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Realised fair value losses on crude oil hedges	(5,931)	–	(19,393)	–
Unrealised fair value losses on crude oil hedges	–	(2,186)	–	(12,455)
Fair value (loss)/gain on contingent consideration (Note 25)	(568)	(596)	(1,860)	(2,614)
Fair value gain on other assets	836	–	2,735	–
Total	**(5,663)**	**(2,782)**	**(18,518)**	**(15,069)**

Realised fair value losses on crude oil hedges represent the payments for crude oil price options. These options expired on 31 December 2017. Fair value loss on contingent consideration arises in relation to remeasurement of contingent consideration on the Group's acquisition of participating interest in its OML 53. The contingency criteria are the achievement of certain production milestones. Fair value gain on other assets arises from the fair value remeasurement of the Group's rights to receive the discharge sum on OML 55. See Note 15 for further details.

10. Finance (cost)/income

Finance income	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Interest income	1,326	15,800	4,335	59,017
Finance cost				
Interest on advance payments for crude oil sales	1,770	–	5,789	–
Interest on bank loans	22,431	18,165	73,347	73,420
Unwinding of discount on provision for decommissioning (Note 26)	29	105	96	480
Interest capitalised (Note 14a)	(1,982)	–	(6,480)	–
	22,248	18,270	72,752	73,900
Finance (cost)/income (net)	**(20,922)**	**(2,470)**	**(68,417)**	**(14,883)**

Finance income represents interest on fixed deposits for the Group.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings denominated in dollars during the year, in this case 9.41% (2016: nil).

11. Taxation

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

11a. Income tax expense

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Current tax:				
Current tax on profit for the year	–	–	–	–
Education tax	687	574	2,248	1,885
Prior period over provision	–	(38)	–	(126)
Total current tax	687	536	2,248	1,759
Deferred tax:				
Deferred tax credit in profit or loss	(68,344)	(2,571)	(223,481)	(8,431)
Total tax credit in statement of profit or loss	(67,657)	(2,035)	(221,233)	(6,672)
Deferred tax recognised in other comprehensive income	(76)	–	(250)	–
Total tax credit for the period	**(67,733)**	**(2,035)**	**(221,483)**	**(6,672)**
Effective tax rate	(503%)	4%	(503%)	4%

11b. Reconciliation of effective tax rate

The applicable tax rate for 2017 for the Group was 85%, 65.75% and 30% (2016: 65.75%).

During 2013, applications were made by Seplat and its wholly owned subsidiary, Newton Energy, for the tax incentives available under the provisions of the Industrial Development (Income Tax Relief) Act. In February 2014, Seplat was granted the incentives in respect of the tax treatment of OMLs 4, 38 and 41. Newton Energy was also granted similar incentives in respect of the tax treatment of OPL 283/OML 56.

Under these incentives, the companies' profits are subject to a tax rate of 0% with effect from 1 January 2013 to 31 December 2015 in the first instance and then for an additional two years for the Company, and 1 June 2013 to 31 May 2015 in the first instance and then for an additional two years for Newton Energy if both companies meet certain conditions included in the Nigerian Investment Promotion Commission ('NIPC') pioneer status award document.

Seplat East Onshore and Seplat Swamp are exempt from the tax incentives as they had no activities at the time the incentives were granted to Seplat and Newton.

As at the end of the reporting period, the NIPC is yet to approve the tax incentives for the additional two years of the tax holidays. The financial statements have been prepared on the assumption that the tax incentives may not be renewed and this forms the basis of the Group's current and deferred taxation in the financial statements. The current tax for the period has been utilised against tax losses brought forward.

A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Profit/(loss) before taxation	13,454	(47,419)	43,997	(172,766)
Tax rate of 85%, 65.75% and 30% (2016: 65.75%)	11,435	(31,178)	37,397	(113,594)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Income not subject to tax	(25,578)	–	(83,644)	–
Expenses not deductible for tax purposes	31,246	10,324	102,179	33,856
Recognition of previously unrecognised deductible temporary difference	(64,335)	–	(210,380)	–
Impact of unutilised tax losses	3,362	18,283	10,996	71,307
Effect of differences in tax rates	5,708	–	18,666	–
Impact of tax incentive	(29,228)	–	(95,577)	–
Education tax	687	574	2,248	1,885
Prior period over provision	–	(38)	–	(126)
Tax loss utilised	(954)	–	(3,118)	–
Total tax credit in statement of profit or loss	**(67,657)**	**(2,035)**	**(221,233)**	**(6,672)**

The movement in the current tax liability is as follows:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
As at 1 January	575	47	1,885	239
Tax charge	687	574	2,248	1,885
Deconsolidation of subsidiary	–	(34)	–	(113)
Prior period over provision	–	(38)	–	(126)
Exchange difference	2	26	–	–
As 31 December	**1,264**	**575**	**4,133**	**1,885**

12. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Deferred tax asset to be recovered in less than 12 months	–	–	–	–
Deferred tax asset to be recovered after more than 12 months	68,417	–	223,731	–
	68,417	–	**223,731**	–

Deferred tax liabilities	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Deferred tax liabilities to be recovered in less than 12 months	–	–	–	–
Deferred tax liability to be recovered after more than 12 months	–	–	–	–
	–	–	–	–
Net deferred tax asset/(liability)	**68,417**	**–**	**223,731**	**–**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Following a significant improvement in the financial position of the Company in 2017, the Group conducted an assessment of its assessable profit based on a five (5) year business plan in order to determine the possibility of future profit making prospects for 2018 to 2022. As a result, the Group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a result, deferred tax assets of ₦68 billion, 2016: nil (US$224 million, 2016: nil) were recognised for those losses.

The Group did not recognise deferred income tax assets of ₦17 billion, 2016: ₦58 billion (US$55 million, 2016: US$192 million) in respect of temporary differences amounting to ₦29 billion, 2016: ₦89 billion (US$96 million, 2016: US$292 million) for its subsidiaries as management does not believe that future taxable profits would be available against which the deferred tax assets would be utilised. Out of this, deferred tax asset of ₦8.8 billion, 2016: ₦14 billion (US$29 million, 2016: US$47 million) relates to tax losses of ₦14 billion, 2016: ₦21 billion (US$47million, 2016: US$71 million). There are no expiration dates for the tax losses.

There were no temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability would have been recognised in the periods presented.

12a. Deferred tax asset/(liability)

	Property, plant and equipment ₦ million	Decommissioning provision ₦ million	Defined benefit expenses ₦ million	Underlift/ overlift ₦ million	Unrealised foreign exchange (gain)/ loss ₦ million	Tax losses ₦ million	Other provisions ₦ million	Contingent liability ₦ million	Total ₦ million
At 1 January 2016	(2,078)	506	906	(3,538)	(18)	–	–	–	(4,222)
Deconsolidation of subsidiary	(506)	(38)	–	8,980	–	(2,231)	–	(2,300)	3,905
Deferred tax credit	3,692	(738)	(1,389)	(3,552)	27	2,231	–	2,300	2,571
Exchange difference	(1,108)	270	483	(1,890)	(9)	–	–	–	(2,254)
At 31 December 2016	–	–	–	–	–	–	–	–	–
At 1 January 2017	–	–	–	–	–	–	–	–	–
Deferred tax credit:									
Credited to profit or loss	37,535	102	1,250	6,489	4,209	12,392	6,440	–	68,344
Credited to other comprehensive income	–	–	76	–	–	–	–	–	76
Exchange differences	(1)	(1)	1	–	(1)	–	(1)		(3)
At 31 December 2017	**37,535**	**102**	**1,250**	**6,489**	**4,209**	**12,392**	**6,440**	**–**	**68,417**

12. Deferred income tax continued

	Property, plant and equipment US$ '000	Decommissioning provision US$ '000	Defined benefit expenses US$ '000	Underlift/ overlift US$ '000	Unrealised foreign exchange (gain)/ loss US$ '000	Tax losses US$ '000	Other provisions US$ '000	Contingent liability US$ '000	Total US$ '000
At 1 January 2016	(10,448)	2,544	4,554	(17,794)	(89)	–	–	–	(21,233)
Deconsolidation of subsidiary	(1,659)	(125)	–	29,443	–	(7,315)	–	(7,542)	12,802
Deferred tax credit	12,107	(2,419)	(4,554)	(11,649)	89	7,315	–	7,542	8,431
At 31 December 2016	–	–	–	–	–	–	–	–	–
At 1 January 2017	–	–	–	–	–	–	–	–	–
Deferred tax credit:									
Credited to profit or loss	122,742	334	3,837	21,219	13,765	40,523	21,061	–	223,481
Credited to other comprehensive income	–	–	250	–	–	–	–	–	250
At 31 December 2017	**122,742**	**334**	**4,087**	**21,219**	**13,765**	**40,523**	**21,061**	**–**	**223,731**

13. Computation of cash generated from operations

	Notes	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Profit/(loss) before tax		13,454	(47,419)	43,997	(172,766)
Adjusted for:					
Depletion, depreciation and amortisation	14	26,385	15,101	86,277	59,870
Impairment loss		(3,138)	2,273	(10,260)	10,260
Finance income	10	(1,326)	(15,800)	(4,335)	(59,017)
Interest on advance payments for crude oil sales	10	1,770	–	5,789	–
Interest on bank loans and other bank charges	10	22,431	18,165	73,347	73,420
Interest capitalised	10	(1,982)	–	(6,480)	–
Unwinding of discount on provision for decommissioning liabilities	10	29	105	96	480
Fair value loss on contingent consideration	9	568	596	1,860	2,614
Unrealised fair value loss on crude oil hedges	9	–	2,186	–	12,455
Fair value gain on other assets	9	(836)	–	(2,735)	–
Unrealised foreign exchange (gain)/loss	8	(209)	28,684	(682)	101,455
Share-based payment expenses	21	1,735	869	5,674	3,406
Defined benefit expenses		502	287	1,641	(1,467)
Gain on deconsolidation	15a	–	(210)	–	(680)
Loss on disposal of other property, plant and equipment	7	10	307	32	1,509
Changes in working capital (excluding the effects of exchange differences and deconsolidation):					
Trade and other receivables		29,154	67,136	95,335	244,102
Prepayments		322	4,690	1,054	16,035
Trade and other payables		46,204	(9,470)	151,087	(106,831)
Inventories		1,797	(4,839)	5,877	(23,747)
Net cash from operating activities		136,870	62,661	447,574	161,098

14. Property, plant and equipment

14a. Oil and gas properties

Cost	Production and field facilities ₦ million	Assets under construction ₦ million	Total ₦ million	Production and field facilities US$ '000	Assets under construction US$ '000	Total US$ '000
At 1 January 2016	271,565	63,394	334,959	1,365,752	318,820	1,684,572
Additions	–	25,275	25,275	–	82,893	82,893
Changes in decommissioning	(1,134)	–	(1,134)	(3,720)	–	(3,720)
Transfer from asset under construction	50,596	(50,596)	–	248,324	(248,324)	–
Deconsolidation of subsidiary	(74,439)	–	(74,439)	(244,062)	–	(244,062)
Disposal	–	(307)	(307)	–	(1,509)	(1,509)
Exchange differences	170,132	8,557	178,689	–	–	–
At 31 December 2016	416,720	46,323	463,043	1,366,294	151,880	1,518,174
Depreciation						
At 1 January 2016	49,237	–	49,237	247,622	–	247,622
Charged for the year	13,683	–	13,683	54,326	–	54,326
Deconsolidation of subsidiary	(2,493)	–	(2,493)	(8,174)	–	(8,174)
Exchange differences	29,174	–	29,174	–	–	–
At 31 December 2016	89,601	–	89,601	293,774	–	293,774
NBV						
At 31 December 2016	**327,119**	**46,323**	**373,442**	**1,072,520**	**151,880**	**1,224,400**
Cost						
At 1 January 2017	416,720	46,323	463,043	1,366,294	151,880	1,518,174
Additions	3,910	5,867	9,777	12,784	19,186	31,970
Changes in decommissioning	32,300	–	32,300	105,619	–	105,619
Transfer from asset under construction	10,990	(10,990)	–	35,938	(35,938)	–
Interest capitalised	–	1,982	1,982	–	6,480	6,480
Exchange differences	1,090	122	1,212	–	–	–
At 31 December 2017	**465,010**	**43,304**	**508,314**	**1,520,635**	**141,608**	**1,662,243**
Depreciation						
At 1 January 2017	89,601	–	89,601	293,774	–	293,774
Charged for the year	25,102	–	25,102	82,082	–	82,082
Exchange difference	234	–	234	–	–	–
At 31 December 2017	**114,937**	**–**	**114,937**	**375,856**	**–**	**375,856**
NBV						
At 31 December 2017	**350,073**	**43,304**	**393,377**	**1,144,779**	**141,608**	**1,286,387**

The Group's present and future assets (except jointly owned with NNPC/NPDC) along with all equipment, machinery and immovable property situated on the property to which the oil mining leases relate are pledged as security for the syndicate loan (Note 24).

Assets under construction represent costs capitalised in connection with the development of the Group's oil fields and other property, plant and equipment not yet ready for their intended use. Some of which are qualifying assets which take a substantial period of time to get ready for their intended use. A capitalisation rate has been determined and used to capitalise borrowing costs from the Group's general borrowings. Borrowing costs capitalised during the year amounted to ₦1.98 billion, 2016: nil (US$6.48 million, 2016: nil).

14. Property, plant and equipment continued

14b. Other property, plant and equipment

Cost	Plant & machinery ₦ million	Motor vehicles ₦ million	Office furniture & IT equipment ₦ million	Leasehold improvements ₦ million	Total ₦ million
At 1 January 2016	797	1,346	2,707	626	5,476
Additions	163	118	711	–	992
Disposals	–	(28)	–	(137)	(165)
Transfer	3	35	(43)	5	–
Exchange differences	502	761	974	376	2,613
At 31 December 2016	1,465	2,232	4,349	870	8,916
Depreciation					
At 1 January 2016	340	698	1,851	280	3,169
Disposals	–	(14)	–	–	(14)
Charged for the year	215	337	721	145	1,418
Exchange differences	223	430	1,081	179	1,913
At 31 December 2016	778	1,451	3,653	604	6,486
NBV					
At 31 December 2016	**687**	**781**	**696**	**266**	**2,430**

Cost	Plant & machinery ₦ million	Motor vehicles ₦ million	Office furniture & IT equipment ₦ million	Leasehold improvements ₦ million	Total ₦ million
At 1 January 2017	1,465	2,232	4,349	870	8,916
Additions	125	170	141	23	459
Disposals	–	(141)	–	–	(141)
Exchange differences	4	5	(34)	2	(23)
At 31 December 2017	**1,594**	**2,266**	**4,456**	**895**	**9,211**
Depreciation					
At 1 January 2017	778	1,451	3,653	604	6,486
Disposals	–	(82)	–	–	(82)
Charge for the year	269	374	518	122	1,283
Exchange differences	2	4	(36)	1	(29)
At 31 December 2017	**1,049**	**1,747**	**4,135**	**727**	**7,658**
NBV					
At 31 December 2017	**545**	**519**	**321**	**168**	**1,553**

Cost	Plant & machinery US$ '000	Motor vehicles US$ '000	Office furniture & IT equipment US$ '000	Leasehold improvements US$ '000	Total US$ '000
At 1 January 2016	4,007	6,773	13,615	3,150	27,545
Additions	785	508	1,056	–	2,349
Disposals	–	(136)	–	(317)	(453)
Transfer	12	173	(205)	20	–
Exchange differences	–	–	(206)	–	(206)
At 31 December 2016	4,804	7,318	14,260	2,853	29,235
Depreciation					
At 1 January 2016	1,710	3,510	9,309	1,413	15,942
Disposals	–	(68)	–	–	(68)
Charged for the year	842	1,316	2,819	567	5,544
Exchange differences	–	–	(150)	–	(150)
At 31 December 2016	2,552	4,758	11,978	1,980	21,268
NBV					
At 31 December 2016	**2,252**	**2,560**	**2,282**	**873**	**7,967**

Cost					
At 1 January 2017	4,804	7,318	14,260	2,853	29,235
Additions	408	555	462	75	1,500
Disposals	–	(462)	–	–	(462)
Transfer	–	–	–	–	–
Exchange differences	–	–	(150)	–	(150)
At 31 December 2017	**5,212**	**7,411**	**14,572**	**2,928**	**30,123**
Depreciation					
At 1 January 2017	2,552	4,758	11,978	1,980	21,268
Disposals	–	(268)	–	–	(268)
Charge for the year	880	1,224	1,693	398	4,195
Exchange differences	–	–	(150)	–	(150)
At 31 December 2017	**3,432**	**5,714**	**13,521**	**2,378**	**25,045**
NBV					
At 31 December 2017	**1,780**	**1,697**	**1,051**	**550**	**5,078**

15. Other assets

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Initial fair value of investment in OML 55 at acquisition date	76,277	76,277	250,090	250,090
Receipts from crude oil lifted	(10,947)	–	(35,794)	–
Fair value adjustment as at 31 December 2017	836	–	2,735	–
Exchange differences	202	–	–	–
Fair value as at 31 December 2017	**66,368**	**76,277**	**217,031**	**250,090**

Other asset represents the Group's rights to receive the discharge sum of ₦89.9 billion, 2016: ₦100 billion (US$294 million, 2016: US$330 million) from the crude oil reserves of OML 55. The asset is measured at fair value through profit or loss ('FVTPL') and receipts from crude oil lifted reduce the value of the asset. At each reporting date, the fair value of the discharge sum is determined using the income approach in line with IFRS 13 Fair Value Measurement (discounted cash flow). This asset is categorised within Level 3 of the fair value hierarchy. As at 31 December 2017, the fair value of the discharge sum is ₦66 billion, 2016: ₦76 billion (US$217 million, 2016: US$250 million).

15a. Gain on deconsolidation of subsidiary

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Summary of assets and liabilities derecognised	–	(76,067)	–	(249,410)
Summary of assets and liabilities recognised	–	76,277	–	250,090
Gain on deconsolidation of BelemaOil	**–**	**210**	**–**	**680**

16. Prepayments

Non-current	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Tax paid in advance	9,670	9,645	31,623	31,623
Rent	287	608	939	1,993
	9,957	**10,253**	**32,562**	**33,616**
Current				
Rent	211	803	691	2,632
Others	384	1,232	1,257	4,040
	595	2,035	1,948	6,672
Total prepayments	**10,552**	**12,288**	**34,510**	**40,288**

Included in non-current prepayments are the following:

16a. Tax paid in advance

In 2013 and 2014 Petroleum Profit Tax payments (2013: ₦8.6 billion and 2014: ₦0.88 billion) (2013: US$28.7 million and 2014: US$2.9 million) were made by the Group prior to obtaining pioneer status. This was accounted for as a tax credit under non-current prepayments until a future date when the Group will be expected to offset it against its tax liability. The current tax liability for the year has been utilised against tax losses brought forward.

16b. Rent

In 2014, the Group entered into three new commercial leases in relation to three buildings that it occupies, two in Lagos and one in Delta state. Two of the non-cancellable leases which relate to buildings in Lagos expire in 2018 and 2019 respectively. The rent on the building in Delta state has been renewed and now expires in 2021. The Group has prepaid these rents. The long-term portion as at 31 December 2017 is ₦0.2 billion, 2016: ₦0.6 billion (US$0.9 million, 2016: US$1.9 million).

17. Interest in other entities

i) Material subsidiaries

The Group's principal subsidiaries as at 31 December 2017 are set out in Note 1. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

There were no significant judgements made in consolidating these entities. Also, there were no significant restrictions on any of the entities.

18. Inventories

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Tubular, casing and wellheads	30,683	32,395	100,336	106,213

Inventory represents the value of tubulars, casings and wellheads. The inventory is carried at the lower of cost and net realisable value. Included in cost of sales is ₦1.3 billion, 2016: ₦30.6 million (US$4.3 million, 2016: US$0.1 million) representing inventory charged to profit or loss during the year. There was no inventory written down for the year ended 31 December 2017.

19. Trade and other receivables

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Trade receivables	33,236	22,395	108,685	73,427
Nigerian Petroleum Development Company ('NPDC') receivables	34,453	69,776	112,664	228,774
National Petroleum Investment Management Services	3,824	2,511	12,506	8,233
Advances on investments	20,093	20,040	65,705	65,705
Underlift	–	1,372	–	4,498
Advances to suppliers	2,404	2,720	7,861	8,921
Other receivables	894	346	2,924	1,136
	94,904	**119,160**	**310,345**	**390,694**

19a. Trade receivables

Included in trade receivables is an amount due from Nigerian Gas Company ('NGC') and Central Bank of Nigeria ('CBN') totalling ₦22 billion, 2016: ₦20 billion (US$72 million, 2016: US$67 million) with respect to the sale of gas for the Group.

19b. NPDC receivables

NPDC receivables represent the outstanding cash calls due to Seplat from its JV partner, Nigerian Petroleum Development Company. In this reporting period, impairment losses on NPDC receivables were reversed (2016: ₦2.27 billion, US$10.3 million impairment loss recognised). As at 31 December 2017, the undiscounted value of this receivable is ₦34 billion, 2016: ₦72 billion (US$113 million, 2016: US$239 million).

19c. Advances on investment

This comprises an advance of ₦13.7 billion (US$45 million) on a potential investment in OML 25 and ₦6 billion (US$20.5 million) currently held in an escrow account. Proceedings commenced against Newton Energy Limited, a wholly owned subsidiary of Seplat Plc, by Crestar Natural Resources relating to the ₦6 billion (US$20.5 million) currently held in an escrow account. The escrow monies relate to the potential acquisition of OML 25 by Crestar which Newton Energy has an option to invest into. These monies were put in escrow in July 2015 pursuant to an agreement reached with Crestar and the vendor on final terms of the transaction.

20. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, short-term deposits with a maturity of three months or less and restricted cash balances.

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Cash on hand	3	2	11	7
Restricted cash	19,166	19,887	62,674	65,203
Cash at bank	114,530	28,795	374,527	94,411
Cash and cash equivalents	**133,699**	**48,684**	**437,212**	**159,621**

At 31 December 2017, cash at bank includes the debt service reserve of ₦19 billion, 2016: ₦19.9 billion (US$62 million, 2016: US$65 million) deposited pursuant to the covenant in relation to the bank syndicated loan. The debt service reserve account balance is the amount equal to at least the aggregate of the amounts of principal and interest projected to fall due on the next successive principal repayment dates and dates for the payment of interest.

21. Share capital

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500	3,335	3,335
Issued and fully paid				
563,444,561 (2016: 563,444,561) issued shares denominated in Naira of 50 kobo per share	283	283	1,826	1,826

21a. Employee share-based payment scheme

In 2017, the Company gave share awards of 33,697,792 shares (2016: 25,448,071 shares) to certain employees and senior executives in line with its share-based incentive scheme. During the year ended 31 December 2017, no shares were vested. In 2016, 2,868,460 shares had vested resulting in an increase in number of issued and fully paid ordinary shares of 50k each from 561 million to 563 million.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. During 2013, the Company sub-divided its shares from 1 to 0.50 per share resulting in an increase in the number of shares issued from 100 million to 200 million ordinary shares. On 31 July 2013, the number of ordinary shares was increased to 400 million by way of a bonus issue to existing shareholders; these were issued from the revenue reserve. In August 2013 the authorised share capital was increased from 400 million to 1 billion denominated in 0.50 per share.

21b. Share-based payment reserve

The Group has made a number of share-based awards under incentive plans since its IPO in 2014: IPO-related grants to Executive and Non-Executive Directors, 2014/2015/2016 Deferred Bonus Awards and 2014/2015/2016/2017 Long Term Incentive Plan ('LTIP') awards. Shares under these incentive plans were awarded at the IPO in April 2014, 2015, 2016 and 2017 conditional on the Nigerian Stock Exchange ('NSE') approving the share delivery mechanism proposed by the Group.

Description of the awards valued

Seplat Deferred Bonus Award

25% of each Executive Director's 2014, 2015 and 2016 bonus (paid in 2015, 2016 and 2017 respectively) has been deferred into shares and is released on 1 June 2017, 1 June 2018 and 20 April 2019 respectively subject to continued employment. No performance criteria are attached to these awards. As a result the fair value of these awards is the share price at the actual date of grant.

Long Term Incentive Plan ('LTIP') awards

Under the LTIP, shares are granted to management staff of the organisation at the end of every year. The shares were granted to the employees at no cost. The shares vest (after three years) based on the following conditions.

- 50% award vesting where the reserves growth was more than a 10% decrease.
- Straight-line basis between 50% and 100% where reserves growth was between a 10% decrease and a 10% increase.
- 100% award vesting where the reserves growth is equal to or greater than a 10% increase.
- If the Group outperforms the median TSR performance level with the LTIP exploration and production comparator group.

The LTIP awards have been approved by the NSE.

The expense recognised for employee services received during the year is shown in the following table:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Expense arising from equity-settled share-based payment transactions	1,735	869	5,674	3,406

There were no cancellations to the awards in 2017 or 2016. The share awards granted to Executive Directors and confirmed employees are summarised below.

Scheme	Deemed grant date	Start of service period	End of service period	Number of awards
Global Bonus Offer	4 November 2015	9 April 2014	9 April 2015	6,472,138
Non-Executive Shares	4 November 2015	9 April 2014	9 April 2015	793,650
2014 Deferred Bonus	14 December 2015	14 December 2015	21 April 2017	212,701
2014 Long Term Incentive Plan	14 December 2015	14 December 2015	9 April 2017	2,173,259
2015 Long Term Incentive Plan	31 December 2015	14 December 2015	21 April 2018	5,287,354
2015 Deferred Bonus	21 April 2016	21 April 2016	20 April 2018	247,610
2016 Long Term Incentive Plan	22 December 2016	22 December 2016	21 December 2019	10,294,300
2016 Deferred Bonus	24 November 2017	24 November 2017	20 April 2019	278,191
2017 Long Term Incentive Plan	24 November 2017	24 November 2017	20 April 2020	7,938,589
				33,697,792

Share awards used in the calculation of diluted earnings per share are based on the outstanding shares as at 31 December 2017.

Share award scheme (all awards)	2017 Number	2017 WAEP ₦	2016 Number	2016 WAEP ₦
Outstanding at 1 January	1,540,024	205.87	4,249,000	298.26
Granted during the year	6,665,749	262.45	159,484	356.35
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	(2,868,460)	15.23
Outstanding at 31 December	8,205,773	251.64	1,540,024	205.87
Exercisable at 31 December	–	–	–	–

Share award scheme (all awards)	2017 Number	2017 WAEP US$	2016 Number	2016 WAEP US$
Outstanding at 1 January	1,540,024	0.67	4,249,000	1.50
Granted during the year	6,665,749	0.86	159,484	1.17
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	(2,868,460)	0.05
Outstanding at 31 December	8,205,773	0.82	1,540,024	0.67
Exercisable at 31 December	–	–	–	–

21. Share capital continued

Movements during the year

The following table illustrates the number and weighted average exercise prices ('WAEP') of and movements in Deferred Bonus Scheme and Long Term Incentive Plan during the year for each available scheme.

Deferred Bonus Scheme	2017 Number	2017 WAEP ₦	2016 Number	2016 WAEP ₦
Outstanding at 1 January	427,370	399.55	212,701	224.69
Granted during the year[1]	311,132	428.69	214,669	380.04
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at 31 December	738,502	412.05	427,370	399.55
Exercisable at 31 December	–	–	–	–

Deferred Bonus Scheme	2017 Number	2017 WAEP US$	2016 Number	2016 WAEP US$
Outstanding at 1 January	427,370	1.31	212,701	1.13
Granted during the year	311,132	1.40	214,669	1.49
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at 31 December	738,502	1.35	427,370	1.31
Exercisable at 31 December	–	–	–	–

1 In 2017, the Group increased the number of shares attributable to the 2015 Deferred Bonus Scheme by 32,914 shares following a revaluation of the total number of share awards applicable to the scheme. The fair value per share of the additional shares at the date of the modification was determined to be ₦380.04 (US$ 1.49). There were no incremental changes in the fair value per share and the vesting period did not change as the additional shares were assumed to have been issued in the same period and with the same terms as the original shares granted.

The increase in share-based payment expense of ₦12.7 million (US$ 41,513) was calculated using the portion of the additional number of shares issued and the fair value per share at the original grant date. The amount is recognised as an expense in the current period until the end of the vesting period. The expense for the original scheme will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described in the table below on the inputs to the models used for the scheme.

Long Term Incentive Plan ('LTIP')	2017 Number	2017 WAEP ₦	2016 Number	2016 WAEP ₦
Outstanding at 1 January	14,886,453	253.2	7,460,613	151.12
Granted during the year	7,938,589	367.45	10,294,300	227.10
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	(2,868,460)	15.23
Outstanding at 31 December	22,825,042	292.25	14,886,453	253.2
Exercisable at 31 December	–	–	–	–

Long Term Incentive Plan ('LTIP')	2017 Number	2017 WAEP US$	2016 Number	2016 WAEP US$
Outstanding at 1 January	14,886,453	0.83	7,460,613	0.76
Granted during the year	7,938,589	1.20	10,294,300	0.89
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	(2,868,460)	0.05
Outstanding at 31 December	22,825,042	0.96	14,886,453	0.83
Exercisable at 31 December	–	–	–	–

The shares are granted to the employees at no cost.

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2017 range from 0.3 to 2.3 years.

The weighted average fair value of awards granted during the year range from ₦366.9 to ₦428.1 (US$1.20 to US$1.40).

The exercise prices for options outstanding at the end of the year range from ₦293.5 to ₦412.8 (US$0.96 to US$1.35).

The fair value at grant date is independently determined using the Monte Carlo model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of peer group companies.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The following table lists the inputs to the models used for the two plans for the year ended 31 December 2017:

	2016 Deferred Bonus	2016 LTIP	2017 LTIP
Weighted average fair values at the measurement date:			
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	n/a	56%	43%
Risk-free interest rate (%)	n/a	0.63%	0.44%
Expected life of share options	1.40	2.35	2.40
Weighted average share price (US$)	1.4	1.497	1.4
Weighted average share price (₦)	428.12	457.78	428.12
Model used	n/a	Monte Carlo	Monte Carlo

21c. Share premium

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Share premium	82,080	82,080	497,457	497,457

Section 120.2 of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 requires that where a Company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

22. Capital contribution

This represents M&P additional cash contribution to the Group. In accordance with the Shareholders' Agreement, the amount was used by the Group for working capital as was required at the commencement of operations.

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Capital contribution	5,932	5,932	40,000	40,000

23. Foreign currency translation reserve

Cumulative foreign exchange differences arising from translation of the Group's results and financial position into the presentation currency and from the translation of foreign subsidiary are recognised in foreign currency translation reserve.

24. Interest bearing loans and borrowings

Non-current	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Bank borrowings	93,170	136,060	304,677	446,098
Current				
Bank borrowings	81,159	66,489	265,400	217,998
Total borrowings	**174,329**	**202,549**	**570,077**	**664,096**

Bank loan

Syndicate credit facility

On 31 December 2014, Seplat signed a ₦518 billion (US$1.7 billion) debt refinancing package, made up of the following facilities:

- ₦214 billion (US$700 million) seven-year term loan with an ability to stretch it to ₦427 billion (US$1.4 billion) contingent on a qualifying acquisition with a consortium of five local banks. This facility has a seven-year maturity period.
- ₦91 billion (US$300 million) three-year corporate revolving loan primarily to manage working capital requirements with a consortium of eight international banks. This facility has a three-year maturity period.

As at 31 December 2017, there were no further draw downs (2016: nil) of this facility. Interest accrues monthly on the principal amount outstanding at the LIBOR rate plus a margin ranging from 6.5% to 8.5%. Principal and interest repayments in 2017 were made, and the outstanding balance as at 31 December 2017 is ₦176 billion, 2016: ₦206 billion (US$578 million, 2016: US$676 million).

The following is the analysis of the principal outstanding showing the lenders of the facility as at the year end

31 December 2017 Term loan	Interest	Current ₦ million	Non-current ₦ million	Total ₦ million	Current US$'000	Non-current US$'000	Total US$'000
SBSA	8.5% + LIBOR	1,709	3,673	5,382	5,588	12,012	17,600
Stanbic	8.5% + LIBOR	1,709	3,673	5,382	5,588	12,012	17,600
FBN	8.5% + LIBOR	10,070	21,651	31,721	32,931	70,800	103,731
UBA	8.5% + LIBOR	11,402	24,513	35,915	37,285	80,160	117,445
Zenith Bank	8.5% + LIBOR	18,243	39,221	57,464	59,656	128,256	187,912
Allan Gray	8.5% + LIBOR	1,331	2,862	4,193	4,353	9,359	13,712
		44,464	**95,593**	**140,057**	**145,401**	**312,599**	**458,000**

The following is the analysis of the principal outstanding showing the lenders of the facility as at the year end.

31 December 2017 Corporate loan	Interest	Current ₦ million	Non-current ₦ million	Total ₦ million	Current US$'000	Non-current US$'000	Total US$'000
Citibank Nigeria Limited	6% + LIBOR	4,280	–	4,280	14,000	–	14,000
FirstRand Bank Limited Acting	6% + LIBOR	3,668	–	3,668	12,000	–	12,000
JP Morgan Chase Bank N A London	6% + LIBOR	3,668	–	3,668	12,000	–	12,000
Nedbank Limited, London Branch	6% + LIBOR	3,668	–	3,668	12,000	–	12,000
The Mauritius Commercial Bank Plc	6% + LIBOR	3,668	–	3,668	12,000	–	12,000
Standard Chartered Bank	6% + LIBOR	5,503	–	5,503	18,000	–	18,000
Natixis	6% + LIBOR	5,503	–	5,503	18,000	–	18,000
Stanbic Ibtc Bank Plc	6% + LIBOR	2,751	–	2,751	9,000	–	9,000
The Standard Bank Of South Africa	6% + LIBOR	3,974	–	3,974	13,000	–	13,000
		36,683	**–**	**36,683**	**120,000**	**–**	**120,000**

31 December 2016 Term loan	Interest	Current ₦ million	Non-current ₦ million	Total ₦ million	Current US$'000	Non-current US$'000	Total US$'000
SBSA	8.5% + LIBOR	504	5,368	5,872	1,652	17,601	19,253
Stanbic	8.5% + LIBOR	504	5,368	5,872	1,652	17,601	19,253
FBN	8.5% + LIBOR	3,363	35,821	39,184	11,026	117,445	128,471
UBA	8.5% + LIBOR	3,363	35,821	39,184	11,026	117,445	128,471
Zenith Bank	8.5% + LIBOR	5,381	57,313	62,694	17,642	187,910	205,552
		13,115	**139,691**	**152,806**	**42,998**	**458,002**	**501,000**

31 December 2016 Corporate loan	Interest	Current ₦ million	Non-current ₦ million	Total ₦ million	Current US$'000	Non-current US$'000	Total US$'000
Citibank Nigeria Limited	6% + LIBOR	8,006	–	8,006	26,250	–	26,250
FirstRand Bank Limited Acting	6% + LIBOR	5,338	–	5,338	17,500	–	17,500
JP Morgan Chase Bank N A London	6% + LIBOR	5,338	–	5,338	17,500	–	17,500
Nedbank Limited, London Branch	6% + LIBOR	5,338	–	5,338	17,500	–	17,500
Bank Of America Merrill Lynch	6% + LIBOR	5,338	–	5,338	17,500	–	17,500
Standard Chartered Bank	6% + LIBOR	8,006	–	8,006	26,250	–	26,250
Natixis	6% + LIBOR	8,006	–	8,006	26,250	–	26,250
Stanbic Ibtc Bank Plc	6% + LIBOR	4,002	–	4,002	13,125	–	13,125
The Standard Bank Of South Africa	6% + LIBOR	4,002	–	4,002	13,125	–	13,125
		53,374	**–**	**53,374**	**175,000**	**–**	**175,000**

Loans	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Term loan	140,057	152,806	458,000	501,000
Corporate loan	36,683	53,374	120,000	175,000
Less: Capitalised loan transaction costs	(2,411)	(3,631)	(7,923)	(11,904)
	174,329	**202,549**	**570,077**	**664,096**

Below is the net debt reconciliation on interest bearing loans and borrowings.

	Borrowings due within 1 year ₦ million	Borrowings due above 1 year ₦ million	Total ₦ million	Borrowings due within 1 year US$'000	Borrowings due above 1 year US$'000	Total US$'000
Balance as at 1 January 2017	66,489	136,060	202,549	217,998	446,098	664,096
Effective interest	22,430	–	22,430	73,347		73,347
Effect of loan restructuring	(8,807)	8,807	–	(28,798)	28,798	–
Reclassification	52,055	(52,055)	–	170,219	(170,219)	–
Principal repayment	(29,970)	–	(29,970)	(98,000)	–	(98,000)
Interest repayment	(21,213)	–	(21,213)	(69,366)	–	(69,366)
Exchange differences	175	358	533	–	–	–
Balance as at 31 December 2017	**81,159**	**93,170**	**174,329**	**265,400**	**304,677**	**570,077**

25. Contingent consideration

	₦ million	US$ '000
At 1 January 2016	4,355	21,900
Fair value loss	596	2,614
Additions	–	–
Deconsolidation of subsidiary	(3,805)	(12,474)
Exchange differences	2,526	–
At 31 December 2016	**3,672**	**12,040**
At 1 January 2017	3,672	12,040
Fair value loss	568	1,860
Additions	–	–
Exchange differences	11	–
At 31 December 2017	**4,251**	**13,900**

In 2016, the Group derecognised the contingent consideration on OML 55 as a result of the deconsolidation of its subsidiary BelemaOil. The contingent consideration of ₦5.6 billion (US$18.5 million) for OML 53 is being recognised at the fair value of ₦4.3 billion, 2016: ₦3.6 billion (US$ 13.9 million, 2016: US$12 million). This is contingent on the oil price rising above US$90 (₦27,522)/bbl over the next three years.

26. Provision for decommissioning obligation

	₦ million	US$ '000
At 1 January 2016	769	3,869
Unwinding of discount due to passage of time	105	480
Deconsolidation of subsidiary	10	(32)
Change in estimate	(1,135)	(3,720)
Exchange differences	433	–
At 31 December 2016	**182**	**597**
At 1 January 2017	182	597
Unwinding of discount due to passage of time	29	96
Change in estimate	32,299	105,619
At 31 December 2017	**32,510**	**106,312**

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. This relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a "probable future sacrifice of economic benefits arising from a present obligation", and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred from 2027 to 2047 which is the current expectation as to when the producing facilities are expected to cease operations. Management engaged a third party to assist with an estimate of the expenditure to be incurred from 2027 to 2047. These provisions were based on estimations carried out by DeGolyer and MacNaughton based on current assumptions on the economic environment which management believes to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates.

Following the review of the current assumptions for the year ended 31 December 2017, the risk-free discount rate and inflation rate were adjusted to reflect economic reality in the primary economic environment in which the Group operates.

As a result the change in estimate in the current year for the Group amounted to ₦32.3 billion, 2016: ₦1.1 billion (US$105.6 million, 2016: US$3.7million).

	Current estimated life span of reserves	
	2017 In years	2016 In years
Seplat Petroleum Development Company:	2027	2045
OML 4	2034	2056
OML 38	2027 – 2034	2052
OML 41	2034	2066
Newton Energy Limited (OPL 283)	2027 – 2047	2045
Seplat East Onshore Ltd (OML 53)	2041 – 2043	2054

27. Employee benefit obligation

27a. Defined contribution plan

The Group contributes to a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Group pays fixed contributions to an approved Pension Fund Administrator ('PFA') – a separate entity. The assets of the scheme are managed by various Pension Fund Administrators patronised by employees of the Group. The Group's contributions are charged to the profit and loss account in the year to which they relate. The amount payable as at 31 December 2017 was ₦55 million, 2016: ₦127 million (US$180,462, 2016: US$419,005).

27b. Defined benefit plan

The Group commenced its unfunded defined benefit plan (gratuity) in July 2015. The Group makes provisions for gratuity for employees from day one of employment in the Group. The employee qualifies to receive the gratuity after five years of continuous service. The employee's entitlement to the accrued benefits occurs on retirement from the Group. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity liability is adjusted for inflation, interest rate risks, changes in salary and changes in the life expectancy for the beneficiaries. The provision for gratuity was based on an independent actuarial valuation performed by Logic Professional Services ('LPS') using the projected unit credit method.

The Group does not maintain any assets for the gratuity plan but ensures that it has sufficient funds for the obligations as they crystallise.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

i) Liability recognised in the financial position

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Defined benefit obligation	1,994	1,559	6,518	5,112

ii) Amount recognised in profit or loss

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Present value of obligation				
Current service cost	444	474	1,451	1,554
Past service cost due to curtailment	(180)	–	(589)	–
Interest cost on benefit obligation	238	162	779	530
	502	**636**	**1,641**	**2,084**

The Group recognises a part of its defined benefit expenses in profit or loss and recharges the other part to its joint operations partners; this is recognised as a receivable from the partners. Below is the breakdown:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Charged to receivables	–	396	–	1,146
Charged to profit or loss	502	240	1,641	938
	502	**636**	**1,641**	**2,084**

iii) Remeasurement (gains)/losses in other comprehensive income

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Remeasurement losses/(gains) due to changes in financial and demographic assumptions	172	(558)	561	(1,829)
Remeasurement (gains)/losses due to experience adjustment	(82)	177	(267)	578
	90	**(381)**	**294**	**(1,251)**

27. Employee benefit obligation continued

The Group recognises a part of the remeasurement gains/losses in other comprehensive income and recharges/credits the other part to its joint operations partners; this is recognised as a receivable from the partners. Below is the breakdown:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Credited to receivables	–	(209)	–	(688)
Credited to other comprehensive income	90	(172)	294	(563)
	90	**(381)**	**294**	**(1,251)**

iv) Changes in the present value of the defined benefit obligation are as follows:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Defined benefit obligation as at 1 January	1,559	1,377	5,112	6,926
Current service cost	444	474	1,451	1,554
Past service cost due to curtailment	(180)	–	(589)	–
Interest cost	238	162	779	530
Remeasurement losses/(gains)	90	(381)	294	(1,251)
Benefits paid by the employer	(163)	(74)	(532)	(242)
Exchange differences	6	1	3	(2,405)
Defined benefit obligation at 31 December	**1,994**	**1,559**	**6,518**	**5,112**

v) The principal assumptions used in determining defined benefit obligations for the Group's plans are shown below:

	2017 %	2016 %
Discount rate	14	16
Average future pay increase	12	13
Average future rate of inflation	12	12

a) Mortality in service

	Number of deaths in year out of 10,000 lives	
Sample age	2017	2016
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

b) Withdrawal from service

	Rates	
Age band	2017	2016
Less than or equal to 30	1.0%	1.0%
31 – 39	1.5%	1.5%
40 – 44	1.5%	1.5%
45 – 55	1.0%	1.0%
56 – 60	0.0%	0.0%

c) A quantitative sensitivity analysis for significant assumptions as at 31 December 2017 is as shown below:

		Discount rate		Salary increases		Mortality	
Assumptions	Base	1% increase ₦ million	1% decrease ₦ million	1% increase ₦ million	1% decrease ₦ million	1% increase ₦ million	1% decrease ₦ million
Sensitivity level: Impact on the net defined benefit obligation							
31 December 2017	1,994	(215)	253	266	(229)	27	(28)
31 December 2016	1,559	(145)	170	180	(156)	9	(9)

		Discount rate		Salary increases		Mortality	
Assumptions	Base	1% increase US$'000	1% decrease US$'000	1% increase US$'000	1% decrease US$'000	1% increase US$'000	1% decrease US$'000
Sensitivity level: Impact on the net defined benefit obligation							
31 December 2017	6,518	(704)	828	869	(749)	88	(91)
31 December 2016	5,112	(476)	556	591	(511)	31	(30)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The methods and assumptions used in preparing the sensitivity analysis did not change compared to prior period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Within the next 12 months (next annual reporting period)	70	111	228	364
Between 2 and 5 years	926	887	3,028	2,909
Between 5 and 10 years	3,796	2,413	12,412	7,912
	4,792	**3,411**	**15,668**	**11,185**

The weighted average liability duration for the plan is 11.96 years. The longest weighted duration for the Nigerian Government bond as at 31 December 2017 was about 6.37 years with a gross redemption yield of about 14.12%.

d) Risk exposure
Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

i) Liquidity risk
The plan liabilities are unfunded and as a result, there is a risk of the Group not having the required cash flow to fund future defined benefit obligations as they fall due.

ii) Inflation risk
This is the risk of an unexpected significant rise/fall of market interest rates. A rise leads to a fall in long-term asset values and a rise in liability values.

iii) Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

28. Trade and other payables

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Trade payables	19,191	32,983	62,758	108,140
Accruals and other payables	45,570	25,447	149,020	83,430
Pension payable	55	127	180	419
NDDC levy	2,564	6	8,383	19
Deferred revenue	41,970	10,727	137,248	35,171
Royalties	16,209	10,476	53,004	34,349
	125,559	**79,766**	**410,593**	**261,528**

Included in accruals and other payables are field-related accruals of ₦17.1 billion, 2016: ₦10.7 billion (US$56 million, 2016: US$35 million) and other vendor payables of ₦28.7 billion, 2016: ₦14.9 billion (US$94 million, 2016: US$49 million). Deferred revenue includes advance payments for crude oil sales of ₦41 billion, 2016: ₦10 billion (US$136 million, 2016: US$34 million) and royalties include accruals in respect of gas sales for which payment is outstanding at the end of the year.

29. Earnings/(loss) per share ('EPS/LPS')

Basic

Basic EPS/LPS is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

Diluted

Diluted EPS/LPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (arising from outstanding share awards in the share-based payment scheme) into ordinary shares.

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Profit/(loss) for the year attributable to equity holders of the parent	81,111	(44,921)	265,230	(164,590)
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	563,445	563,445	563,445	563,445
Share awards	8,206	1,540	8,206	1,540
Weighted average number of ordinary shares adjusted for the effect of dilution	571,651	564,985	571,651	564,985
	₦	₦	US$	US$
Basic earnings/(loss) per share	143.96	(79.73)	0.47	(0.29)
Diluted earnings/(loss) per share	141.89	(79.51)	0.46	(0.29)
	₦ million	₦ million	US$ '000	US$ '000
Profit/(loss) attributable to equity holders of the parent	81,111	(44,921)	265,230	(164,590)
Profit/(loss) used in determining diluted earnings/(loss) per share	81,111	(44,921)	265,230	(164,590)

30. Dividends paid and proposed

As at 31 December 2017, final dividend proposed was nil for the Group (2016: nil).

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Cash dividends on ordinary shares declared and paid:				
Interim dividend for 2017: US$ nil per share, 563,444,561 shares in issue (2016: ₦9.13, US$ 0.04per share, 563,444,561 shares in issue)	–	5,118	–	22,534
Final dividend for 2017: US$ nil per share, 563,444,561 shares in issue (2016: ₦ nil, US$ nil per share, 563,444,561 shares in issue)	–	–	–	–
Total		**5,118**	**–**	**22,534**
Proposed dividends on ordinary shares:				
Total cash dividend for 2017: ₦ nil (US$ nil) per share (2016: ₦ nil, US$ 0.04 per share)		5,118	–	22,423

31. Related party relationships and transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the 'Parent Company'). The Parent Company is owned 8.39% either directly or by entities controlled by A.B.C. Orjiako (SPDCL(BVI)) and members of his family and 13.23% either directly or by entities controlled by Austin Avuru (Professional Support Limited and Platform Petroleum Limited). The remaining shares in the Parent Company are widely held.

31a. Related party relationships

The services provided by the related parties:

Abbeycourt Trading Company Limited: The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations.

Berwick Nigeria Limited: The chairman of Seplat is a shareholder and director. The company provides construction services to Seplat in relation to a field base station in Sapele.

Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited): Is owned by common shareholders with the Parent Company. The company provides drilling rigs and drilling services to Seplat.

Charismond Nigeria Limited: The sister to the CEO works as a General Manager. The company provides administrative services including stationery and other general supplies to the field locations.

Helko Nigeria Limited: The chairman of Seplat is shareholder and director. The company owns the lease to Seplat's main office at 25A Lugard Avenue, Lagos, Nigeria.

Keco Nigeria Enterprises: The Chief Executive Officer's sister is shareholder and director. The company provides diesel supplies to Seplat in respect of its rig operations.

Montego Upstream Services Limited: The chairman's nephew is shareholder and director. The company provides drilling and engineering services to Seplat.

Nabila Resources & Investment Ltd: The chairman's in-law is a shareholder and director. The company provides lubricant to Seplat.

Stage Leasing (Ndosumili Ventures Limited): Is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.

Neimeth International Pharmaceutical Plc: The chairman of Seplat is also the chairman of this company. The company provides medical supplies and drugs to Seplat, which are used in connection with Seplat's corporate social responsibility and community healthcare programmes.

Nerine Support Services Limited: Is owned by common shareholders with the Parent Company. Seplat leases a warehouse from Nerine and the company provides agency and contract workers to Seplat.

Oriental Catering Services Limited: The Chief Executive Officer of Seplat's spouse is shareholder and director. The company provides catering services to Seplat at the staff canteen.

ResourcePro Inter Solutions Limited: The Chief Executive Officer of Seplat's in-law is its UK representative. The company supplies furniture to Seplat.

Shebah Petroleum Development Company Limited ('BVI'): The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The company provided consulting services to Seplat.

The following transactions were carried out by Seplat with related parties:

31b. Related party transactions

Year-end balances arising from related party transactions:

i) Purchases of goods and services

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Shareholders of the Parent Company				
SPDCL (BVI)	413	358	1,350	1,364
Total	413	358	1,350	1,364
Entities controlled by key management personnel				
Contracts > US$1 million in 2017				
Nerine Support Services Limited[1]	2,161	3,948	7,066	14,991
Cardinal Drilling Services Limited	1,001	1,543	3,272	6,931
Helko Nigeria Limited	444	560	1,453	1,976
	3,606	6,051	11,791	23,898
Contracts < US$1 million in 2017				
Montego Upstream Services Limited	131	2,937	427	13,513
Abbeycourt Trading Company Limited	199	164	650	598
Oriental Catering Services Limited	159	148	520	579
Keco Nigeria Enterprises	110	77	361	259
ResourcePro Inter Solutions Limited	9	17	31	81
Nabila Resources & Investment Ltd	–	17	–	58
Berwick Nigeria Limited	–	6	–	28
Neimeth International Pharmaceutical Plc	1	3	2	10
Charismond Nigeria Limited	17	–	55	–
Stage Leasing (formerly Ndosumuli Venture Limited)	171	422	560	1,729
	797	3,791	2,606	16,855
	4,403	**9,842**	**14,397**	**40,753**

1 Nerine on average charges a mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross i.e. they include salaries and Nerine's mark-up. Total costs for agency and contracts during 2017 are ₦1.4 billion, 2016: ₦2.4 billion (US$4.6 million, 2016: US$7.9 million).

31. Related party relationships and transactions continued

31c. Balances:

Year-end balances arising from related party transactions

i) Prepayments/receivables

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Entities controlled by key management personnel				
Cardinal Drilling Services Limited – current portion	1,681	1,894	5,498	6,211
Cardinal Drilling Services Limited – non-current portion	–	–	–	–
	1,681	**1,894**	**5,498**	**6,211**

ii) Payables

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Entities controlled by key management personnel				
Montego Upstream Services Limited	115	3,520	375	11,540
Nerine Support Services Limited	2	3,480	8	11,411
Keco Nigeria Enterprises	8	–	25	–
Cardinal Drilling Services Limited	292	308	954	1,009
	417	**7,308**	**1,362**	**23,960**

32. Information relating to employees

32a. Key management compensation

Key management includes executives and members of the leadership team. The compensation paid or payable to key management for employee services is shown below:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Salaries and other short-term employee benefits	5,221	1,252	17,117	4,104
Post-employment benefits	53	214	172	700
Share-based payment expenses	87	88	283	289
	5,361	**1,554**	**17,572**	**5,093**

32b. Chairman and Directors' emoluments

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Chairman (Non-executive)	342	279	1,118	1,116
Chief Executive Officer	476	405	1,557	1,644
Executive Directors	284	458	928	1,858
Non-Executive Directors	580	662	1,897	2,652
Bonus[1]	632	–	2,067	–
JV partner share	(418)	(587)	(1,367)	(1,926)
Total	**1,896**	**1,217**	**6,200**	**5,344**

1 This relates to 2017 accrued bonus to be paid in 2018 and 2016 bonus paid in 2017. Out of this amount, ₦401 million, 2016: ₦nil million (US$1.3 million, 2016: US$ nil million) relates to 2017 accrued bonus to be paid in 2018 and ₦231 million, 2016: ₦nil million (US$0.7 million, 2016: US$ nil) relates to 2016 bonus accrued and paid in 2017.

32c. Highest paid Director

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Highest paid Director	476	405	1,557	1,644

Emoluments are inclusive of income taxes.

32d. The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2017 Number	2016 Number
Zero – ₦ 19,878,000	–	–
₦19,878,001 – ₦115,597,000	8	7
₦115,597,001 – ₦157,799,000	1	1
Above ₦157,799,000	3	3
	12	11

	2017 Number	2016 Number
Zero – US$65,000	–	–
US$65,001 – US$378,000	8	7
US$378,001 – US$516,000	1	1
Above US$516,000	3	3
	12	11

32e. Employees

The number of employees (other than the Directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over ₦1,988,000 (US$6,500), received remuneration (excluding pension contributions) in the following ranges:

	2017 Number	2016 Number
₦1,988,000 – ₦4,893,000	7	1
₦4,893,001 – ₦9,786,000	21	33
₦9,786,001 – ₦14,679,000	102	136
Above ₦14,679,000	269	220
	399	390

	2017 Number	2016 Number
US$6,500 – US$16,000	7	1
US$16,001 – US$32,000	21	33
US$32,001 – US$48,000	102	136
Above US$48,000	269	220
	399	390

32f. The average number of persons (excluding Directors) in employment during the year was as follows:

	2017 Number	2016 Number
Senior management	33	15
Managers	65	78
Senior staff	162	110
Junior staff	145	187
	405	390

32g. Employee costs

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to the following:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Salaries and wages	5,326	9,330	17,417	20,055
	5,326	9,330	17,417	20,055

33. Commitments and contingencies

33a. Operating lease commitments – Group as lessee

The Group leases drilling rigs, buildings, land, boats and storage facilities. The lease terms are between one and five years. The operating lease commitments of the Group as at 31 December 2017 are:

Operating lease commitments	As at 31 Dec 2017 ₦ million	As at 31 Dec 2016 ₦ million	As at 31 Dec 2017 US$'000	As at 31 Dec 2016 US$'000
Not later than one year	728	308	2,382	1,011
Later than one year and not later than five years	565	1,146	1,846	3,757
	1,293	**1,454**	**4,228**	**4,768**

33b. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the year ended 31 December 2017 is ₦57 billion, 2016: ₦4.7 billion (US$ 187 million, 2016: US$15.5 million). No provision has been made for this potential liability in these financial statements. Management and the Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

34. Events after the reporting period

The Group confirmed that proceedings have begun in the English High Court against its wholly owned subsidiary, Newton Energy Limited, by Crestar Natural Resources Limited, relating to the deposit of ₦6.2 billion (US$20.5 million) currently held in an escrow account.

The potential acquisition of an interest in OML 25 was initially identified in 2014 at which time the Group placed a sum of ₦138 billion (US$453 million) as a deposit towards the potential investment. However, after material delays, ₦112 billion (US$368 million) was returned to the Group in July 2015. Certain events then led to renewed efforts by the consortium to secure the asset and to the Group providing the escrow monies. See Note 19c for further details.

Furthermore, the Group paid ₦3.4 billion (US$11 million) to Crestar for past costs and a ₦13.7 billion (US$45 million) deposit remains with the potential vendor of the asset. Crestar alleges bad faith conduct by Seplat's subsidiary, Newton Energy Limited, with regards to the Group's request for the escrow monies to be released to Seplat. Seplat has emphasised that it intends to defend the claim vigorously and further announcement, if appropriate, will be made in due course.

On 1 February 2018, the issued share capital increased by 25,000,000 shares in furtherance of the Group's Long Term Incentive Plan after approval was received from the regulators. Seplat's share capital now consists of 588,444,561 ordinary shares of ₦0.50k each, all with voting rights.

There was no other significant event after the statement of financial position date which could have a material effect on the state of affairs of the Group as at 31 December 2017 and on the profit or loss for the year ended on that date, which has not been adequately provided for or disclosed in these financial statements.

Consolidated statement of value added

For the year ended 31 December 2017

	2017 ₦ million	%	2016 ₦ million	%	2017 US$'000	%	2016 US$'000	%
Revenue	138,281		63,384		452,179		254,217	
Finance income	1,326		15,800		4,335		59,017	
Cost of goods and other services:								
Local	(41,757)		(52,735)		(136,543)		(198,817)	
Foreign	(27,838)		(35,157)		(91,028)		(132,544)	
Valued added/(eroded)	70,012	100%	(8,708)	100%	228,943	100%	(18,127)	100%

Applied as follows:

	2017 ₦ million	%	2016 ₦ million	%	2017 US$'000	%	2016 US$'000	%
To employees:								
– as salaries and labour related expenses	7,925	11	5,340	−61	25,917	11	20,869	−115
To external providers of capital:								
– as interest	22,248	32	18,270	−210	72,752	32	73,900	−408
To government:								
– as Group taxes	687	1	536	−6	2,248	1	1,759	−10
Retained for the Group's future:								
– For asset replacement, depreciation, depletion & amortisation	26,385	38	15,101	−173	86,277	38	59,870	−330
Deferred tax credit	(68,344)	−98	(2,571)	30	(223,481)	−98	(8,431)	47
Profit/(loss) for the year	81,111	116	(45,384)	521	265,230	116	(166,094)	916
Valued added/(eroded)	70,012	100%	(8,708)	100%	228,943	100%	(18,127)	100%

The value added/(eroded) represents the additional wealth which the Group has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for the creation of future wealth.

Consolidated five-year financial summary

As at 31 December 2017

	2017 ₦ million	2016 ₦ million	2015 ₦ million	2014 ₦ million	2013 ₦ million
Revenue	138,281	63,384	112,972	124,377	136,658
Profit/(loss) before taxation	13,454	(47,419)	17,243	40,481	71,032
Income tax expense	67,657	2,035	(4,252)	–	14,399
Profit/(loss) for the year	81,111	(45,384)	12,991	40,481	85,431

	2017 ₦ million	2016 ₦ million	2015 ₦ million	2014 ₦ million	2013 ₦ million
Capital employed:					
Issued share capital	283	283	282	277	200
Share premium	82,080	82,080	82,080	82,080	–
Share-based payment reserve	4,332	2,597	1,729	–	–
Capital contribution	5,932	5,932	5,932	5,932	5,932
Retained earnings	166,149	85,052	134,919	135,727	106,992
Foreign translation reserve	200,870	200,429	56,182	35,642	591
Non-controlling interest	–	–	(148)	–	–
Total equity	459,646	376,373	280,976	259,658	113,715
Represented by:					
Non-current assets	539,672	462,402	295,735	182,162	107,852
Current assets	259,881	202,274	249,462	261,864	96,712
Non-current liabilities	(131,925)	(141,473)	(131,786)	(48,247)	(22,391)
Current liabilities	(207,982)	(146,830)	(132,435)	(136,121)	(68,458)
Net assets	459,646	376,373	280,976	259,658	113,715

	2017 US$ '000	2016 US$ '000	2015 US$ '000	2014 US$ '000	2013 US$ '000
Revenue	452,179	254,217	570,477	775,019	880,227
Profit/(loss) before taxation	43,997	(172,766)	87,079	252,253	457,523
Income tax expense	221,233	6,672	(21,472)	–	92,745
Profit/(loss) for the year	265,230	(166,094)	65,607	252,253	550,268

	2017 US$ '000	2016 US$ '000	2015 US$ '000	2014 US$ '000	2013 US$ '000
Capital employed:					
Issued share capital	1,826	1,826	1,821	1,798	1,334
Share premium	497,457	497,457	497,457	497,457	–
Share-based payment reserve	17,809	12,135	8,734	–	–
Capital contribution	40,000	40,000	40,000	40,000	40,000
Retained earnings	944,108	678,922	865,483	869,861	690,807
Foreign currency translation reserve	1,897	3,675	325	26	58
Non-controlling interest	–	–	(745)	–	–
Total equity	1,503,097	1,234,015	1,413,075	1,409,142	732,199
Represented by:					
Non-current assets	1,764,789	1,516,073	1,487,307	988,576	694,558
Current assets	849,841	663,200	1,254,583	1,421,114	623,003
Non-current liabilities	(431,407)	(463,847)	(662,774)	(261,834)	(144,271)
Current liabilities	(680,126)	(481,411)	(666,041)	(738,714)	(441,091)
Net assets	1,503,097	1,234,015	1,413,075	1,409,142	732,199

35. Estimated quantities of proved plus probable reserves

	Oil & NGLs MMbbls	Natural gas Bscf	Oil equivalent MMboe
At 31 December 2016	195.4	1,544.1	461.6
Revisions	37.3	(46.6)	29.3
Discoveries and extensions	–	–	–
Acquisitions	–	–	–
Production	(6.5)	(41.8)	(13.6)
At 31 December 2017	**226.2**	**1,455.7**	**477.3**

Reserves are those quantities of crude oil, natural gas and natural gas liquid that, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions.

As additional information becomes available or conditions change, estimates are revised.

36. Capitalised costs related to oil producing activities

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Capitalised costs:				
Unproved properties	–	–	–	–
Proved properties	508,314	463,043	1,662,243	1,518,174
Total capitalised costs	508,314	463,043	1,662,243	1,518,174
Accumulated depreciation	114,937	89,601	375,856	293,774
Net capitalised costs	**393,377**	**373,442**	**1,286,387**	**1,224,400**

Capitalised costs include the cost of equipment and facilities for oil producing activities. Unproved properties include capitalised costs for oil leaseholds under exploration, and uncompleted exploratory well costs, including exploratory wells under evaluation. Proved properties include capitalised costs for oil leaseholds holding proved reserves, development wells and related equipment and facilities (including uncompleted development well costs) and support equipment.

37. Concessions

The original, expired and unexpired terms of concessions granted to the Group as at 31 December 2017 are:

		Original	Term in years expired	Unexpired
Seplat	OMLs 4, 38 & 41	10	8	2
Newton	OML 56	10	8	2
Seplat East Swamp	OML 53	30	20	10
Seplat Swamp	OML 55	30	20	10

38. Results of operations for oil producing activities

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Revenue	138,281	63,384	452,179	254,217
Other income	–	–	–	–
Production and administrative expenses	(99,725)	(97,120)	(326,100)	(372,657)
Depreciation and amortisation	(25,102)	(13,683)	(82,082)	(54,326)
Profit/(loss) before taxation	13,454	(47,419)	43,997	(172,766)
Taxation	67,657	2,035	221,233	6,672
Profit/(loss) after taxation	81,111	(45,384)	265,230	(166,094)

39. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

40. Exchange rates used in translating the accounts to Naira

The table below shows the exchange rates used in translating the accounts into Naira

	Basis	₦/$
Fixed assets – opening balances	Historical rate	Historical
Fixed assets – additions	Average rate	305.80
Fixed assets – closing balances	Closing rate	305.81
Current assets	Closing rate	305.81
Current liabilities	Closing rate	305.81
Equity	Historical rate	Historical
Income and expenses	Overall average rate	305.81

Separate statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	Notes	31 Dec 2017 ₦ million	31 Dec 2016 ₦ million	31 Dec 2017 US$ '000	31 Dec 2016 US$ '000
Revenue	5	127,655	51,995	417,428	202,446
Cost of sales	6	(67,666)	(36,048)	(221,258)	(157,333)
Gross profit		59,989	15,947	196,170	45,113
General and administrative expenses	7	(15,321)	(23,017)	(50,095)	(92,629)
Gains/(losses) on foreign exchange (net)	8	334	(29,537)	1,092	(104,328)
Fair value loss	9	(5,931)	(2,186)	(19,393)	(12,455)
Operating profit/ (loss)		39,071	(38,793)	127,774	(164,299)
Finance income	10	11,924	26,846	38,992	94,139
Finance costs	10	(22,236)	(17,314)	(72,710)	(68,751)
Profit/(loss) before taxation		28,759	(29,261)	94,056	(138,911)
Taxation	11	67,657	4,421	221,233	14,499
Profit/(loss) for the year		96,416	(24,840)	315,289	(124,412)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference		1,027	147,881	–	–
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations	25b	(90)	172	(294)	563
Deferred tax assets on remeasurement of post-employment benefit obligations	12a	76	–	250	–
Remeasurement of post-employment benefit obligations (net of tax)		(14)	172	(44)	563
Other comprehensive income for the year (net of tax)		1,013	148,053	(44)	563
Total comprehensive income/(loss) for the year (net of tax)		97,429	123,213	315,245	(123,849)
Earnings/(loss) per share for (loss)/profit attributable to the ordinary equity holders of the Company:					
Basic earnings/(loss) per share ₦/(US$)	27	171.12	(44.09)	0.56	(0.22)
Diluted earnings/(loss) per share ₦/(US$)	27	168.66	(43.97)	0.55	(0.22)

Notes 1 to 32 on pages 191 to 234 are an integral part of the financial statements.

Separate statement of financial position

As at 31 December 2017

	Notes	31 Dec 2017 ₦ million	31 Dec 2016 ₦ million	31 Dec 2017 US$ '000	31 Dec 2016 US$ '000
Assets					
Non-current assets					
Oil & gas properties	14a	278,841	264,626	911,839	867,627
Other property, plant and equipment	14b	1,537	2,414	5,025	7,914
Prepayments	15	9,957	10,253	32,562	33,616
Deferred tax assets	12	68,417	–	223,731	–
Investment in subsidiaries	16	345	325	1,129	1,064
Total non-current assets		359,097	277,618	1,174,286	910,221
Current assets					
Inventories	17	29,576	31,295	96,719	102,608
Trade and other receivables	18	327,528	326,046	1,071,044	1,069,003
Prepayments	15	513	1,983	1,674	6,500
Cash and cash equivalents	19	117,220	44,950	383,321	147,377
Total current assets		474,837	404,274	1,552,758	1,325,488
Total assets		833,934	681,892	2,727,044	2,235,709
Equity and liabilities					
Equity					
Issued share capital	20	283	283	1,826	1,826
Share premium	20c	82,080	82,080	497,457	497,457
Share-based payment reserve	20b	4,332	2,597	17,809	12,135
Capital contribution	21	5,932	5,932	40,000	40,000
Retained earnings		203,072	106,670	1,045,985	730,740
Foreign currency translation reserve		194,526	193,499	–	–
Total shareholders' equity		490,225	391,061	1,603,077	1,282,158
Non-current liabilities					
Interest bearing loans and borrowings	23	93,170	136,060	304,677	446,098
Provision for decommissioning obligation	24	30,716	103	100,447	339
Defined benefit plan	25	1,994	1,559	6,518	5,112
Total non-current liabilities		125,880	137,722	411,642	451,549
Current liabilities					
Interest bearing loans and borrowings	23	81,159	66,489	265,400	217,998
Trade and other payables	26	135,406	86,045	442,792	282,119
Current taxation	11	1,264	575	4,133	1,885
Total current liabilities		217,829	153,109	712,325	502,002
Total liabilities		343,709	290,831	1,123,967	953,551
Total shareholders' equity and liabilities		833,934	681,892	2,727,044	2,235,709

Notes 1 to 32 on pages 191 to 234 are an integral part of the financial statements.

The financial statements of Seplat Development Company Plc for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 28 February 2018 and were signed on its behalf by:

A.B.C. Orjiako
FRC/2013/IODN/00000003161
Chairman
28 February 2018

Austin Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
28 February 20187

Roger Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
28 February 2018

Separate statement of changes in equity

For the year ended 31 December 2017

	Notes	Issued share capital ₦ million	Share premium ₦ million	Capital contribution ₦ million	Share-based payment reserve ₦ million	Retained earnings ₦ million	Foreign currency translation reserve ₦ million	Total equity ₦ million
At 1 January 2016		282	82,080	5,932	1,729	136,456	45,618	272,097
Loss for the year		–	–	–	–	(24,840)	–	(24,840)
Other comprehensive income		–	–	–	–	172	147,881	148,053
Total comprehensive (loss) for the year		–	–	–	–	(24,668)	147,881	123,213
Transactions with owners in their capacity as owners:								
Dividends	28	–	–	–	–	(5,118)	–	(5,118)
Share-based payments	20b	–	–	–	869	–	–	869
Issue of shares	20b	1	–	–	(1)	–	–	–
Total		1	–	–	868	(5,118)	–	(4,249)
At 31 December 2016		283	82,080	5,932	2,597	106,670	193,499	391,061
At 1 January 2017		283	82,080	5,932	2,597	106,670	193,499	391,061
Profit for the year		–	–	–	–	96,416	–	96,416
Other comprehensive (loss)/income		–	–	–	–	(14)	1,027	1,013
Total comprehensive income/(loss) for the year		–	–	–	–	96,402	1,027	97,429
Transactions with owners in their capacity as owners:								
Share-based payments	25b	–	–	–	1,735	–	–	1,735
Total		–	–	–	1,735	–	–	1,735
At 31 December 2017		**283**	**82,080**	**5,932**	**4,332**	**203,072**	**194,526**	**490,255**

Notes 1 to 32 on pages 191 to 234 are an integral part of the financial statements.

	Notes	Issued share capital US$ '000	Share premium US$ '000	Capital contribution US$ '000	Share-based payment reserve US$ '000	Retained earnings US$ '000	Total equity US$ '000
At 1 January 2016		1,821	497,457	40,000	8,734	877,123	1,425,135
Loss for the year		–	–	–	–	(124,412)	(124,412)
Other comprehensive income		–	–	–	–	563	563
Total comprehensive (loss) for the year		–	–	–	–	(123,849)	(123,849)
Transactions with owners in their capacity as owners:							
Dividends	28	–	–	–	–	(22,534)	(22,534)
Share-based payments	20b	–	–	–	3,406	–	3,406
Issue of shares	20b	5	–	–	(5)	–	–
Total		5	–	–	3,401	(22,534)	(19,128)
At 31 December 2016		1,826	497,457	40,000	12,135	730,740	1,282,158
At 1 January 2017		1,826	497,457	40,000	12,135	730,740	1,282,158
Profit for the year		–	–	–	–	315,289	315,289
Other comprehensive loss		–	–	–	–	(44)	(44)
Total comprehensive income/(loss) for the year		–	–	–	–	315,245	315,245
Transactions with owners in their capacity as owners:							
Share-based payments	25b	–	–	–	5,674	–	5,674
Total		–		–	5,674	–	5,674
At 31 December 2017		**1,826**	**497,457**	**40,000**	**17,809**	**1,045,985**	**1,603,077**

Notes 1 to 32 on pages 191 to 234 are an integral part of the financial statements.

Separate statement of cash flows

For the year ended 31 December 2017

	Notes	31 Dec 2017 ₦ million	31 Dec 2016 ₦ million	31 Dec 2017 US$'000	31 Dec 2016 US$'000
Cash flows from operating activities					
Cash generated from operations	13	118,577	37,258	387,760	156,907
Receipts from derivatives		–	3,275	–	10,739
Defined benefits paid		(163)	(74)	(532)	(242)
Net cash inflows from operating activities		118,414	40,459	387,228	167,404
Cash flows from investing activities					
Investment in oil and gas properties		(4,818)	(15,805)	(15,756)	(51,834)
Investment in other property, plant and equipment		(441)	(992)	(1,442)	(2,352)
Investment in subsidiary	16	(20)	–	(65)	–
Proceeds from disposal of other property, plant and equipment		50	151	162	385
Proceeds from sale of other asset		–	–	–	–
Interest received		11,924	26,846	38,992	1,644
Net cash inflows/(outflows) from investing activities		6,695	10,200	21,891	(52,157)
Cash flows from financing activities					
Repayments of bank financing		(29,970)	(43,774)	(98,000)	(187,000)
Dividends paid		–	(5,118)	–	(22,534)
Interest paid on bank financing		(21,213)	(17,227)	(69,366)	(68,421)
Interest paid on crude oil advances		(1,770)	–	(5,789)	–
Net cash inflows/(outflows) from financing activities		(52,953)	(66,119)	(173,155)	(277,955)
Net increase/(decrease) in cash and cash equivalents		72,156	(15,460)	235,964	(162,708)
Cash and cash equivalents at beginning of year		44,950	62,908	147,377	316,374
Effects of exchange rate changes on cash and cash equivalents		114	(2,498)	(20)	(6,289)
Cash and cash equivalents at end of year	19	117,220	44,950	383,321	147,377

Notes 1 to 32 on pages 191 to 234 are an integral part of the financial statements.

1. Corporate information and business

Seplat Petroleum Development Company Plc ('Seplat' or the 'Company') was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production.

The Company's registered address is: 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets:

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was US$340 million (₦104 billion) paid at the completion of the acquisition on 31 July 2010 and a contingent payment of US$33 million (₦10 billion) payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds US$80 (₦24,464) per barrel. US$358.6 million (₦110 billion) was allocated to the producing assets including US$18.6 million (₦5.7 billion) as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of US$33 million (₦10 billion) was paid on 22 October 2012.

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

During the reporting period ended 31 December 2017, the Company renegotiated its lending arrangements resulting in a 12-month extension of its revolving credit facility till 31 December 2018. Force majeure was also lifted in the period and as a result the Company significantly increased its production volumes. The Company continued its efforts towards securing alternative evacuation routes to ensure sustained growth in production volumes.

Resumption of exports via the Forcados terminal has strengthened the Company's financial performance and position during the period ended 31 December 2017.

2.2 Basis of preparation

i) Compliance with IFRS

The financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ('IASB'). Additional information required by national regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

ii) Historical cost convention

The financial information has been prepared under the going concern assumption and historical cost convention, except financial instruments on initial recognition measured at fair value. The financial statements are presented in Nigerian Naira and US Dollars and all values are rounded to the nearest thousand (₦'million and US$'000), except when otherwise indicated.

iii) Going concern

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.

iv) New and amended standards adopted by the Company

There were a number of new standards and amendments to standards that are effective for annual periods beginning after 1 January 2017; the Company has adopted these new or amended standards in its financial statements. The nature and impact of the new standards and amendments to the standards are described below.

Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

a. Disclosure initiative – Amendments to IAS 7

The Company is now required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets are included in this disclosure if the cash flows were, or are, included in cash flows from financing activities. This is the case, for example, for assets that hedge liabilities arising from financing liabilities.

The Company may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items are disclosed separately from the changes in liabilities arising from financing activities.

The Company discloses this information in tabular format as a reconciliation from opening and closing balances. There were no other standards adopted that had a material impact on the financial statements.

The Company discloses this information in Note 23.

2. Summary of significant accounting policies continued

v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 9 Financial Instruments
Nature of change	IFRS 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.
Impact	The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018: **Classification and measurement:** From the results, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets which are all currently classified as loans and receivables and are measured at amortised cost. IFRS 9 retains but simplifies the mixed measurement model and establishes three (3) primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The financial assets currently classified as loans and receivables in the financial statements will satisfy the conditions for classification at amortised cost under IFRS 9. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect financial liabilities that are designated at fair value through profit or loss and the Company does not have such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. **Impairment of financial assets:** The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') which considers more forward looking information in establishing a provision for impairment. It applies to financial assets classified at amortised cost and contract assets under IFRS 15 Revenue from Contracts with Customers. Based on assessments undertaken on the Company's portfolio of impaired NPDC receivables, it estimates that on adoption of the new principles on 1 January 2018, loss allowance for NPDC receivables would increase by approximately US$1.6 million (₦489 million) at that date and retained earnings would decrease by the same amount. The loss allowance is an estimated value which is subject to change in the 2018 financial statements. **Hedge accounting:** The new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Company does not expect a significant impact on the accounting for its hedging relationships as a result of the adoption of IFRS 9, as it has not formally elected to apply hedge accounting. **Disclosures:** The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Date of adoption	The Company will apply the new rules retrospectively from 1 January 2018. Comparatives for 2017 will not be restated.

Title of standard	IFRS 15 Revenue from Contracts with Customers
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard introduces a five-step model approach which is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Company will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.
Impact	Management has assessed the effects of applying the new standard on the Company's financial statements and has identified the following areas that will be affected: **Accounting for underlifts and overlifts:** IFRS 15 is applicable only if the counterparty to the contract is a customer. The standard defines a customer as a party that has contracts with an entity to obtain goods or services that are an output of the entity's ordinary activities. IFRS 15 makes a distinction between customers and partners or collaborators who share in the risks and benefits that result from the activity or process. Since the joint venture ('JV') partners do not meet the definition of a customer, overlifts and underlifts should not be recognised as revenue from contracts with customers. In addition, even if the partner meets the definition of a customer, the transaction would still be outside the scope of the standard since the transaction is a non-monetary exchange (exchange of crude oil for crude oil). The Company estimates that on adoption of the new principles on 1 January 2018, revenue would increase by ₦7 billion (US$24 million) and cost of sales would increase by the same amount, as a result of the accounting for overlifts and underlifts. **Accounting for consideration payable to the customer:** The standard requires that an entity accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, net of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. If the amount of consideration payable to the customer exceeds the fair value of the distinct good or service that the entity receives from the customer, then the entity accounts for such an excess as a reduction of the transaction price. If the entity cannot reasonably estimate the fair value of the good or service received from the customer, it accounts for all of the consideration payable to the customer as a reduction of the transaction price. The Company incurs barging costs in the course of the satisfaction of its performance obligations i.e. delivery of crude oil and gas. These costs do not transfer any distinct good or service to Seplat and as such represent consideration payable to a customer and will be accounted for as a direct deduction from revenue when Seplat recognises revenue for the delivery of crude oil and gas. The Company estimates that on adoption of the new principles as at 1 January 2018, revenue would reduce by an additional ₦2.7 billion (US$9 million) as a result of barging costs reclassified from general and administrative expenses. **Presentation of contract assets and contract liabilities on the balance sheet:** IFRS 15 requires the separate presentation of contract assets and contract liabilities on the balance sheet. On adoption of the new principles as at 1 January 2018, it would result in a reclassification of advances for future oil sales amounting to ₦41 billion (US$136 million) which are currently included in deferred revenue to contract liabilities. The estimated impact in revenue on adoption of the new principles of IFRS 15 is subject to change in the 2018 financial statements.
Date of adoption	The Company will adopt the new standard on 1 January 2018 using the modified retrospective approach.

Title of standard	IFRS 16 Leases
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	**Operating leases:** The standard will affect primarily the accounting for the Company's operating leases which include leases of buildings, boats, storage facilities, rigs, land and motor vehicles. As at the reporting date, the Company has non-cancellable operating lease commitments of ₦1.3 billion (US$4.2 million). A Right of use asset and lease liability will be recognised for these commitments. As at the reporting period, the full extent of the impact is yet to be quantified for the affected leases. **Short-term leases & low-value leases:** The Company's one-year contracts with no planned extension commitments mostly applicable to leased staff flats will be covered by the exception for short-term leases, while none of the Company's leases will be covered by the exception for low-value leases. **Service contracts:** Some commitments such as contracts for the provision of drilling, cleaning and community services were identified as service contracts as they did not contain an identifiable asset which the Company had a right to control. They therefore did not qualify as leases under IFRS 16.
Date of adoption	The standard for leases is mandatory for financial years commencing on or after 1 January 2019. The Company does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company.

2. Summary of significant accounting policies continued

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the subsidiaries operate ('the functional currency'), which is the US Dollar. The financial statements are presented in US Dollars and Nigerian Naira.

The Company has chosen to show both presentation and functional currency side by side and this is allowed by the regulator.

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss in profit or loss or other comprehensive income depending on where fair value gain or loss is reported.

2.4 Oil and gas accounting

i) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

ii) Exploration licence cost

Exploration licence costs are capitalised within oil and gas properties. Licence costs paid in connection with a right to explore an existing exploration area are capitalised and amortised on a straight-line basis over the life of the permit.

Licence costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence is written off through profit or loss.

iii) Acquisition of producing assets

Upon acquisition of producing assets which do not constitute a business combination, the Company identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed.

The purchase price paid for the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

iv) Exploration and evaluation expenditures

Geological and geophysical exploration costs are charged to profit or loss as incurred.

Exploration and evaluation expenditures incurred by the entity are accumulated separately for each area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure, but do not include general overheads or administrative expenditure that is not directly related to a particular area of interest. Each area of interest is limited to a size related to a known or probable hydrocarbon resource capable of supporting an oil operation.

Costs directly associated with an exploration well, exploratory stratigraphic test well and delineation wells are temporarily suspended (capitalised) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons ('proved reserves') are not found, the exploration expenditure is written off as a dry hole and charged to profit or loss. If hydrocarbons are found, the costs continue to be capitalised.

Suspended exploration and evaluation expenditure in relation to each area of interest is carried forward as an asset provided that one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale;
- exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; and
- active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and/or evaluation expenditures which fail to meet at least one of the conditions outlined above are written off. In the event that an area is subsequently abandoned or exploration activities do not lead to the discovery of proved or probable reserves, or if the Directors consider the expenditure to be of no value, any accumulated costs carried forward relating to the specified areas of interest are written off in the year in which the decision is made. While an area of interest is in the development phase, amortisation of development costs is not charged pending the commencement of production. Exploration and evaluation costs are transferred from the exploration and/or evaluation phase to the development phase upon commitment to a commercial development.

v) Development expenditures

Development expenditure incurred by the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure directly related to the development property. All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment is expected to be derived from the sale of production from the relevant development property.

2.5 Revenue recognition

Revenue arises from the sale of crude oil and gas. Revenue comprises the realised value of crude oil lifted by customers. Revenue is recognised when crude products are lifted by a third party (buyer) Free on Board ('FOB') at the Company's designated loading facility or lifting terminals. At the point of lifting, all risks and rewards are transferred to the buyer. Gas revenue is recognised when gas passes through the custody transfer point.

i) Overlift and underlift

The excess of the product sold during the period over the Company's ownership share of production is termed as an overlift and is accrued for as a liability and not as revenue. Conversely, an underlift is recognised as an asset and the corresponding revenue is also reported.

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 revenue or cost of sales.

2.6 Property, plant and equipment

Oil and gas properties and other plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the entity, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised as incurred as long as these costs increase the efficiency of the unit or extend the useful life of the asset. All other maintenance costs are expensed as incurred.

i) Depreciation

Production and field facilities are depreciated on a unit-of-production basis over the estimated proved developed reserves. Assets under construction are not depreciated. Other property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

Plant and machinery	20%
Motor vehicles	25%
Office furniture and IT equipment	33.33%
Leasehold improvements	Over the unexpired portion of the lease

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

2.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. These costs may arise from: specific borrowings used for the purpose of financing the construction of a qualifying asset, and those that arise from general borrowings that would have been avoided if the expenditure on the qualifying asset had not been made. The general borrowing costs attributable to an asset's construction are calculated by reference to the weighted average cost of general borrowings that are outstanding during the period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Summary of significant accounting policies continued

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

If any such indication of impairment exists or when annual impairment testing for an asset group is required, the entity makes an estimate of its recoverable amount. Such indicators include changes in the Company's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

The recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and value in use ('VIU'). 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 group of assets, in which case, the asset is tested as part of a larger cash-generating unit to which it belongs. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In calculating VIU, 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/CGU. In determining FVLCD, 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.

i) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment once commercial reserves are found before they are transferred to oil and gas assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

ii) Impairment – proved oil and gas production properties

Proven oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.10 Inventories

Inventories represent the value of tubulars, casing and wellheads. These are stated at the lower of cost and net realisable value. Cost is determined using the invoice value and all other directly attributable costs to bringing the inventory to the point of use determined on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

2.11 Segment reporting

Segment reporting has not been prepared as the Company operates one segment, being the exploration, development and production of oil and gas related products located in Nigeria. Operations in the different OMLs are integrated due to geographic proximity, the use of shared infrastructure and common operational management.

2.12 Financial instruments

2.12.1 Financial assets

i) Financial assets – initial recognition and measurement

The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which do not include transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables, favourable derivatives and loan and other receivables.

ii) Subsequent measurement
The subsequent measurement of financial assets depends on their classification, as follows:

Trade receivables, loans and other receivables
Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in the current assets, except for maturities greater than 12 months after the reporting date. The Company's loans and receivables comprise trade and other receivables in the consolidated historical financial information.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method net of any impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade is uncollectable, it is written off against the allowance account for trade receivables.

iii) Impairment of financial assets
The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

iv) Derecognition of financial assets
A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire. When an existing financial asset is transferred, the transfer qualifies for derecognition if the Company transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

2.12.2 Financial liabilities
Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, and financial liabilities at amortised cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

i) Financial liabilities – initial recognition and measurement
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

ii) Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost while any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of borrowings using the effective interest method.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

iii) Derecognition of financial liabilities
A financial liability is derecognised when the associated obligation is discharged or cancelled or expired. 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 in the statement of profit or loss.

2. Summary of significant accounting policies continued

2.12.3 Derivative financial instruments
The Company uses derivative financial instruments, such as forward exchange contracts, to hedge its foreign exchange risks as well as put options to hedge against its oil price risk. However, such contracts are not accounted for as designated hedges. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss and presented within operating profit.

Commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements fall within the exemption from IAS 32 and IAS 39, which is known as the 'normal purchase or sale exemption'. For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Company recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 4 financial risk management.

2.12.4 Fair value of financial instruments
The Company measures all financial instruments at initial recognition at fair value and financial instruments carried at fair value through profit and loss such as derivatives at fair value at each reporting date. From time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g. when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit ('CGU') at FVLCD.

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 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 Company 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. From time to time external valuers are used to assess FVLCD of the Company's non-financial assets. Involvement of external valuers is decided upon by the valuation committee after discussion with and approval by the Company'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 Company's external valuers, which valuation techniques and inputs to use for each case.

Changes in estimates and assumptions about these inputs could affect the reported fair value. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2.13 Share capital
Issued share capital has been translated at the exchange rate prevailing at the date of the transaction and is not retranslated subsequent to initial recognition.

2.14 Earnings and dividends per share
Basic EPS
Basic earnings per share is calculated on the Company's profit or loss after taxation and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

Diluted EPS
Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders (after adjusting for outstanding share options arising from the share-based payment scheme) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividends on ordinary shares are recognised as a liability in the period in which they are approved.

2.15 Post-employment benefits
Defined contribution scheme
The Company contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Company. The Company's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. The Company operates a defined contribution plan and it is accounted for based on IAS 19 Employee Benefits.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

Defined benefit scheme

The Company operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund. The Company also provides certain additional post-employment benefits to employees. These benefits are unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation.

The Company recognises the following changes in the net defined benefit obligation under employee benefit expenses in general and administrative expenses:

- Service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest cost.

2.16 Provisions

Provisions are recognised when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of economic resources will be required to settle the obligation as a whole; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

In measuring the provision:

- risks and uncertainties are taken into account;
- the provisions are discounted where the effect of the time value of money is considered to be material;
- when discounting is used, the increase of the provision over time is recognised as interest expense;
- future events, such as changes in law and technology, are taken into account where there is subjective audit evidence that they will occur; and
- gains from expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.

Decommissioning

Liabilities for decommissioning costs are recognised as a result of the constructive obligation of past practice in the oil and gas industry, when it is probable that an outflow of economic resources will be required to settle the liability and a reliable estimate can be made. The estimated costs, based on current requirements, technology and price levels, prevailing at the reporting date, are computed based on the latest assumptions as to the scope and method of abandonment.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The corresponding amount is capitalised as part of the oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the estimated cost of the restoration and abandonment cost is capitalised, while the charge arising from the accretion of the discount applied to the expected expenditure is treated as a component of finance charges.

If the change in estimate results in an increase in the decommissioning provision and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas assets net of decommissioning provisions exceed the recoverable value, that portion of the increase is charged directly to expense.

2.17 Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

2. Summary of significant accounting policies continued

2.18 Income taxation

i) Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Taxation on crude oil activities is provided in accordance with the Petroleum Profits Tax Act ('PPTA') CAP. P13 Vol. 13 LFN 2004 and on gas operations in accordance with the Companies Income Tax Act ('CITA') CAP. C21 Vol. 3 LFN 2004. Education tax is assessed at 2% of the assessable profits.

ii) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated historical financial information and the corresponding tax bases used in the computation of taxable profit.

A deferred income tax charge is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax 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.

iii) New tax regime

Effective 1 January 2013, the Company was granted the inter tax status incentive by the Nigerian Investment Promotion Commission for an initial three-year period and a further two-year period on approval. For the period the incentive applies, the Company is exempt from petroleum profits tax on crude oil profits (which would be otherwise taxed at 65.75%, to increase to 85% in 2018), corporate income tax on natural gas profits (currently taxed at 30%) and education tax of 2%.

2.19 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.20 Share-based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

i) Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the 'vesting period'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date and for fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated historical financial information:

i) OMLs 4, 38 and 41

OMLs 4, 38 and 41 are grouped together as a cash-generating unit for the purpose of impairment testing. These three OMLs are grouped together because they each cannot independently generate cash flows. They currently operate as a single block sharing resources for the purpose of generating cash flows. Crude oil and gas sold to third parties from these OMLs are invoiced together.

ii) New tax regime

As at the end of the year, the Nigerian Investment Promotion Commission is yet to approve the tax incentives for the additional two years of the tax holidays. The financial statements have been prepared on the assumption that the tax incentives may not be renewed and hence this forms the basis of the Company's current and deferred taxation in the financial statements. Deferred tax assets have been recognised during the year. Deferred tax liabilities were not recognised in current and prior reporting periods as the Company was not liable to make future income taxes payment in respect of taxable temporary differences.

iii) Foreign currency translation reserve

The Company has used the CBN rate to translate its Dollar currency to its Naira presentation currency. Management has determined that this rate is available for immediate delivery. If the rate used was 10% higher or lower, revenue in Naira would have increased/decreased by ₦12.8 billion (2016: ₦5.2 billion)

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) NPDC receivables

In 2016, an impairment assessment was carried out on NPDC receivables using the future estimated cash flow expected to be recoverable from NPDC over the next 18 months. The estimated future cash payments and receipts recoverable over the expected life of the receivable were discounted using Seplat's average borrowing cost of 8%. The resulting adjustment was recognised under general and administrative expenses in the statement of comprehensive income.

As at December 2017, management's reassessment of these receivables showed that the full value is deemed to be fully recoverable. As a result, the previously recognised impairment loss was reversed. The total amount owed by NPDC as at 31 December 2017 is ₦34 billion, 2016: ₦72 billion (US$113 million, 2016: US$239 million).

ii) Defined benefit plans (pension benefits)

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and changes in inflation rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The rates of mortality assumed for employees are the rates published in 67/70 ultimate tables, published jointly by the Institute and Faculty of Actuaries in the UK.

iii) Oil and gas reserves

Proved oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure for estimating decommissioning liabilities and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

iv) Share-based payment reserve

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share award or appreciation right, volatility and dividend yield and making assumptions about them. The Company measures the fair value of equity-settled transactions with employees at the grant date. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 20b.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Significant accounting judgements, estimates and assumptions continued

v) Provision for decommissioning obligations

Provisions for environmental clean-up and remediation costs associated with the Company's drilling operations are based on current constructions, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

During the year, the Company undertook a detailed review of the assumptions used in calculating the provision for decommissioning liabilities and has revised its estimates at the end of the reporting period. This resulted in a change in inflation rate, risk-free discount rate and reserves estimate which increased the oil and gas properties and provision for decommissioning liabilities. See Note 24 for further details.

vi) Property, plant and equipment

The Company assesses its property, plant and equipment, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date.

If there are low oil prices or natural gas prices during an extended period the Company may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas.

During the year, the Company carried out an impairment assessment on OMLs 4, 38 and 48. The Company used the value in use in determining the recoverable amount of the cash-generating unit. In determining the value, the Company used a recent forward curve for five years, reverting to the Company's long-term price assumption for impairment testing which is US$45 (₦13,725) in 2018, US$50 (₦15,250) in 2019 and US$55 (₦16,775) per barrel from 2020 point forward. The Company used a post-tax discount rate of 10% based on its weighted average cost of capital. The impairment test did not result in an impairment charge for both 2017 and 2016 reporting periods.

In 2016 however, the impairment assessment was as a result of the force majeure on OMLs 4, 38 and 48. The Company calculated the value in use of the assets using a recent forward curve for five years, reverting to the Company's long-term price assumption for impairment testing which is US$55 (₦16,775) in 2017, US$60 (₦18,300) in 2018 and US$70 (₦21,350) per barrel from 2019 point forward. The Company used a post-tax discount rate of 10% based on the Company weighted average cost of capital. The assessment did not result in an impairment charge.

Management has considered whether a reasonable possible change in one of the main assumptions will cause an impairment and believes otherwise. See Note 14 for further details.

vii) Useful life of other property, plant and equipment

The Company recognises depreciation on other property, plant and equipment on a straight-line basis in order to write-off the cost of the asset over its expected useful life. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal and other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Company may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

viii) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. See Note 33 for further details.

ix) Income taxes

The Company is subject to income taxes by the Nigerian tax authority, which does not require significant judgement in terms of provision for income taxes, but a certain level of judgement is required for recognition of deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will be used to recover all deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. The estimates are based on the future cash flow from operations taking into consideration the oil and gas prices, volumes produced, operational and capital expenditure. See Note 11 for further details.

4. Financial risk management

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks such as market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	• Future commercial transactions. • Recognised financial assets and liabilities not denominated in US Dollars.	• Cash flow forecasting • Sensitivity analysis	• Match and settle foreign denominated cash inflows with foreign denominated cash outflows.
Market risk – interest rate	• Long-term borrowings at variable rate.	• Sensitivity analysis.	• Review refinancing opportunities.
Market risk – commodity prices	• Future sales transactions.	• Sensitivity analysis.	• Oil price hedges.
Credit risk	• Cash and cash equivalents, trade receivables and derivative financial instruments.	• Ageing analysis. • Credit ratings.	• Diversification of bank deposits.
Liquidity risk	• Borrowings and other liabilities.	• Rolling cash flow forecasts.	• Availability of committed credit lines and borrowing facilities.

4.1.1 Market risk

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

i) Commodity price risk

The Company is exposed to the risk of fluctuations on crude oil prices. The Company economically hedges against this risk and sells the oil that it produces to Shell Trading and Mercuria at market prices calculated in accordance with the terms of the Off-take Agreement.

The following table summarises the impact on the Company's profit/(loss) before tax of a 10% change in crude oil prices, with all other variables held constant:

Increase/decrease in commodity price	Effect on profit/(loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/ profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+10%	8,974	–	2,958	–
-10%	(8,974)	–	(2,958)	–

Increase/decrease in commodity price	Effect on profit/(loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+10%	29,346	–	9,699	–
-10%	(29,346)	–	(9,699)	–

The following table summarises the impact on the Company's profit/(loss) before tax of a 10% change in gas prices, with all other variables held constant:

Increase/decrease in commodity price	Effect on profit/(loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+10%	3,791	–	3,217	–
-10%	(3,791)	–	(3,217)	–

Increase/decrease in commodity price	Effect on profit/(loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+10%	12,397	–	10,546	–
-10%	(12,397)	–	(10,546)	–

4. Financial risk management continued

ii) Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk relates primarily to long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and fixed deposits held at variable rates. At the end of the reporting date, the Company had no borrowings at fixed rates. The Company's borrowings are denominated in US Dollars.

The Company is exposed to cash flow interest rate risk on short-term deposits to the extent that the significant reductions in market interest rates would result in a decrease in the interest earned by the Company.

The following table demonstrates the sensitivity of the Company's profit/(loss) before tax to changes in LIBOR rate, with all other variables held constant.

Increase/decrease in interest rate	Effect on profit/(loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/ profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+1%	(1,743)	–	(2,025)	–
-1%	1,743	–	2,025	–

Increase/decrease in interest rate	Effect on profit/(loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/ profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+1%	(5,701)	–	(6,641)	–
-1%	5,701	–	6,641	–

iii) Foreign exchange risk

The Company has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currency. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US Dollar.

The Company holds the majority of its cash and cash equivalents in US Dollars. However, the Company does maintain deposits in Naira in order to fund ongoing general and administrative activities and other expenditure incurred in this currency. Other monetary assets and liabilities which give rise to foreign exchange risk include trade and other receivables and trade and other payables.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Company's profit/(loss) before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Financial assets				
Cash and cash equivalents	26,565	8,358	86,869	27,402
Trade and other receivables	22,699	20,604	74,229	67,555
	49,264	28,962	161,098	94,957
Financial liabilities				
Trade and other payables	(23,335)	(2,793)	(76,307)	(9,159)
Net exposure to foreign exchange risk	**25,929**	**26,169**	**84,791**	**85,798**

Sensitivity to foreign exchange risk is based on the Company's net exposure to foreign exchange risk due to Naira denominated balances. If the Naira strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit/ (loss) before tax 2017 ₦ million	Effect on other components of equity before tax 2017 ₦ million	Effect on (loss)/ profit before tax 2016 ₦ million	Effect on other components of equity before tax 2016 ₦ million
+5%	(1,235)	–	(1,246)	–
-5%	1,365	–	1,377	–

Increase/decrease in foreign exchange risk	Effect on profit/ (loss) before tax 2017 US$ '000	Effect on other components of equity before tax 2017 US$ '000	Effect on (loss)/ profit before tax 2016 US$ '000	Effect on other components of equity before tax 2016 US$ '000
+5%	(4,038)	–	(4,086)	–
-5%	4,463	–	4,516	–

4.1.2 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions as well as credit exposures to customers.

i) Risk management

The Company is exposed to credit risk from its sale of crude oil to Shell Western Supply and Trading Limited and Mercuria. The Company's trade with Shell Western Supply and Trading Limited is as specified within the terms of the crude off-take agreement and runs for five years until 31 December 2017 with a 30 day payment term. The off-take agreement with Mercuria also runs for five years until 31 July 2020 with a 30 day payment term.

In addition, the Company is exposed to credit risk in relation to its sale of gas to Nigerian Gas Company ('NGC') Limited, a subsidiary of NNPC, its sole gas customer during the year.

The Company monitors receivable balances on an ongoing basis and there has been no significant history of impairment losses except for the NPDC receivables which are now deemed to be fully recoverable during the reporting period.

The credit risk on cash is limited because the majority of deposits are with banks that have an acceptable credit rating assigned by an international credit agency. The Company's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

The accounts receivable balance includes the following related party receivables:

		Percentage of total receivables	
		2017	2016
Cardinal Drilling Services Limited	Receivables relate to deposits that are expected to be utilised or refunded	1%	1%

The maximum exposure to credit risk as at the reporting date is:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Trade and other receivables (gross)	324,552	326,572	1,061,321	1,070,728
Cash and cash equivalents	117,220	44,950	383,321	147,377
Gross amount	441,772	371,522	1,444,642	1,218,105
Impairment of NPDC receivables	–	(3,129)	–	(10,260)
Net amount	441,772	368,393	1,444,642	1,207,845

Trade and other payables (excluding non-financial liabilities such as provisions, accruals, taxes and pension and other non-contractual payables), trade and other receivables (excluding prepayments) and cash and cash equivalents are financial instruments whose carrying amounts as the financial statements approximate their fair values.

4. Financial risk management continued

31 Dec 2017	Trade receivables & intercompany receivables ₦ million	NPDC receivables ₦ million	Other receivables ₦ million	Cash & bank balances ₦ million	Total ₦ million
Neither past due nor impaired	267,595	–	9	117,220	384,824
Past due but not impaired	22,496	34,453	–	–	56,949
Gross amount	290,091	34,453	9	117,220	441,773
Impairment loss	–	–	–	–	–
Net amount	290,091	34,453	9	117,220	441,773
31 December 2016					
Neither past due nor impaired	232,398	–	8	44,950	277,356
Past due but not impaired	21,261	–	–	–	21,261
Impaired	–	72,905	–	–	72,905
Gross amount	253,659	72,905	8	44,950	371,522
Impairment loss	–	(3,129)	–	–	(3,129)
Net amount	253,659	69,776	8	44,950	368,393

31 Dec 2017	Trade receivables & intercompany receivables US$'000	NPDC receivables US$'000	Other receivables US$'000	Cash & bank balances US$'000	Total US$'000
Neither past due nor impaired	875,064	–	29	383,321	1,258,414
Past due but not impaired	73,564	112,664	–	–	186,228
Gross amount	948,628	112,664	29	383,321	1,444,642
Impairment loss	–	–	–	–	–
Net amount	948,628	112,664	29	383,321	1,444,642
31 December 2016					
Neither past due nor impaired	761,960	–	25	147,377	909,362
Past due but not impaired	69,708	–	1	–	69,709
Impaired	–	239,034	–	–	239,034
Gross amount	831,668	239,034	26	147,377	1,218,105
Impairment loss	–	(10,260)	–	–	(10,260)
Net amount	831,668	228,774	26	147,377	1,207,845

ii) Credit quality of financial assets that are neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Counterparties with external credit rating (Fitch's)	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Cash and cash equivalents				
Non rated	59,153	24,457	193,437	80,188
B -	16,019	587	52,384	1,924
B	14,937	6,446	48,845	21,134
B +	2,647	2,447	8,655	8,024
A +	24,464	11,013	80,000	36,107
A A-	–	–	–	–
	117,220	44,950	383,321	147,377

Counterparties without external credit rating	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Trade and other receivables[1]				
Company 1	–	–	–	–
Company 2	267,603	232,405	875,093	761,985
Company 3	–	–	–	–
	267,603	232,405	875,093	761,985

1 Includes trade receivables, intercompany receivables, NPDC receivables and other receivables.

Group 1 – new customers (less than one year).
Group 2 – existing customers (more than one year) with some defaults in the past. All defaults are recoverable.
Group 3 – government entities.

iii) Ageing analysis for financial assets that are past due but not impaired

The ageing analysis of the trade receivables and amounts due from NPDC/NAPIMS is as follows:

	Total	Past due but not impaired				
	₦ million	<30 days ₦ million	30-60 days ₦ million	60-90 days ₦ million	90-120 days ₦ million	>120 days ₦ million
Trade receivables						
31 December 2017	22,496	4,217	3,328	5,168	6,103	3,680
31 December 2016	21,261	13,925	–	1,513	–	5,823
NPDC receivables						
31 December 2017	34,453	–	11,370	–	–	23,083
31 December 2016	–	–	–	–	–	–

	Total	Past due but not impaired				
	US$ '000	<30 days US$ '000	30-60 days US$ '000	60-90 days US$ '000	90-120 days US$ '000	>120 days US$ '000
Trade receivables						
31 December 2017	73,564	13,790	10,884	16,899	19,957	12,034
31 December 2016	69,708	45,656	–	4,961	–	19,091
NPDC/NAPIMS receivables						
31 December 2017	112,664	–	37,179	–	–	75,485
31 December 2016	–	–	–	–	–	–

iv) Impaired receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate allowance for impairment. The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment allowance was recognised are written off against the allowance when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses. See Note 2.12.1 (iii) for information about how impairment losses are calculated.

Individually impaired trade receivables relate to NPDC receivables that were outstanding in 2016 (₦2.27 billion, US$10.26 million) which are now deemed to be fully recoverable. The Company expects to recover the receivables, however due to the timing of the receipts, the future cash flows have been discounted to reflect the time value of money.

Movements in the provision for impairment of trade receivables that are assessed for impairment are as follows:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
At 1 January	3,129	–	10,260	–
Allowance for impairment recognised during the year	–	2,273	–	10,260
Reversal of previously recognised impairment losses	(3,138)	856	(10,260)	–
Exchange differences	9	–	–	–
At 31 December	–	3,129	–	10,260

4. Financial risk management continued

4.1.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Company uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Company's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in deposit bearing current accounts, time deposits and money market deposits.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

31 December 2017	Effective interest rate %	Less than 1 year ₦ million	1 – 2 years ₦ million	2 – 3 years ₦ million	3 – 5 years ₦ million	After 5 years ₦ million	Total ₦ million
Non-derivatives							
Variable interest rate borrowings (bank loans):							
Allan Gray	8.5% + LIBOR	1,696	1,564	1,124	538	–	4,922
Zenith Bank Plc	8.5% + LIBOR	23,243	21,439	15,404	7,371	–	67,457
First Bank of Nigeria Limited	8.5% + LIBOR	12,830	11,835	8,503	4,069	–	37,237
United Bank for Africa Plc	8.5% + LIBOR	14,527	13,400	9,628	4,607	–	42,162
Stanbic IBTC Bank Plc	8.5% + LIBOR	2,177	2,008	1,443	690	–	6,318
Standard Bank Plc	8.5% + LIBOR	2,177	2,008	1,443	690	–	6,318
Standard Chartered Bank	6.0% + LIBOR	5,747	–	–	–	–	5,747
Natixis	6.0% + LIBOR	5,747	–	–	–	–	5,747
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	4,470	–	–	–	–	4,470
Bank of America Merrill Lynch International Ltd	6.0% + LIBOR	–	–	–	–	–	–
FirstRand Bank Limited Acting	6.0% + LIBOR	3,831	–	–	–	–	3,831
Nomura Bank Plc[1]	6.0% + LIBOR	3,831	–	–	–	–	3,831
NedBank Ltd, London Branch	6.0% + LIBOR	3,831	–	–	–	–	3,831
The Mauritius Commercial Bank Plc[1]	6.0% + LIBOR	3,831	–	–	–	–	3,831
Stanbic IBTC Bank Plc	6.0% + LIBOR	2,874	–	–	–	–	2,874
Other non-derivatives							
Trade and other payables[2]	–	59,351	–	–	–	–	59,351
		150,163	52,254	37,545	17,965	–	257,927

1 Nomura and The Mauritius Commercial Bank replace JP Morgan and Bank of America.

2 Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

31 December 2016	Effective interest rate %	Less than 1 year ₦ million	1 – 2 years ₦ million	2 – 3 years ₦ million	3 – 5 years ₦ million	After 5 years ₦ million	Total ₦ million
Non-derivative							
Variable interest rate borrowings (bank loans):							
Zenith Bank Plc	8.5% + LIBOR	11,409	23,182	21,383	22,715	–	78,689
First Bank of Nigeria Limited	8.5% + LIBOR	7,131	14,489	13,364	14,197	–	49,181
United Bank for Africa Plc	8.5% + LIBOR	7,131	14,489	13,364	14,197	–	49,181
Stanbic IBTC Bank Plc	8.5% + LIBOR	1,069	2,171	2,003	2,128	–	7,371
The Standard Bank of South Africa Limited	8.5% + LIBOR	1,069	2,171	2,003	2,128	–	7,371
Standard Chartered Bank	6.0% + LIBOR	8,452	–	–	–	–	8,452
Natixis	6.0% + LIBOR	8,452	–	–	–	–	8,452
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	8,452	–	–	–	–	8,452
Bank of America Merrill Lynch International Ltd	6.0% + LIBOR	5,635	–	–	–	–	5,635
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.0% + LIBOR	5,635	–	–	–	–	5,635
JP Morgan Chase Bank NA, London Branch	6.0% + LIBOR	5,635	–	–	–	–	5,635
NedBank Ltd, London Branch	6.0% + LIBOR	5,635	–	–	–	–	5,635
Stanbic IBTC Bank Plc	6.0% + LIBOR	4,225	–	–	–	–	4,225
The Standard Bank of South Africa Ltd	6.0% + LIBOR	4,225	–	–	–	–	4,225
Other non-derivative							
Trade and other payables[1]		58,226	–	–	–	–	58,226
		142,381	56,502	52,117	55,365	–	306,365

1 Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

31 December 2017	Effective interest rate %	Less than 1 year US$ '000	1 – 2 years US$ '000	2 – 3 years US$ '000	3 – 5 years US$ '000	After 5 years US$ '000	Total US$ '000
Non-derivatives							
Variable interest rate borrowings (bank loans):							
Allan Gray	8.5% + LIBOR	5,546	5,116	3,676	1,759	–	16,097
Zenith Bank Plc	8.5% + LIBOR	76,006	70,109	50,373	24,104	–	220,592
First Bank of Nigeria Limited	8.5% + LIBOR	41,957	38,702	27,807	13,306	–	121,772
United Bank for Africa Plc	8.5% + LIBOR	47,504	43,818	31,483	15,065	–	137,870
Stanbic IBTC Bank Plc	8.5% + LIBOR	7,119	6,567	4,718	2,258	–	20,662
Standard Bank Plc	8.5% + LIBOR	7,119	6,567	4,718	2,258	–	20,662
Standard Chartered Bank	6.0% + LIBOR	18,794	–	–	–	–	18,794
Natixis	6.0% + LIBOR	18,794	–	–	–	–	18,794
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	14,617	–	–	–	–	14,617
Bank of America Merrill Lynch International Ltd	6.0% + LIBOR	12,529	–	–	–	–	12,529
FirstRand Bank Limited Acting	6.0% + LIBOR	12,529	–	–	–	–	12,529
Nomura Bank Plc[1]	6.0% + LIBOR	12,529	–	–	–	–	12,529
NedBank Ltd, London Branch	6.0% + LIBOR	12,529	–	–	–	–	12,529
The Mauritius Commercial Bank Plc[1]	6.0% + LIBOR	9,399	–	–	–	–	9,399
Stanbic IBTC Bank Plc	6.0% + LIBOR	13,576	–	–	–	–	13,576
Other non – derivatives							
Trade and other payables[2]	–	194,084	–	–	–	–	194,084
		504,631	170,879	122,775	58,750	–	857,035

1 Nomura and The Mauritius Commercial Bank replace JP Morgan and Bank of America.

2 Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

31 December 2016	Effective interest rate %	Less than 1 year US$ '000	1 – 2 years US$ '000	2 – 3 years US$ '000	3 – 5 years US$ '000	After 5 years US$ '000	Total US$ '000
Non-derivative							
Variable interest rate borrowings (bank loans):							
Zenith Bank Plc	8.5% + LIBOR	37,406	76,006	70,109	74,477	–	257,998
First Bank of Nigeria Limited	8.5% + LIBOR	23,379	47,504	43,818	46,548	–	161,249
United Bank for Africa Plc	8.5% + LIBOR	23,379	47,504	43,818	46,548	–	161,249
Stanbic IBTC Bank Plc	8.5% + LIBOR	3,504	7,119	6,567	6,976	–	24,166
The Standard Bank of South Africa Limited	8.5% + LIBOR	3,504	7,119	6,567	6,976	–	24,166
Standard Chartered Bank	6.0% + LIBOR	27,711	–	–	–	–	27,711
Natixis	6.0% + LIBOR	27,711	–	–	–	–	27,711
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	27,711	–	–	–	–	27,711
Bank of America Merrill Lynch International Ltd	6.0% + LIBOR	18,474	–	–	–	–	18,474
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.0% + LIBOR	18,474	–	–	–	–	18,474
JP Morgan Chase Bank NA, London Branch	6.0% + LIBOR	18,474	–	–	–	–	18,474
NedBank Ltd, London Branch	6.0% + LIBOR	18,474	–	–	–	–	18,474
Stanbic IBTC Bank Plc	6.0% + LIBOR	13,856	–	–	–	–	13,856
The Standard Bank of South Africa Ltd	6.0% + LIBOR	13,856	–	–	–	–	13,856
Other non-derivative							
Trade and other payables[1]		190,905	–	–	–	–	190,905
		466,818	185,252	170,879	181,525	–	1,004,474

1 Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

4. Financial risk management continued

4.2 Fair value

Set out below is a comparison by category of carrying amounts and fair value of all financial instruments:

	Carrying amount		Fair value	
	2017 ₦ million	2016 ₦ million	2017 ₦ million	2016 ₦ million
Financial assets				
Trade and other receivables	324,552	323,443	324,552	323,443
Cash and cash equivalents	117,220	44,950	117,220	44,950
	441,772	368,393	441,772	368,393
Financial liabilities				
Borrowings – Bank loans	174,329	202,549	174,329	202,549
Trade and other payables	59,351	58,226	59,351	58,226
	233,680	260,775	233,680	260,775

	Carrying amount		Fair value	
	2017 US$ '000	2016 US$ '000	2017 US$ '000	2016 US$ '000
Financial assets				
Trade and other receivables	1,061,321	1,060,468	1,061,321	1,060,468
Cash and cash equivalents	383,321	147,377	383,321	147,377
	1,444,642	1,207,845	1,444,642	1,207,845
Financial liabilities				
Borrowings – Bank loans	570,077	664,096	570,077	664,096
Trade and other payables	194,084	190,905	194,084	190,905
	764,161	855,001	764,161	855,001

In determining the fair value of the borrowings, non-performance risks of Seplat as at year-end were assessed to be insignificant.

Trade and other payables (excluding non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables), trade and other receivables (excluding prepayments) and cash and cash equivalents are financial instruments whose carrying amounts as per the financial statements approximate their fair values. This is mainly due to their short-term nature. Contingent consideration is measured and recognised at fair value.

4.2.1 Fair value hierarchy

The Company has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table. These are all recurring fair value measurements.

31 Dec 2017	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000
Financial liabilities:						
Borrowings – Bank loans	–	174,329	–	–	570,077	–
	–	**174,329**	**–**	**–**	**570,077**	**–**
31 Dec 2016						
Financial liabilities:						
Borrowings – Bank loans	–	202,549	–	–	664,096	–
	–	**202,549**	**–**	**–**	**664,096**	**–**

- 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.

There were no transfers between fair value levels during the year.

The fair value of the financial instruments is included at 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 following methods and assumptions were used to estimate the fair values:

Fair values of the Company's interest-bearing loans and borrowings are determined by using discounted cash flow models that use effective interest rates that reflect the borrowing rate as at the end of the year.

4.3 Capital management

4.3.1. Risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain optimal capital structure and reduce cost of capital. Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio, net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Borrowings:	174,329	202,549	570,077	664,096
Less: cash and cash equivalents	(117,220)	(44,950)	(383,321)	(147,377)
Net debt	57,109	157,599	186,756	516,719
Total equity	490,225	391,061	1,603,077	1,282,158
Total capital	547,334	548,660	1,789,833	1,798,877
Net debt (net debt/total capital) ratio	10%	29%	10%	29%

During 2017, the Company's strategy, which was unchanged from 2016, was to maintain a gearing ratio of 20% to 40%. Capital includes share capital, share premium, capital contribution and all other equity reserves attributable to the equity holders of the Company.

4.3.2. Loan covenant

Under the terms of the major borrowing facilities, the Company is required to comply with the following financial covenants every six months:

- Total net financial indebtedness to annualised EBITDA is not to be greater than 3:1;
- Six-month Debt Service Reserve Account ('DSRA') not to be lower than 1.25x on a forward looking basis; and
- Satisfactory 12-month Company liquidity test.

The Company has complied with these covenants throughout the reporting period (2016: The Company complied with the applicable covenants) with the exception of the financial indebtedness/EBITDA covenant which was waived by a majority lender consent.

5. Revenue

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Crude oil sale	97,313	26,111	318,210	104,235
(Overlift)/ Underlift	(7,571)	(1,579)	(24,755)	(7,249)
	89,742	24,532	293,455	96,986
Gas sales	37,913	27,463	123,973	105,460
	127,655	**51,995**	**417,428**	**202,446**

The major off-taker for crude oil is Mercuria (₦96 billion, 2016: ₦26.1 billion) (US$316 million, 2016: US$104 million). The major off-taker of gas is the Nigerian Gas Company (₦22 billion, 2016: ₦27 billion), (2017: US$72 million, 2016: US$105 million).

6. Cost of sales

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Royalties	20,963	10,534	68,546	37,043
Depletion, depreciation and amortisation (Note 14a)	23,877	6,909	78,078	48,600
Crude handling fees	8,556	618	27,976	5,351
Nigeria Export Supervision Scheme ('NESS') fee	104	30	340	109
Barging costs	2,787	5,484	9,113	17,885
Niger Delta Development Commission Levy	1,061	–	3,469	–
Rig-related costs	985	2,609	3,220	9,154
Operational & maintenance expenses	9,333	9,864	30,516	39,191
	67,666	**36,048**	**221,258**	**157,333**

7. General and administrative expenses

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Depreciation (Note 14b)	1,265	1,336	4,137	5,207
Auditors' remuneration	222	53	727	245
Professional and consulting fees	1,746	7,358	5,707	27,683
Directors' emoluments (executive)	711	434	2,322	1,641
Directors' emoluments (non-executive)	933	1,056	3,051	4,244
Donations	102	41	333	178
Employee benefits (Note 7a)	6,407	4,978	20,951	19,354
Business development expenses	–	6	–	20
Flights and other travel costs	2,036	1,395	6,657	5,248
Rentals	509	1,235	1,664	4,325
Loss on disposal of plant & equipment	10	307	32	1,509
Impairment losses	–	2,273	–	10,260
Other general expenses	1,380	2,545	4,514	12,715
	15,321	**23,017**	**50,095**	**92,629**

Directors' emoluments have been split between Executive and Non-Executive Directors' share-based payment expenses, included in employee benefits expense.

There were no non-audit services rendered by the Company's auditors during the year.

Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others. It also includes reversal of impairment loss of ₦3.14 billion, 2016: ₦2.27 billion (US$ 10 million, 2016: US$ 10 million). Impairment loss relates to the impairment of receivables due from Nigerian Petroleum Development Company ('NPDC') in Note 18. This provision is no longer required and the reversal of ₦2 billion (US$10 million) is included in general and administrative expenses.

7a. Salaries and employee-related costs include the following:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Short-term employee benefits:				
Basic salary	2,761	2,108	9,028	8,194
Housing allowances	421	821	1,376	3,190
Other allowances	685	586	2,241	2,249
Post employment benefits:				
Defined contribution expenses	303	354	991	1,377
Defined benefit expenses (Note 25)	502	240	1,641	938
Share-based payment benefits (Note 20b)	1,735	869	5,674	3,406
Total salaries and employee-related costs	**6,407**	**4,978**	**20,951**	**19,354**

8. Gains/(losses) on foreign exchange (net)

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Exchange gains/(losses)	334	(29,537)	1,092	(104,328)
Total	**334**	**(29,537)**	**1,092**	**(104,328)**

This is principally as a result of translation of Naira denominated monetary assets and liabilities. In the current reporting period, the Naira which is the Company's major foreign currency was relatively stable all year round (2016: Foreign exchange losses resulted from the Naira devaluation of approximately 53% as announced by the Central Bank of Nigeria).

9. Fair value loss

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Realised fair value losses on crude oil hedges	(5,931)	–	(19,393)	–
Unrealised fair value losses on crude oil hedges	–	(2,186)	–	(12,455)
Total	**(5,931)**	**(2,186)**	**(19,393)**	**(12,455)**

Realised fair value losses on crude oil hedges represent the payments for crude oil price options. These options expired on 31 December 2017.

10. Finance (cost)/income

Finance income	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Interest income	11,924	26,846	38,992	94,139
Finance cost				
Interest on advance payment on crude oil sales	1,770	–	5,789	–
Interest on bank loans	22,431	17,227	73,347	68,421
Unwinding of discount on provision for decommissioning (Note 24)	17	87	54	330
Interest capitalised (Note 14a)	(1,982)	–	(6,480)	–
	22,236	**17,314**	**72,710**	**68,751**
Finance (cost)/income (net)	**(10,312)**	**9,532**	**(33,718)**	**25,388**

Finance income represents interest on fixed deposits for the Company.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Company's general borrowings denominated in dollars during the year, in this case 9.41% (2016: nil).

11. Taxation

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

11a. Income tax expense

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Current tax:				
Current tax on profit for the year	–	–	–	–
Education tax	687	575	2,248	1,885
Prior period over provision	–	–	–	–
Total current tax	687	575	2,248	1,885
Deferred tax:				
Deferred tax credit in profit or loss	(68,344)	(4,996)	(223,481)	(16,384)
Total tax credit in statement of profit or loss	(67,657)	(4,421)	(221,233)	(14,499)
Deferred tax recognised in other comprehensive income	(76)	–	(250)	–
Total tax credit for the period	**(67,733)**	**(4,421)**	**(221,483)**	**(14,499)**
Effective tax rate	(236%)	15%	(235%)	15%

11b. Reconciliation of effective tax rate

The applicable tax rate for 2017 was 85% (2016: 65.75%).

During 2013, applications were made by Seplat for the tax incentives available under the provisions of the Industrial Development (Income Tax Relief) Act. In February 2014, Seplat was granted the incentives in respect of the tax treatment of OMLs 4, 38 and 41.

Under these incentives, the companies' profits are subject to a tax rate of 0% with effect from 1 January 2013 to 31 December 2015 in the first instance and then for an additional two years for the Company if certain conditions included in the Nigerian Investment Promotion Commission ('NIPC') pioneer status award document are met.

As at the end of the reporting period, the NIPC is yet to approve the tax incentives for the additional two years of the tax holidays. The financial statements have been prepared on the assumption that the tax incentives may not be renewed and this forms the basis of the Company's current and deferred taxation in the financial statements. The current tax for the period has been utilised against tax losses brought forward.

A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Profit/(loss) before taxation	28,759	(29,261)	94,056	(138,911)
Tax rate of 85% (2016: 65.75%)	24,445	(19,239)	79,948	(91,334)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Income not subject to tax	(25,578)	–	(83,644)	–
Expenses not deductible for tax purposes	27,305	11,488	89,290	37,672
Recognition of previously unrecognised deductible temporary difference	(64,335)	–	(210,380)	–
Impact of unutilised tax losses	–	2,755	–	37,278
Impact of tax incentive	(29,227)	–	(95,577)	–
Education tax	687	575	2,248	1,885
Prior period over provision	–	–	–	–
Tax loss utilised	(953)	–	(3,118)	–
Total tax credit in statement of profit or loss	**(67,657)**	**(4,421)**	**(221,233)**	**(14,499)**

The movement in the current tax liability is as follows:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
As at 1 January	575	–	1,885	–
Tax charge	687	575	2,248	1,885
Deconsolidation of subsidiary	–	–	–	–
Prior period over provision	–	–	–	–
Exchange difference	2	–	–	–
As 31 December	**1,264**	**575**	**4,133**	**1,885**

12. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Deferred tax asset to be recovered in less than 12 months	–	–	–	–
Deferred tax asset to be recovered after more than 12 months	68,417	–	223,731	–
	68,417	–	223,731	–

Deferred tax liabilities	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Deferred tax liabilities to be recovered in less than 12 months	–	–	–	–
Deferred tax liability to be recovered after more than 12 months	–	–	–	–
	–	–	–	–
	–	–	–	–
Net deferred tax asset/(liability)	**68,417**	**–**	**223,731**	**–**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Following a significant improvement in the financial position of the Company in 2017, the Company conducted an assessment of its assessable profit based on a five (5) year business plan in order to determine the possibility of future profit making prospects for 2018 to 2022. As a result, the Group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a result, deferred tax assets of ₦68 billion, 2016: nil (US$224 million, 2016: nil) were recognised for those losses.

The Company did not recognise deferred income tax assets of nil, 2016: ₦44 billion (nil, 2016: US$162 million) in respect of temporary differences amounting to nil, 2016: ₦67 billion (nil, 2016: US$247 million). Out of this, deferred tax asset of nil, 2016: ₦9 billion (nil, 2016: US$34 million) relates to tax losses of nil, 2016: ₦14 billion (nil, 2016: US$51 million). There are no expiration dates for the tax losses.

12. Deferred income tax continued

12a. Deferred tax asset/(liability)

	Property, plant and equipment ₦ million	Decommissioning provision ₦ million	Defined benefit expenses ₦ million	Underlift/ overlift ₦ million	Unrealised foreign Exchange (gain)/loss ₦ million	Tax losses ₦ million	Other provisions ₦ million	Total ₦ million
At 1 January 2016	(3,614)	388	906	(920)	(18)	–	–	(3,258)
Credited/(charged) to the profit or loss	–	–	–	–	–	–	–	–
Deferred tax credit	5,542	(596)	(1,389)	1,412	27	–	–	4,996
Exchange difference	(1,928)	208	483	(492)	(9)	–	–	(1,738)
At 31 December 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 1 January 2017	–	–	–	–	–	–	–	–
Deferred tax credit:								
Credited to profit or loss	37,536	103	1,173	6,489	4,210	12,392	6,441	68,344
Credited to other comprehensive income	–	–	76	–	–	–	–	76
Exchange difference	(1)	(1)	1	–	(1)	–	(1)	(3)
At 31 December 2017	**37,535**	**102**	**1,250**	**6,489**	**4,209**	**12,392**	**6,440**	**68,417**

	Property, plant and equipment US$ '000	Decommissioning provision US$ '000	Defined benefit expenses US$ '000	Underlift/ overlift US$ '000	Unrealised foreign exchange (gain)/ loss US$ '000	Tax losses US$ '000	Other provisions US$ '000	Total US$ '000
At 1 January 2016	(18,173)	1,953	4,554	(4,629)	(89)	–	–	(16,384)
Credited/(charged) to the profit or loss	–	–	–	–	–	–	–	–
Deferred tax credit	18,173	(1,953)	(4,554)	4,629	89	–	–	16,384
At 31 December 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 1 January 2017	–	–	–	–	–	–	–	–
Deferred tax credit:								
Credited to profit or loss	122,742	334	3,837	21,219	13,765	40,523	21,061	223,481
Credited to other comprehensive income	–	–	250	–	–	–	–	250
At 31 December 2017	**122,742**	**334**	**4,087**	**21,219**	**13,765**	**40,523**	**21,061**	**223,731**

13. Computation of cash generated from operations

	Notes	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Profit/(loss) before tax		28,759	(29,261)	94,056	(138,911)
Adjusted for:					
Depletion, depreciation and amortisation	14	25,142	8,245	82,215	53,807
Impairment loss		(3,138)	2,273	(10,260)	10,260
Finance income	10	(11,924)	(26,846)	(38,992)	(94,139)
Interest on advance payments for crude oil sales	10	1,770	–	5,789	–
Interest on bank loans and other bank charges	10	22,431	17,227	73,347	68,421
Interest capitalised	10	(1,982)	–	(6,480)	–
Unwinding of discount on provision for decommissioning liabilities	10	17	87	54	330
Unrealised fair value loss on crude oil hedges	9	–	2,186	–	12,455
Unrealised foreign exchange (gain)/loss	8	(334)	29,537	(1,092)	104,328
Share-based payment expenses	20	1,735	869	5,674	3,406
Defined benefit expenses		502	287`	1,641	(1,467)
Loss on disposal of other property, plant and equipment	7	10	307	32	1,509
Changes in working capital (excluding the effects of exchange differences and deconsolidation):					
Trade and other receivables		3,989	58,958	13,045	233,741
Prepayments		322	3,759	1,054	15,247
Trade and other payables		49,477	(25,602)	161,788	(88,337)
Inventories		1,801	(4,768)	5,889	(23,743)
Net cash from operating activities		118,577	37,258	387,760	156,907

14. Property, plant and equipment

14a. Oil and gas properties

Cost	Production and field facilities ₦ million	Assets under construction ₦ million	Total ₦ million	Production and field facilities US$ '000	Assets under construction US$ '000	Total US$ '000
At 1 January 2016	148,166	53,925	202,091	785,033	301,244	1,086,277
Additions	–	21,492	21,492	–	70,484	70,484
Changes in decommissioning	(903)	–	(903)	(2,962)	–	(2,962)
Transfer from asset under construction	50,596	(50,596)	–	248,324	(248,324)	–
Disposal	–	(307)	(307)	–	(1,509)	(1,509)
Exchange differences	116,411	12,664	129,075	–	–	–
At 31 December 2016	314,270	37,178	351,448	1,030,395	121,895	1,152,290
Depreciation						
At 1 January 2016	44,312	–	44,312	236,063	–	236,063
Charged for the year	6,909	–	6,909	48,600	–	48,600
Deconsolidation of subsidiary	–	–	–	–	–	–
Exchange differences	35,601	–	35,601	–	–	–
At 31 December 2016	86,822	–	86,822	284,663	–	284,663
NBV						
At 31 December 2016	**227,448**	**37,178**	**264,626**	**745,732**	**121,895**	**867,627**
Cost						
At 1 January 2017	314,270	37,178	351,448	1,030,395	121,895	1,152,290
Additions	4,818	–	4,818	15,756	–	15,756
Changes in decommissioning	30,598	–	30,598	100,054	–	100,054
Transfer from asset under construction	10,305	(10,305)	–	33,698	(33,698)	–
Interest capitalised	–	1,982	1,982	–	6,480	6,480
Exchange differences	823	97	920	–	–	–
At 31 December 2017	360,814	28,952	389,766	1,179,903	94,677	1,274,580
Depreciation						
At 1 January 2017	86,822	–	86,822	284,663	–	284,663
Charged for the year	23,877	–	23,877	78,078	–	78,078
Exchange differences	226	–	226	–	–	–
At 31 December 2017	110,925	–	110,925	362,741	–	362,741
NBV						
At 31 December 2017	**249,889**	**28,952**	**278,841**	**817,162**	**94,677**	**911,839**

The Company's present and future assets (except jointly owned with NNPC/NPDC) along with all equipment, machinery and immovable property situated on the property to which the oil mining leases relate are pledged as security for the syndicate loan (Note 24).

Assets under construction represent costs capitalised in connection with the development of the Company's oil fields and other property, plant and equipment not yet ready for their intended use. Some of which are qualifying assets which take a substantial period of time to get ready for their intended use. A capitalisation rate has been determined and used to capitalise borrowing costs from the Company's general borrowings. Borrowing costs capitalised during the year amounted to ₦1.98 billion, 2016: nil (US$6.48 million, 2016: nil).

14. Property, plant and equipment continued

14b. Other property, plant and equipment

Cost	Plant & machinery ₦ million	Motor vehicles ₦ million	Office furniture & IT equipment ₦ million	Leasehold improvements ₦ million	Total ₦ million
At 1 January 2016	797	1,346	2,467	626	5,236
Additions	163	118	711	–	992
Disposals	–	(28)	–	(137)	(165)
Exchange differences	502	744	928	375	2,549
At 31 December 2016	1,462	2,180	4,106	864	8,612
Depreciation					
At 1 January 2016	339	679	1,721	279	3,018
Disposals	–	(14)	–	–	(14)
Charge for the year	216	327	649	144	1,336
Exchange differences	222	417	1,042	177	1,858
At 31 December 2016	777	1,409	3,412	600	6,198
NBV					
At 31 December 2016	**685**	**771**	**694**	**264**	**2,414**

Cost	Plant & machinery ₦ million	Motor vehicles ₦ million	Office furniture & IT equipment ₦ million	Leasehold improvements ₦ million	Total ₦ million
At 1 January 2017	1,462	2,180	4,106	864	8,612
Additions	122	169	136	13	440
Disposals	–	(141)	–	–	(141)
Exchange differences	4	5	12	3	24
At 31 December 2017	1,588	2,213	4,254	880	8,935
Depreciation					
At 1 January 2017	777	1,409	3,412	600	6,198
Disposals	–	(82)	–	–	(82)
Charge for the year	267	364	515	119	1,265
Exchange differences	2	4	9	2	17
At 31 December 2017	1,046	1,695	3,936	721	7,398
NBV					
At 31 December 2017	**542**	**518**	**318**	**159**	**1,537**

Cost	Plant & machinery US$ '000	Motor vehicles US$ '000	Office furniture & IT equipment US$ '000	Leasehold improvements US$ '000	Total US$ '000
At 1 January 2016	4,007	6,773	12,406	3,150	26,336
Additions	786	509	1,057	–	2,352
Disposals	–	(136)	–	(317)	(453)
At 31 December 2016	4,793	7,146	13,463	2,833	28,235
Depreciation					
At 1 January 2016	1,706	3,416	8,656	1,404	15,182
Disposals	–	(68)	–	–	(68)
Charge for the year	840	1,273	2,531	563	5,207
At 31 December 2016	2,546	4,621	11,187	1,967	20,321
NBV					
At 31 December 2016	**2,247**	**2,525**	**2,276**	**866**	**7,914**

Cost					
At 1 January 2017	4,793	7,146	13,463	2,833	28,235
Additions	399	554	446	43	1,442
Disposals	–	(462)	–	–	(462)
At 31 December 2017	5,192	7,238	13,909	2,876	29,215
Depreciation					
At 1 January 2017	2,546	4,621	11,187	1,967	20,321
Disposals	–	(268)	–	–	(268)
Charge for the year	876	1,189	1,683	389	4,137
At 31 December 2017	3,422	5,542	12,870	2,356	24,190
NBV					
At 31 December 2017	**1,770**	**1,696**	**1,039**	**520**	**5,025**

15. Prepayments

Non-current	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Tax paid in advance	9,670	9,645	31,623	31,623
Rent	287	608	939	1,993
	9,957	10,253	32,562	33,616
Current				
Rent	173	793	565	2,600
Others	340	1,190	1,109	3,900
	513	1,983	1,674	6,500
Total prepayments	**10,470**	**12,236**	**34,236**	**40,116**

Included in non-current prepayments are the following:

15a. Tax paid in advance

In 2013 and 2014 Petroleum Profit Tax payments (2013: ₦8.6 billion and 2014: ₦0.88 billion) (2013: US$28.7 million and 2014: US$2.9 million) were made by the Company prior to obtaining pioneer status. This was accounted for as a tax credit under non-current prepayments until a future date when the Company will be expected to offset it against its tax liability. The current tax liability for the year has been utilised against tax losses brought forward.

15b. Rent

In 2014, the Company entered into three new commercial leases in relation to three buildings that it occupies, two in Lagos and one in Delta state. Two of the non-cancellable leases which relate to buildings in Lagos expire in 2019 and 2018 respectively. The rent on the building in Delta state has been renewed and now expires in 2021. The Company has prepaid these rents. The long-term portion as at 31 December 2017 is ₦0.2 billion, 2016: ₦0.6 billion (US$0.9 million, 2016: US$1.9 million).

16. Investment in subsidiaries

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Newton Energy Limited	290	290	950	950
Seplat Petroleum Development UK	15	15	50	50
Seplat East Onshore Ltd	10	10	32	32
Seplat East Swamp Ltd	10	10	32	32
Seplat Gas Company	10	–	32	–
ANOH Gas Processing Company Limited	10	–	33	–
	345	**325**	**1,129**	**1,064**

17. Inventories

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Tubular, casing and wellheads	**29,576**	**31,295**	**96,719**	**102,608**

Inventory represents the value of tubulars, casings and wellheads. The inventory is carried at the lower of cost and net realisable value. Included in cost of sales is ₦1.3 billion, 2016: ₦30.6 million (US$4.3 million, 2016: US$0.1 million) representing inventory charged to profit or loss during the year. There was no inventory written down for the year ended 31 December 2017.

18. Trade and other receivables

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Trade receivables	30,890	21,061	101,011	69,052
Nigerian Petroleum Development Company ('NPDC') receivables	34,453	69,776	112,664	228,774
National Petroleum Investment Management Services	–	–	–	–
Intercompany receivables	231,348	218,266	756,532	715,625
Advances on investments	188	–	613	1
Advances to related parties	27,854	14,132	91,086	46,335
Advances to suppliers	1,929	2,467	6,307	8,087
Other receivables	866	344	2,831	1,129
	327,528	326,046	1,071,044	1,069,003

18a. Trade receivables

Included in trade receivables is an amount due from Nigerian Gas Company ('NGC') and Central Bank of Nigeria ('CBN') of ₦22 billion, 2016: ₦20 billion (US$72 million, 2016: US$67 million) with respect to the sale of gas.

18b. NPDC receivables

NPDC receivables represent the outstanding cash calls due to Seplat from its JV partner, Nigerian Petroleum Development Company. In this reporting period, impairment losses on NPDC receivables were reversed (2016: ₦2.27 billion, US$10.3 million impairment loss recognised). As at 31 December 2017, the undiscounted value of this receivable is ₦34 billion, 2016: ₦72 billion (US$113 million, 2016: US$239 million).

19. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, short-term deposits with a maturity of three months or less and restricted cash balances.

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Cash on hand	3	2	9	7
Restricted cash	19,166	19,887	62,674	65,203
Cash at bank	98,051	25,061	320,638	82,167
Cash and cash equivalents	**117,220**	**44,950**	**383,321**	**147,377**

At 31 December 2017, cash at bank includes the debt service reserve of ₦19 billion, 2016: ₦19.9 billion (US$62 million, 2016: US$65 million) deposited pursuant to the covenant in relation to the bank syndicated loan. The debt service reserve account balance is the amount equal to at least the aggregate of the amounts of principal and interest projected to fall due on the next successive principal repayment dates and dates for the payment of interest.

20. Share capital

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500	3,335	3,335
Issued and fully paid				
563,444,561 (2016: 563,444,561) issued shares denominated in Naira of 50 kobo per share	283	283	1,826	1,826

20a. Employee share-based payment scheme

In 2017, the Company gave share awards of 33,697,792 shares (2016: 25,448,071 shares) to certain employees and senior executives in line with its share-based incentive scheme. During the year ended 31 December 2017, no shares were vested. In 2016, 2,868,460 shares had vested resulting in an increase in number of issued and fully paid ordinary shares of 50k each from 561 million to 563 million.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. During 2013, the Company sub-divided its shares from 1 to 0.50 per share resulting in an increase in the number of shares issued from 100 million to 200 million ordinary shares. On 31 July 2013, the number of ordinary shares was increased to 400 million by way of a bonus issue to existing shareholders; these were issued from the revenue reserve. In August 2013 the authorised share capital was increased from 400 million to 1 billion denominated in 0.50 per share.

20b. Share-based payment reserve

The Company has made a number of share-based awards under incentive plans since its IPO in 2014: IPO-related grants to Executive and Non-Executive Directors, 2014/2015/2016 Deferred Bonus awards and 2014/2015/2016/2017 Long Term Incentive Plan ('LTIP') awards. Shares under these incentive plans were awarded at the IPO in April 2014, 2015, 2016 and 2017 conditional on the Nigerian Stock Exchange ('NSE') approving the share delivery mechanism proposed by the Company.

Description of the awards valued

Seplat Deferred Bonus Award

25% of each Executive Director's 2014, 2015 and 2016 bonus (paid in 2015, 2016 and 2017 respectively) has been deferred into shares and is released on 1 June 2017, 1 June 2018 and 20 April 2019 respectively subject to continued employment. No performance criteria are attached to these awards. As a result the fair value of these awards is the share price at the actual date of grant.

Long Term Incentive Plan ('LTIP') awards

Under the LTIP, shares are granted to management staff of the organisation at the end of every year. The shares were granted to the employees at no cost. The shares vest (after three years) based on the following conditions.

- 50% award vesting where the reserves growth was more than a 10% decrease.
- Straight-line basis between 50% and 100% where reserves growth was between a 10% decrease and a 10% increase.
- 100% award vesting where the reserves growth is equal to or greater than a 10% increase.
- If the Company outperforms the median TSR performance level with the LTIP exploration and production comparator group.

The LTIP awards have been approved by the NSE.

The expense recognised for employee services received during the year is shown in the following table:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Expense arising from equity-settled share-based payment transactions	1,735	869	5,674	3,406

There were no cancellations to the awards in 2017 or 2016. The share awards granted to Executive Directors and confirmed employees are summarised below.

Scheme	Deemed grant date	Start of service period	End of service period	Number of awards
Global Bonus Offer	4 November 2015	9 April 2014	9 April 2015	6,472,138
Non-Executive Shares	4 November 2015	9 April 2014	9 April 2015	793,650
2014 Deferred Bonus	14 December 2015	14 December 2015	21 April 2017	212,701
2014 Long Term Incentive Plan	14 December 2015	14 December 2015	9 April 2017	2,173,259
2015 Long Term Incentive Plan	31 December 2015	14 December 2015	21 April 2018	5,287,354
2015 Deferred Bonus	21 April 2016	21 April 2016	20 April 2018	247,610
2016 Long Term Incentive Plan	22 December 2016	22 December 2016	21 December 2019	10,294,300
2016 Deferred Bonus	24 November 2017	24 November 2017	20 April 2019	278,191
2017 Long Term Incentive Plan	24 November 2017	24 November 2017	20 April 2020	7,938,589
				33,697,792

20. Share capital continued

Share awards used in the calculation of diluted earnings per share are based on the outstanding shares as at 31 December 2017.

Share award scheme (all awards)	2017 Number	2017 WAEP ₦	2016 Number	2016 WAEP ₦
Outstanding at 1 January	1,540,024	205.87	4,249,000	298.26
Granted during the year	6,665,749	262.45	159,484	356.35
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	(2,868,460)	15.23
Outstanding at 31 December	8,205,773	251.64	1,540,024	205.87
Exercisable at 31 December	–	–	–	–

Share award scheme (all awards)	2017 Number	2017 WAEP US$	2016 Number	2016 WAEP US$
Outstanding at 1 January	1,540,024	0.67	4,249,000	1.50
Granted during the year	6,665,749	0.86	159,484	1.17
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	(2,868,460)	0.05
Outstanding at 31 December	8,205,773	0.82	1,540,024	0.67
Exercisable at 31 December	–	–	–	–

Movements during the year

The following table illustrates the number and weighted average exercise prices ('WAEP') of and movements in Deferred Bonus Scheme and Long Term Incentive Plan during the year for each available scheme.

Deferred Bonus Scheme	2017 Number	2017 WAEP ₦	2016 Number	2016 WAEP ₦
Outstanding at 1 January	427,370	399.55	212,701	224.69
Granted during the year[1]	311,132	428.69	214,669	380.04
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at 31 December	738,502	412.05	427,370	399.55
Exercisable at 31 December	–	–	–	–

Deferred Bonus Scheme	2017 Number	2017 WAEP US$	2016 Number	2016 WAEP US$
Outstanding at 1 January	427,370	1.31	212,701	1.13
Granted during the year[1]	311,132	1.40	214,669	1.49
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at 31 December	738,502	1.35	427,370	1.31
Exercisable at 31 December	–	–	–	–

1 In 2017, the Company increased the number of shares attributable to the 2015 Deferred Bonus Scheme by 32,914 shares following a revaluation of the total number of share awards applicable to the scheme. The fair value per share of the additional shares at the date of the modification was determined to be ₦380.04 (US$ 1.49). There were no incremental changes in the fair value per share and the vesting period did not change as the additional shares were assumed to have been issued in the same period and with the same terms as the original shares granted.

The increase in share-based payment expense of ₦12.7 million (US$ 41,513) was calculated using the portion of the additional number of shares issued and the fair value per share at the original grant date. The amount is recognised as an expense in the current period until the end of the vesting period. The expense for the original scheme will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described in the table below on the inputs to the models used for the scheme.

Long Term Incentive Plan ('LTIP')	2017 Number	2017 WAEP ₦	2016 Number	2016 WAEP ₦
Outstanding at 1 January	14,886,453	253.2	7,460,613	151.12
Granted during the year	7,938,589	367.45	10,294,300	227.10
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	(2,868,460)	15.23
Outstanding at 31 December	22,825,042	292.25	14,886,453	253.2
Exercisable at 31 December	–	–	–	–

Long Term Incentive Plan ('LTIP')	2017 Number	2017 WAEP US$	2016 Number	2016 WAEP US$
Outstanding at 1 January	14,886,453	0.83	7,460,613	0.76
Granted during the year	7,938,589	1.20	10,294,300	0.89
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	(2,868,460)	0.05
Outstanding at 31 December	22,825,042	0.96	14,886,453	0.83
Exercisable at 31 December	–	–	–	–

The shares are granted to the employees at no cost.

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2017 range from 0.3 to 2.3 years.

The weighted average fair value of awards granted during the year range from ₦366.9 to ₦428.1 (US$1.20 to US$1.40).

The exercise prices for options outstanding at the end of the year range from ₦293.5 to ₦412.8 (US$0.96 to US$1.35).

The fair value at grant date is independently determined using the Monte Carlo model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The following table lists the inputs to the models used for the two plans for the year ended 31 December 2017:

	2016 Deferred Bonus	2016 LTIP	2017 LTIP
Weighted average fair values at the measurement date			
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	n/a	56%	42.9%
Risk-free interest rate (%)	n/a	0.63%	0.44%
Expected life of share options	1.40	2.35	2.40
Weighted average share price ($)	1.40	1.497	1.40
Weighted average share price (₦)	428.12	457.78	428.12
Model used	n/a	Monte Carlo	Monte Carlo

20c. Share premium

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Share premium	82,080	82,080	497,457	497,457

Section 120.2 of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 requires that where a Company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

21. Capital contribution

This represents M&P additional cash contribution to the Company. In accordance with the Shareholders' Agreement, the amount was used by the Company for working capital as was required at the commencement of operations.

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Capital contribution	5,932	5,932	40,000	40,000

22. Foreign currency translation reserve

Cumulative foreign exchange differences arising from translation of the Company's results and financial position into the presentation currency and from the translation of foreign subsidiary are recognised in foreign currency translation reserve.

23. Interest bearing loans and borrowings

Non-current	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Bank borrowings	93,170	136,060	304,677	446,098
Current				
Bank borrowings	81,159	66,489	265,400	217,998
Total borrowings	**174,329**	**202,549**	**570,077**	**664,096**

Bank loan

Syndicate credit facility

On 31 December 2014, Seplat signed a ₦518 billion (US$1.7 billion) debt refinancing package, made up of the following facilities:

- ₦214 billion (US$700 million) seven-year term loan with an ability to stretch it to ₦427 billion (US$1.4 billion) contingent on a qualifying acquisition with a consortium of five local banks. This facility has a seven-year maturity period.
- ₦91 billion (US$300 million) three-year corporate revolving loan primarily to manage working capital requirements with a consortium of eight international banks. This facility has a three-year maturity period.

As at 31 December 2017, there were no further draw downs (2016: nil) of this facility. Interest accrues monthly on the principal amount outstanding at the LIBOR rate plus a margin ranging from 6.5 to 8.5%. Principal and interest repayments in 2017 were made, and the outstanding balance as at 31 December 2017 is ₦176 billion, 2016: ₦206 billion (US$578 million, 2016: US$676 million).

The following is the analysis of the principal outstanding showing the lenders of the facility as at the year end

31 December 2017 Term loan	Interest	Current ₦ million	Non-current ₦ million	Total ₦ million	Current US$'000	Non-current US$'000	Total US$'000
SBSA	8.5% + LIBOR	1,709	3,673	5,382	5,588	12,012	17,600
Stanbic	8.5% + LIBOR	1,709	3,673	5,382	5,588	12,012	17,600
FBN	8.5% + LIBOR	10,070	21,651	31,721	32,931	70,800	103,731
UBA	8.5% + LIBOR	11,402	24,513	35,915	37,285	80,160	117,445
Zenith Bank	8.5% + LIBOR	18,243	39,221	57,464	59,656	128,256	187,912
Allan Gray	8.5% + LIBOR	1,331	2,862	4,193	4,353	9,359	13,712
		44,464	95,593	140,057	145,401	312,599	458,000

31 December 2017 Corporate loan	Interest	Current ₦ million	Non-current ₦ million	Total ₦ million	Current US$'000	Non-current US$'000	Total US$'000
Citibank Nigeria Limited	6% + LIBOR	4,280	–	4,280	14,000	–	14,000
FirstRand Bank Limited Acting	6% + LIBOR	3,668	–	3,668	12,000	–	12,000
JP Morgan Chase Bank N A London	6% + LIBOR	3,668	–	3,668	12,000	–	12,000
Nedbank Limited, London Branch	6% + LIBOR	3,668	–	3,668	12,000	–	12,000
The Mauritius Commercial Bank Plc	6% + LIBOR	3,668	–	3,668	12,000	–	12,000
Standard Chartered Bank	6% + LIBOR	5,503	–	5,503	18,000	–	18,000
Natixis	6% + LIBOR	5,503	–	5,503	18,000	–	18,000
Stanbic Ibtc Bank Plc	6% + LIBOR	2,751	–	2,751	9,000	–	9,000
The Standard Bank Of South Africa	6% + LIBOR	3,974	–	3,974	13,000	–	13,000
		36,683	–	36,683	120,000	–	120,000

31 December 2016 Term loan	Interest	Current ₦ million	Non-current ₦ million	Total ₦ million	Current US$'000	Non-current US$'000	Total US$'000
SBSA	8.5% + LIBOR	504	5,368	5,872	1,652	17,601	19,253
Stanbic	8.5% + LIBOR	504	5,368	5,872	1,652	17,601	19,253
FBN	8.5% + LIBOR	3,363	35,821	39,184	11,026	117,445	128,471
UBA	8.5% + LIBOR	3,363	35,821	39,184	11,026	117,445	128,471
Zenith Bank	8.5% + LIBOR	5,381	57,313	62,694	17,642	187,910	205,552
		13,115	139,691	152,806	42,998	458,002	501,000

31 December 2016 Corporate loan	Interest	Current ₦ million	Non-current ₦ million	Total ₦ million	Current US$'000	Non-current US$'000	Total US$'000
Citibank Nigeria Limited	6% + LIBOR	8,006	–	8,006	26,250	–	26,250
FirstRand Bank Limited Acting	6% + LIBOR	5,338	–	5,338	17,500	–	17,500
JP Morgan Chase Bank N A London	6% + LIBOR	5,338	–	5,338	17,500	–	17,500
Nedbank Limited, London Branch	6% + LIBOR	5,338	–	5,338	17,500	–	17,500
Bank Of America Merrill Lynch	6% + LIBOR	5,338	–	5,338	17,500	–	17,500
Standard Chartered Bank	6% + LIBOR	8,006	–	8,006	26,250	–	26,250
Natixis	6% + LIBOR	8,006	–	8,006	26,250	–	26,250
Stanbic Ibtc Bank Plc	6% + LIBOR	4,002	–	4,002	13,125	–	13,125
The Standard Bank Of South Africa	6% + LIBOR	4,002	–	4,002	13,125	–	13,125
		53,374	–	53,374	175,000	–	175,000

Loans	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Term loan	140,057	152,806	458,000	501,000
Corporate loan	36,683	53,374	120,000	175,000
Less: Capitalised loan transaction costs	(2,411)	(3,631)	(7,923)	(11,904)
	174,329	**202,549**	**570,077**	**664,096**

Below is the net debt reconciliation on interest bearing loans and borrowings.

	Borrowings due within 1 year ₦ million	Borrowings due above 1 year ₦ million	Total ₦ million	Borrowings due within 1 year US$'000	Borrowings due above 1 year US$'000	Total US$'000
Balance as at 1 January 2017	66,489	136,060	202,549	217,998	446,098	664,096
Effective interest	22,430	–	22,430	73,347	–	73,347
Effect of loan restructuring	(8,807)	8,807	–	(28,798)	28,798	–
Reclassification	52,055	(52,055)	–	170,219	(170,219)	–
Principal repayment	(29,970)	–	(29,970)	(98,000)	–	(98,000)
Interest repayment	(21,213)	–	(21,213)	(69,366)	–	(69,366)
Exchange differences	175	358	533	–	–	–
Balance as at 31 December 2017	**81,159**	**93,170**	**174,329**	**265,400**	**304,677**	**570,077**

24. Provision for decommissioning obligation

	₦ million	US$ '000
At 1 January 2016	591	2,971
Unwinding of discount due to passage of time	87	330
Deconsolidation of subsidiary	–	–
Change in estimate	(903)	(2,962)
Exchange difference	328	–
At 31 December 2016	**103**	**339**
At 1 January 2017	103	339
Unwinding of discount due to passage of time	17	54
Change in estimate	30,596	100,054
At 31 December 2017	**30,716**	**100,447**

The Company makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. This relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a "probable future sacrifice of economic benefits arising from a present obligation", and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred from 2027 to 2047 which is the current expectation as to when the producing facilities are expected to cease operations. Management engaged a third party to assist with an estimate of the expenditure to be incurred from 2027 to 2047. These provisions were based on estimations carried out by DeGolyer and MacNaughton based on current assumptions on the economic environment which management believes to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates.

Following the review of the current assumptions for the year ended 31 December 2017, the risk-free discount rate and inflation rate were adjusted to reflect economic reality in the primary economic environment in which the Company operates.

As a result the change in estimate in the current year for the Company amounted to ₦30.7 billion, 2016: ₦0.9 billion (US$100 million, 2016: US$2.9 million).

	Current estimated life span of reserves	
	2017 In years	2016 In years
Seplat Petroleum Development Company:	2027	2045
OML 4	2034	2056
OML 38	2027 – 2034	2052
OML 41	2034	2066

25. Employee benefit obligation

25a. Defined contribution plan

The Company contributes to a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Company pays fixed contributions to an approved Pension Fund Administrator ('PFA') – a separate entity. The assets of the scheme are managed by various Pension Fund Administrators patronised by employees of the Company. The Company's contributions are charged to the profit and loss account in the year to which they relate. The amount payable as at 31 December 2017 was ₦59 million, 2016: ₦127 million (US$195,304, 2016: US$419,005). This is included in Trade and other payables.

25b. Defined benefit plan

The Company commenced its unfunded defined benefit plan (gratuity) in July 2015. The Company makes provisions for gratuity for employees from day one of employment in the Company. The employee qualifies to receive the gratuity after five years of continuous service. The employee's entitlement to the accrued benefits occurs on retirement from the Company. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity liability is adjusted for inflation, interest rate risks, changes in salary and changes in the life expectancy for the beneficiaries. The provision for gratuity was based on an independent actuarial valuation performed by Logic Professional Services ('LPS') using the projected unit credit method.

The Company does not maintain any assets for the gratuity plan but ensures that it has sufficient funds for the obligations as they crystallise.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

i) Liability recognised in the financial position

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Defined benefit obligation	**1,994**	**1,559**	**6,518**	**5,112**

ii) Amount recognised in profit or loss

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Present value of obligation				
Current service cost	444	474	1,451	1,554
Past service cost due to curtailment	(180)	–	(589)	–
Interest cost on benefit obligation	238	162	779	530
	502	**636**	**1,641**	**2,084**

The Company recognises a part of its defined benefit expenses in profit or loss and recharges the other part to its joint operations partners; this is recognised as a receivable from the partners. Below is the breakdown:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Charged to receivables	–	396	–	1,146
Charged to profit or loss	502	240	1,641	938
	502	**636**	**1,641**	**2,084**

iii) Remeasurement (gains)/losses in other comprehensive income

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Remeasurement losses/(gains) due to changes in financial and demographic assumptions	172	(558)	561	(1,829)
Remeasurement (gains)/losses due to experience adjustment	(82)	177	(267)	578
	90	**(381)**	**294**	**(1,251)**

The Company recognises a part of the remeasurement gains/losses in other comprehensive income and recharges/credits the other part to its joint operations partners; this is recognised as a receivable from the partners. Below is the breakdown:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Credited to receivables	–	(209)	–	(688)
Credited to other comprehensive income	90	(172)	294	(563)
	90	**(381)**	**294**	**(1,251)**

iv) Changes in the present value of the defined benefit obligation are as follows:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Defined benefit obligation as at 1 January	1,559	1,377	5,112	6,926
Current service cost	444	474	1,451	1,554
Past service cost due to curtailment	(180)	–	(589)	–
Interest cost	238	162	779	530
Remeasurement losses/(gains)	90	(381)	294	(1,251)
Benefits paid by the employer	(163)	(74)	(532)	(242)
Exchange differences	6	1	3	(2,405)
Defined benefit obligation at 31 December	**1,994**	**1,559**	**6,518**	**5,112**

25. Employee benefit obligation continued

v) The principal assumptions used in determining defined benefit obligations for the Company's plans are shown below:

	2017 %	2016 %
Discount rate	14	16
Average future pay increase	12	13
Average future rate of inflation	12	12

a) Mortality in service

	Number of deaths in year out of 10,000 lives	
Sample age	2017	2016
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

b) Withdrawal from service

	Rates	
Age band	2017	2016
Less than or equal to 30	1.0%	1.0%
31 – 39	1.5%	1.5%
40 – 44	1.5%	1.5%
45 – 55	1.0%	1.0%
56 – 60	0.0%	0.0%

c) A quantitative sensitivity analysis for significant assumptions as at 31 December 2017 is as shown below:

		Discount rate		Salary increases		Mortality	
Assumptions	Base	1% increase ₦ million	1% decrease ₦ million	1% increase ₦ million	1% decrease ₦ million	1% increase ₦ million	1% decrease ₦ million
Sensitivity level: Impact on the net defined benefit obligation							
31 December 2017	1,994	(215)	253	266	(229)	27	(28)
31 December 2016	1,559	(145)	170	180	(156)	9	(9)

		Discount rate		Salary increases		Mortality	
Assumptions	Base	1% increase US$'000	1% decrease US$'000	1% increase US$'000	1% decrease US$'000	1% increase US$'000	1% decrease US$'000
Sensitivity level: Impact on the net defined benefit obligation							
31 December 2017	6,518	(704)	828	869	(749)	88	(91)
31 December 2016	5,112	(476)	556	591	(511)	31	(30)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The methods and assumptions used in preparing the sensitivity analysis did not change compared to prior period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Within the next 12 months (next annual reporting period)	70	111	228	364
Between 2 and 5 years	926	887	3,028	2,909
Between 5 and 10 years	3,796	2,413	12,412	7,912
	4,792	**3,411**	**15,668**	**11,185**

The weighted average liability duration for the plan is 11.96 years. The longest weighted duration for the Nigerian Government bond as at 31 December 2017 was about 6.37 years with a gross redemption yield of about 14.12%.

d) Risk exposure

Through its defined benefit pension plans and post-employment medical plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

i) Liquidity risk

The plan liabilities are unfunded and as a result, there is a risk of the Company not having the required cash flow to fund future defined benefit obligations as they fall due.

ii) Inflation risk

This is the risk of an unexpected significant rise/fall of market interest rates. A rise leads to a fall in long-term asset values and a rise in liability values.

iii) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

26. Trade and other payables

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Trade payables	15,119	29,342	49,440	96,205
Accruals and other payables	30,758	20,392	100,580	66,858
Pension payable	59	127	195	419
NDDC levy	2,363	6	7,728	19
Deferred revenue	41,970	10,727	137,248	35,171
Royalties	14,364	8,469	46,971	27,766
Intercompany payable	30,772	16,982	100,630	55,681
	135,405	**86,045**	**442,792**	**282,119**

Included in accruals and other payables are field-related accruals of ₦12 billion, 2016: ₦10.7 billion (US$39 million, 2016: US$35 million) and other vendor payables of ₦19 billion, 2016: ₦9 billion (US$63 million, 2016: US$32 million). Deferred revenue includes advance payments for crude oil sales of ₦41 billion, 2016: ₦10 billion (US$136 million, 2016: US$34 million) and royalties include accruals in respect of gas sales for which payment is outstanding at the end of the year.

27. Earnings/(loss) per share ('EPS/LPS')

Basic

Basic EPS/LPS is calculated on the Company's profit or loss after taxation attributable to the Company and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

Diluted

Diluted EPS/LPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (arising from outstanding share awards in the share-based payment scheme) into ordinary shares.

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Profit/(loss) for the year attributable to equity holders of the parent	96,416	(24,840)	315,289	(124,412)
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	563,445	563,445	563,445	563,445
Share awards	8,206	1,540	8,206	1,540
Weighted average number of ordinary shares adjusted for the effect of dilution	571,651	564,985	571,651	564,985
	₦	₦	US$	US$
Basic earnings/(loss) per share	171.12	(44.09)	0.56	(0.22)
Diluted earnings/(loss) per share	168.66	(43.97)	0.55	(0.22)
	₦ million	₦ million	US$ '000	US$ '000
Profit/(loss) attributable to equity holders of the parent	96,416	(24,840)	315,289	(124,412)
Profit/(loss) used in determining diluted earnings/(loss) per share	96,416	(24,840)	315,289	(124,412)

28. Dividends paid and proposed

As at 31 December 2017, final dividend proposed was nil (2016: nil).

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Cash dividends on ordinary shares declared and paid:				
Interim dividend for 2017: ₦ nil (US$ nil) per share, 563,444,561 shares in issue (2016: ₦9.13, US$ 0.04) per share, 563,444,561 shares in issue)	–	5118	–	22,534
Final dividend for 2017: ₦ nil (US$ nil) per share, 563,444,561 shares in issue (2016: ₦ nil, US$ nil) per share, 563,444,561 shares in issue)	–	–	–	–
Total	**–**	**5,118**	**–**	**22,534**
Proposed dividends on ordinary shares:				
Total cash dividend for 2017: ₦ nil per share (US$ nil) per share (2016: ₦9.13, US$ 0.04) per share	–	5,118	–	22,534

29. Related party relationships and transactions

The Company is owned 8.39% either directly or by entities controlled by A.B.C. Orjiako (SPDCL(BVI)) and members of his family and 13.23% either directly or by entities controlled by Austin Avuru (Professional Support Limited and Platform Petroleum Limited). The remaining shares in the Parent Company are widely held.

29a. Related party relationships

The services provided by the related parties:

Abbeycourt Trading Company Limited: The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations.

Berwick Nigeria Limited: The chairman of Seplat is a shareholder and director. The company provides construction services to Seplat in relation to a field base station in Sapele.

Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited): Is owned by common shareholders with the Parent Company. The company provides drilling rigs and drilling services to Seplat.

Charismond Nigeria Limited: The sister to the CEO works as a General Manager. The company provides administrative services including stationery and other general supplies to the field locations.

Helko Nigeria Limited: The chairman of Seplat is shareholder and director. The company owns the lease to Seplat's main office at 25A Lugard Avenue, Lagos, Nigeria.

Keco Nigeria Enterprises: The Chief Executive Officer's sister is shareholder and director. The company provides diesel supplies to Seplat in respect of its rig operations.

Montego Upstream Services Limited: The chairman's nephew is shareholder and director. The company provides drilling and engineering services to Seplat.

Nabila Resources & Investment Ltd: The chairman's in-law is a shareholder and director. The company provides lubricant to Seplat.

Stage Leasing (Ndosumili Ventures Limited): Is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.

Neimeth International Pharmaceutical Plc: The chairman of Seplat is also the chairman of this company. The company provides medical supplies and drugs to Seplat, which are used in connection with Seplat's corporate social responsibility and community healthcare programmes.

Nerine Support Services Limited: Is owned by common shareholders with the Parent Company. Seplat leases a warehouse from Nerine and the company provides agency and contract workers to Seplat.

Oriental Catering Services Limited: The Chief Executive Officer of Seplat's spouse is shareholder and director. The company provides catering services to Seplat at the staff canteen.

ResourcePro Inter Solutions Limited: The Chief Executive Officer of Seplat's in-law is its UK representative. The company supplies furniture to Seplat.

Shebah Petroleum Development Company Limited ('BVI'): The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The company provided consulting services to Seplat.

The following transactions were carried out by Seplat with related parties:

29b. Related party transactions

Year-end balances arising from related party transactions:

i) Purchases of goods and services

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Shareholders of the Parent Company				
SPDCL (BVI)	413	358	1,350	1,364
Total	413	358	1,350	1,364
Entities controlled by key management personnel:				
Contracts > US$1 million in 2017				
Nerine Support Services Limited[1]	2,161	3,948	7,066	14,991
Cardinal Drilling Services Limited	1,001	1,543	3,272	6,931
Helko Nigeria Limited	444	560	1,453	1,976
	3,606	6,051	11,791	23,898
Contracts < US$1 million in 2017				
Montego Upstream Services Limited	131	2,937	427	13,513
Abbeycourt Trading Company Limited	199	164	650	598
Oriental Catering Services Limited	159	148	520	579
Keco Nigeria Enterprises	110	77	361	259
ResourcePro Inter Solutions Limited	9	17	31	81
Nabila Resources & Investment Ltd	–	17	–	58
Berwick Nigeria Limited	–	6	–	28
Neimeth International Pharmaceutical Plc	1	3	2	10
Charismond Nigeria Limited	17	–	55	–
Stage Leasing (formerly Ndosumuli Venture Limited)	171	422	560	1,729
	797	3,791	2,606	16,855
	4,403	9,842	14,397	40,753

1 Nerine on average charges a mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross i.e. they include salaries and Nerine's mark-up. Total costs for agency and contracts during 2017 are ₦1.4 billion, 2016: ₦2.4 billion ($4.6 million, 2016:$7.9 million).

29. Related party relationships and transactions continued

29c. Balances:

Year-end balances arising from related party transactions:

i) Prepayments/receivables

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Entities controlled by key management personnel				
Cardinal Drilling Services Limited – current portion	1,681	1,894	5,498	6,211
Cardinal Drilling Services Limited – non-current portion	–	–	–	–
	1,681	**1,894**	**5,498**	**6,211**

ii) Payables

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Entities controlled by key management personnel				
Montego Upstream Services Limited	115	3,520	375	11,540
Nerine Support Services Limited	2	3,480	8	11,411
Keco Nigeria Enterprises	8	–	25	–
Cardinal Drilling Services Limited	292	308	954	1,009
	417	**7,308**	**1,362**	**23,960**

30. Information relating to employees

30a. Key management compensation

Key management includes executives and members of the leadership team. The compensation paid or payable to key management for employee services is shown below:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Salaries and other short-term employee benefits	5,221	1,252	17,117	4,104
Post-employment benefits	53	214	172	700
Share-based payment expenses	87	88	283	289
	5,361	**1,554**	**17,572**	**5,093**

30b. Chairman and Directors' emoluments

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Chairman (Non-executive)	342	279	1,118	1,116
Chief Executive Officer	476	405	1,557	1,644
Executive Directors	284	458	928	1,858
Non-Executive Directors	580	662	1,897	2,652
Bonus[1]	632	–	2,067	–
JV partner share	(418)	(587)	(1,367)	(1,926)
Total	**1,896**	**1,217**	**6,200**	**5,344**

1 This relates to 2017 accrued bonus to be paid in 2018 and 2016 bonus paid in 2017. Out of this amount, ₦401 million, 2016: nil million (US$1.3 million, 2016: US$ nil million) relates to 2017 accrued bonus to be paid in 2018 and ₦231 million, 2016: ₦nil million (US$0.7 million, 2016: US$ nil) relates to 2016 bonus paid in 2017.

30c. Highest paid Director

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Highest paid Director	476	405	1,557	1,644

Emoluments are inclusive of income taxes.

30d. The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2017 Number	2016 Number
Zero – ₦ 19,878,000	–	–
₦19,878,001 – ₦115,597,000	8	7
₦115,597,001 – ₦157,799,000	1	1
Above ₦157,799,000	3	3
	12	11

	2017 Number	2016 Number
Zero – US$65,000	–	–
US$65,001 – US$378,000	8	7
US$378,001 – US$516,000	1	1
Above US$516,000	3	3
	12	11

30e. Employees

The number of employees (other than the Directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over ₦1,988,800 (US$6,500), received remuneration (excluding pension contributions) in the following ranges:

	2017 Number	2016 Number
₦1,988,000 – ₦4,893,000	7	1
₦4,893,001 – ₦9,786,000	21	33
₦9,786,001 – ₦14,679,000	102	136
Above ₦14,679,000	269	220
	399	390

	2017 Number	2016 Number
US$6,500 – US$16,000	7	1
US$16,001 – US$32,000	21	33
US$32,001 – US$48,000	102	136
Above US$48,000	269	220
	399	390

30f. The average number of persons (excluding Directors) in employment during the year was as follows:

	2017 Number	2016 Number
Senior management	33	15
Managers	65	78
Senior staff	162	110
Junior staff	145	187
	405	390

30g. Employee costs

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to the following:

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Salaries and wages	5,326	9,330	17,417	20,055
	5,326	**9,330**	**17,417**	**20,055**

31. Commitments and contingencies

31a. Operating lease commitments – Company as lessee

The Company leases drilling rigs, buildings, land, boats and storage facilities. The lease terms are between one and five years. The operating lease commitments of the Company as at 31 December 2017 are:

Operating lease commitments	As at 31 Dec 2017 ₦ million	As at 31 Dec 2016 ₦ million	As at 31 Dec 2017 US$'000	As at 31 Dec 2016 US$'000
Not later than one year	728	308	2,382	1,011
Later than one year and not later than five years	565	1,146	1,846	3,757
	1,293	1,454	4,228	4,768

31b. Contingent liabilities

The Company is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the year ended 31 December 2017 is ₦54 billion, 2016: ₦4.7 billion (US$176 million, 2016: US$15.5 million). No provision has been made for this potential liability in these financial statements. Management and the Company's solicitors are of the opinion that the Company will suffer no loss from these claims.

32. Events after the reporting period

On 1 February 2018, the issued share capital increased by 25,000,000 shares in furtherance of the Company's Long Term Incentive Plan after approval was received from the regulators. Seplat's share capital now consists of 588,444,561 ordinary shares of ₦0.50k each, all with voting rights.

There was no other significant event after the statement of financial position date which could have a material effect on the state of affairs of the Company as at 31 December 2017 and on the profit or loss for the year ended on that date, which has not been adequately provided for or disclosed in these financial statements.

Separate statement of value added

For the year ended 31 December 2017

	2017 ₦ million	%	2016 ₦ million	%	2017 US$'000	%	2016 US$'000	%
Revenue	127,655		51,995		417,428		202,446	
Finance income	11,924		26,846		38,992		94,139	
Cost of goods and other services:								
Local	(34,221)		(46,539)		(111,893)		(176,150)	
Foreign	(22,814)		(31,026)		(74,595)		(117,434)	
Valued added/(eroded)	82,544	100	1,276	100	269,932	100	3,001	100

Applied as follows:

	2017 ₦ million	%	2016 ₦ million	%	2017 US$'000	%	2016 US$'000	%
To employees: – as salaries and labour related expenses	6,407	8	4,978	390	20,951	8	19,354	645
To external providers of capital: – as interest	22,236	27	17,314	1,357	72,710	27	68,751	2,291
To government: – as Company taxes	687	1	575	45	2,248	1	1,885	63
Retained for the Company's future: – For asset replacement, depreciation, depletion & amortisation	25,142	30	8,245	646	82,215	30	53,807	1,793
Deferred tax credit	(68,344)	–83	(4,996)	–392	(223,481)	–83	(16,384)	–546
Profit/(loss) for the year	96,416	117	(24,840)	–1,947	315,289	117	(124,412)	–4,146
Valued added/(eroded)	82,544	100	1,276	100	269,932	100%	3,001	100

The value added/(eroded) represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for the creation of future wealth.

Separate five-year financial summary
As at 31 December 2017

	2017 ₦ million	2016 ₦ million	2015 ₦ million	2014 ₦ million	2013 ₦ million
Revenue	127,655	51,995	98,593	121,246	135,068
Profit/(loss) before taxation	28,759	(29,261)	15,159	43,529	71,025
Income tax expense	67,657	4,421	(3,245)	–	14,399
Profit/(loss) for the year	96,416	(24,840)	11,914	43,529	85,424

	2017 ₦ million	2016 ₦ million	2015 ₦ million	2014 ₦ million	2013 ₦ million
Capital employed:					
Issued share capital	283	283	282	277	200
Share premium	82,080	82,080	82,080	82,080	–
Share-based payment reserve	4,332	2,597	1,729	–	–
Capital contribution	5,932	5,932	5,932	5,932	5,947
Foreign translation reserve	194,526	193,499	45,618	36,086	580
Retained earnings	203,072	106,670	136,456	138,768	106,886
Total equity	**490,225**	**391,061**	**272,097**	**263,143**	**113,613**
Represented by:					
Non-current assets	359,097	277,618	167,517	152,396	97,740
Current assets	474,837	404,274	348,199	293,558	102,681
Non-current liabilities	(125,880)	(137,722)	(115,850)	(45,994)	(21,019)
Current liabilities	(217,829)	(153,109)	(127,769)	(136,817)	(65,789)
Net assets	**490,225**	**391,061**	**272,097**	**263,143**	**113,613**

	2017 US$ '000	2016 US$ '000	2015 US$ '000	2014 US$ '000	2013 US$ '000
Revenue	417,428	202,446	497,867	755,508	869,982
Profit/(loss) before taxation	94,056	(138,911)	76,549	271,236	457,477
Income tax expense	221,233	14,499	(16,384)	–	92,745
Profit/(loss) for the year	315,289	(124,412)	60,165	271,236	550,222

	2017 US$ '000	2016 US$ '000	2015 US$ '000	2014 US$ '000	2013 US$ '000
Capital employed:					
Issued share capital	1,826	1,826	1,821	1,798	1,334
Share premium	497,457	497,457	497,457	497,457	–
Share-based payment reserve	17,809	12,135	8,734	–	–
Capital contribution	40,000	40,000	40,000	40,000	40,000
Retained earnings	1,045,985	730,740	877,123	888,798	690,761
Total equity	**1,603,077**	**1,282,158**	**1,425,135**	**1,428,053**	**732,095**
Represented by:					
Non-current assets	1,174,286	910,221	899,186	827,042	629,393
Current assets	1,552,758	1,325,488	1,751,151	1,593,114	661,472
Non-current liabilities	(411,642)	(451,549)	(642,575)	(742,498)	(423,342)
Current liabilities	(712,325)	(502,002)	(582,627)	(249,605)	(135,428)
Net assets	**1,603,077**	**1,282,158**	**1,425,135**	**1,428,053**	**732,095**

33. Estimated quantities of proved plus probable reserves

	Oil & NGLs MMbbls	Natural gas Bscf	Oil equivalent MMboe
At 31 December 2016	137.3	766.0	269.4
Revisions	43.2	(67.1)	31.6
Discoveries and extensions	–	–	–
Acquisitions	–	–	–
Production	(5.8)	(41.8)	(13.0)
At 31 December 2017	**174.7**	**657.1**	**288.0**

Reserves are those quantities of crude oil, natural gas and natural gas liquid that, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions.

As additional information becomes available or conditions change, estimates are revised.

34. Capitalised costs related to oil producing activities

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Capitalised costs:				
Unproved properties	–	–	–	–
Proved properties	389,766	351,448	1,274,580	1,152,290
Total capitalised costs	389,766	351,448	1,274,580	1,152,290
Accumulated depreciation	110,925	86,822	362,741	284,663
Net capitalised costs	278,841	264,626	911,839	867,627

Capitalised costs include the cost of equipment and facilities for oil producing activities. Unproved properties include capitalised costs for oil leaseholds under exploration, and uncompleted exploratory well costs, including exploratory wells under evaluation. Proved properties include capitalised costs for oil leaseholds holding proved reserves, development wells and related equipment and facilities (including uncompleted development well costs) and support equipment.

35. Concessions

The original, expired and unexpired terms of concessions granted to the Company as at 31 December 2017 are shown in the table below:

		Original	Term in years expired	Unexpired
Seplat	OMLs 4, 38 & 41	10	8	2

36. Results of operations for oil producing activities

	2017 ₦ million	2016 ₦ million	2017 US$ '000	2016 US$ '000
Revenue	127,655	51,995	417,428	202,446
Production and administrative expenses	(75,019)	(74,347)	(245,294)	(292,757)
Depreciation and amortisation	(23,877)	(6,909)	(78,078)	(48,600)
Profit/(loss) before taxation	28,759	(29,261)	94,056	(138,911)
Taxation	67,657	4,421	221,233	14,499
Profit/(loss) after taxation	96,416	(24,840)	315,289	(124,412)

37. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

38. Exchange rates used in translating the accounts to Naira

The table below shows the exchange rates used in translating the accounts into Naira:

	Basis	₦/US$
Fixed assets – opening balances	Historical rate	Historical
Fixed assets – additions	Average rate	305.80
Fixed assets – closing balances	Closing rate	305.81
Current assets	Closing rate	305.81
Current liabilities	Closing rate	305.81
Equity	Historical rate	Historical
Income and expenses	Overall average rate	305.81

Additional information

Payments to governments (unaudited)	239
Notice of fifth Annual General Meeting	240
General information	242
Glossary of terms	243

Payments to governments (unaudited)

For the year ended 31 December 2017

Introduction

The following information is included to comply with the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom and is prepared in accordance with Directive 2013/34/EU (the EU Accounting Directive (2013)).

Reporting entities

This report includes payments to governments made by Seplat Petroleum Development Plc and its subsidiaries (Seplat). All payments to governments arise from operations within Nigeria.

Activities

Payments made by Seplat to governments arising from activities involving the exploration, prospection, discovery, development and extraction of minerals, oil and natural gas deposits or other materials (extractive activities) are disclosed in this report. It excludes payments related to refining, natural gas liquefaction or gas-to-liquids activities. When payments cover both extractive and processing activities and cannot be split, the payments have been disclosed in full.

Government

Government includes any national, regional or local authority of a country to which Seplat has made payment related to these regulations, and includes any department, agency or entity that is controlled by such authority.

Project

Payments are reported at project level except for payments that are not attributable to a specific project; these are reported at entity level. A project is defined as operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. However, if multiple such agreements are substantially interconnected, this shall be considered as a project. Indicators of integration include, but are not limited to, geographic proximity, the use of shared infrastructure and common operational management.

Payments

The information is reported under the following payment types.

Production entitlements

These represent the government's share of production in the reporting period arising from projects operated by Seplat. It comprises crude oil and gas attributable to the Nigerian government by virtue of its participation as an equity holder in projects within its sovereign jurisdiction (Nigeria).

Production entitlements to the government are lifted independently by the relevant government agency.

Royalties

These are payments for the rights to extract oil and gas resources, typically at a set percentage of revenue less any deductions that may be taken.

Licence fees, rental fees, entry fees and other considerations for licences and/or concessions

These are fees and other sums paid as consideration for acquiring a licence for gaining access to an area where extractive activities are performed. Administrative government fees that are not specifically related to the extractive sector, or to obtain access to extractive resources, are excluded. Also excluded are payments made in return for services provided by a government.

Other types of payments that are required to be disclosed in accordance with the Regulations are the following:

- Taxes
- Bonuses
- Dividends
- Infrastructure improvements

However, for the year ended 31 December 2017, there were no such reportable payments above the materiality threshold made by Seplat to a government.

Materiality

For each payment type, total payments below £86,000 (€100,000) to a government agency are excluded from this report.

Reporting currency

Payments in this report have been disclosed in US Dollars. Where actual payments have been recorded in a currency other than US Dollars, they have been translated using the annual average exchange rate.

Payments by government

US$	Production entitlements	Royalties	Fees	Total
Governments				
Nigerian National Petroleum Corporation	481,778,860	–	–	481,778,860
Department of Petroleum Resources	–	32,780,890	418,524	33,199,414
Nigeria Export Supervision Scheme	–	–	221,301	221,301
Niger Delta Development Commission	–	–	3,347,788	3,347,788
Nigerian Content Development and Monitoring Board	–	–	619,415	619,415
Total	**481,778,860**	**32,780,890**	**4,607,028**	**519,166,778**

Payments by project

US$	Production entitlements	Royalties	Fees	Total
Projects				
OML 53	31,727,266	4,838,853	58,324	36,624,443
OPL 283	–	337,361	–	337,361
OML 4, 38 and 41	450,051,594	27,604,676	4,548,704	482,204,974
Total	**481,778,860**	**32,780,890**	**4,607,028**	**519,166,778**

For the purpose of this report, production entitlement refers to the value of liftings made by the government agency on fields operated by Seplat. The volume of crude oil and gas lifted during the year was approximately 18.8 million barrels and 41.8 million MMScf respectively. The crude oil price applied is based on the monthly average crude oil price per barrel, while the price per MMScf of gas is based on the actual gas price on the transaction dates. The volumes of crude oil lifted by the government, and gas lifted on behalf of the government, is multiplied by the price, as defined above, to arrive at the production entitlement.

Notice of fifth Annual General Meeting of Seplat Petroleum Development Company plc

(Registered with the Corporate Affairs Commission of Nigeria with RC Number: 824838)

NOTICE is hereby given that the fifth Annual General Meeting of Seplat Petroleum Development Company Plc (the **"Company"**) will be held at the Civic Centre, Ozumba Mbadiwe Road, Victoria Island, Lagos, Nigeria at 11:00am on Wednesday, 6 June 2018 for the transaction of the following business:

To consider and, if thought fit, to transact the following Ordinary Business, which will be proposed as Ordinary Resolutions:
1. To receive the Annual Accounts, Directors' Report, Auditors' Report for the year ended 31 December 2017 and the Audit Committee Report.
2. To approve the Remuneration Section of the Directors' Remuneration Report set out in the Annual Report and Accounts for the year ended 31 December 2017[1].
3. To re-appoint Ernst & Young Nigeria as Auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which the Company's Annual Accounts are laid.
4. To authorize the Board of Directors of the Company to determine the Auditors' remuneration.
5. To re-elect those Directors of the Company who are eligible for retirement by rotation.
6. To elect members of the Audit Committee.

To consider and, if thought fit, to transact the following Special Business, which will be proposed as Ordinary Resolutions:
1. To ratify the approval of the Board for the US Dollar Denominated Senior Unsecured Note Issue launched by the Company.
2. To ratify the appointment of Mr. Effiong Okon as an Executive Director of the Company[2].

To consider and, if thought fit, to transact the following Special Business, which will be proposed as a **Special Resolution**:

3. **THAT** the interpretation section of the Company's Articles of Association be and is hereby amended to read as follows:
   In these Articles:
   "Certificate" *means a paper certificate (other than a share warrant) evidencing a person's title to specified shares or other securities.*
   "Document" *means, unless otherwise specified, any document sent or supplied in electronic form.*
   "Fully paid" *in relation to a share, means that the nominal value and any premium to be paid to the Company in respect of that share have been paid to the Company.*
   "Holder" *in relation to shares means the person whose name is entered in the Register of Members as the holder of the shares.*
4. **THAT** Articles **15, 33, and 133** be deleted and the successive Articles renumbered serially.
5. **THAT** a new Article **3** which reads as follows
   "The liability of the Members is limited to the amount, if any, unpaid on the shares held by them"
   be and is hereby added to the Company's Articles of Association and the successive Articles renumbered serially.
6. **THAT** a new Article **31** which reads as follows:
   "Every share certificate must specify in respect of how many shares, of what class, it is issued; the nominal value of those shares; that the shares are fully paid; and any distinguishing numbers assigned to them"
   be and is hereby added to the Company's Articles of Association and the successive Articles renumbered serially.
7. **THAT** a new Article **34** which reads as follows:
   "A lien enforcement notice may only be given in respect of a share which is subject to the Company's lien, in respect of which a sum is payable and the due date for payment of that sum has passed. The enforcement notice must specify the share concerned; require payment of the sum payable within 14 days of the notice; be addressed either to the holder of the share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise; and must state the Company's intention to sell the share if the notice is not complied with."
   be and is hereby added to the Company's Articles of Association and the successive Articles renumbered serially.
8. **THAT** a new Article **36** which reads as follows:
   "A statutory declaration by a Director or the Company Secretary that the declarant is a Director or the Company Secretary and that a share has been sold to satisfy the Company's lien on a specified date is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share, and subject to compliance with any other formalities of transfer required by the articles or by law, constitutes a good title to the share"
   Be and is hereby added to the Company's Articles of Association and the successive Articles renumbered serially.
9. **THAT** a new Article **42** which reads as follows:
   "For the purposes of this article the "call payment date" is the time when the call notice states that a call is payable, unless the Directors give a notice specifying a later time, in which case the "call payment date" is that later date."
   be and is hereby added to the Company's Articles of Association and the successive Articles renumbered serially.
10. **THAT** a new Article **60** which reads as follows:
   "A statutory declaration by a director or the company secretary that the declarant is a Director or the Company Secretary and that a share has been forfeited on a specified date is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share, and subject to compliance with any other formalities of transfer required by this articles or by law, constitutes a good title to the share. A person to whom a forfeited share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the share. If the Company sells a forfeited share, the person who held it prior to its forfeiture is entitled to receive from the Company the proceeds of such sale, net of any commission, and excluding any amount which was, or would have become, payable, and had not, when that share was forfeited, been paid by that person in respect of that share, but no interest is payable to such a person in respect of such proceeds and the Company is not required to account for any money earned on them."
   be and is hereby added to the Company's Articles of Association and the successive Articles renumbered serially.
11. **THAT** a new Article **153** which reads as follows:
   "Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors."
   be and is hereby added to the Company's Articles of Association and the successive Articles renumbered serially.

1. This is set out on pages 110 to 117 of the Annual Report and Accounts for the year ended 31 December 2017. In accordance with UK remuneration reporting rules, this is an advisory vote.
2. The profile of the Executive Director, Mr. Effiong Okon is set out on page 73 of the Annual Report and Accounts for the year ended 31 December 2017.

12. **THAT** Article **6 (now 7)** be and is hereby amended to read as follows:
*"If at any time the share capital **of the Company** is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may from time to time subject to the prior approval of the Board and subsequent ratification of the Shareholders (whether or not the Company is being wound up) be modified, varied or surrendered with the consent in writing of the holders of not less than three quarters of the issued shares of that class or with the sanction of a special resolution passed at a separate General Meeting of all the holders of the shares of the class. To every such separate General Meeting, the provisions of these Articles relating to General Meetings of the Company shall apply, so however that the necessary quorum shall be two (2) Members at least holding or representing by proxy not less than one third of the paid up shares of the class, provided that, if any such separate General Meeting shall be adjourned by reason of there being no quorum present and at the adjourned meeting a quorum shall not be present within thirty minutes from the time appointed for such adjourned meeting, the holders of the class of shares in question who are present shall be a quorum. Any holder of shares of the class present in person or by proxy may demand a poll."*
13. **THAT** Article **30** be and is hereby amended to read as follows:
"If a share certificate is defaced, lost or destroyed it may be replaced on such terms (if any), as to evidence and indemnity and the payment of out-of-pocket expenses of the Company of investigating evidence as the Board thinks fit, and in case of defacement, on delivery of the old certificate to the Company. The Board may require the payment of any exceptional out of pocket expenses of the Company incurred in connection with the issue of any certificates under this Article."
14. **THAT** Article **43 (now 45)** be and is hereby amended to read as follows:
*"The Board may, at its discretion and without assigning any reason, refuse to register any transfer of shares **which are unpaid or not full paid up** and the Board may refuse to register a transfer of uncertificated shares in any circumstances that are allowed or required by the uncertificated securities rules and the relevant system."*
15. **THAT** Article **59 (now 62)** be and is hereby amended to read as follows:
*"**A Member may surrender any share in respect of which the Directors may issue a notice of intended forfeiture; which the directors may forfeit; or which has been forfeited, and** the Company may accept the surrender from any shareholder provided that such surrender may not extinguish or reduce a liability in respect of an amount unpaid on any such share, except in accordance with the provisions of the Act. The same consequence shall flow from the surrender of such a share as if such share had been effectively forfeited by the directors; in particular any share so surrendered may be disposed of in the same manner as a forfeited share."*
16. **THAT** Article **132 (now 135)** be and is hereby amended to read as follows:
"The Board may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the company or of any third party."
17. To amend the Articles of Association of the Company in accordance with section 48 of the Companies and Allied Matters Act 2004.

Copies of the Annual Report and Accounts for Seplat Petroleum Development Company Plc for the financial year ended 31 December 2017 will be mailed to the shareholders and will be available on our website: www.seplatpetroleum.com. Printed versions can also be obtained by contacting DataMax Registrars in Nigeria at 2C Gbagada Expressway, Gbagada, Lagos/+ 234 1 7120008-11; or Computershare in the UK on +44 (0) 370 702 000.

By order of the Board.

Dr. Mirian Kene Kachikwu
FRC/2015/NBA/00000010739
General Counsel/Company Secretary

28 February 2018

Notes:

1. PROXY:
A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her/its place. A proxy need not be a member of the Company. For the appointment to be valid for the purposes of the meeting, a completed and duly stamped proxy form must be deposited at the office of the Registrar, DataMax Registrars Limited, 2C Gbagada Express Way, Gbagada, Lagos or at the head office of the Company, marked for the attention of the ***"Company Secretary"*** or by email to proxy@seplatpetroleum.com, not less than 48 hours before the time fixed for the meeting. For convenience purposes, a blank proxy form is attached to the 2017 Annual Report & Accounts, both of which are available at the Company's website: www.seplatpetroleum.com and at the Company's head office: 25a Lugard Avenue, Ikoyi, Lagos.

2. CLOSURE OF REGISTER:
The Register of Members and Transfer Books of the Company (Nigeria & UK) will be closed on Tuesday, 22 May 2018 in accordance with the provisions of section 89 of CAMA, to enable the Registrars to prepare for the Annual General Meeting.

3. E-DIVIDEND MANDATE:
Shareholders are kindly requested to advise DataMax Registrars Limited of their updated records and relevant bank accounts, by completing the e-mandate form. The e-mandate form can be downloaded from DataMax Registrars Limited's website at http://www.datamaxregistrars.com. The duly completed form(s) should be returned to DataMax Registrars Limited, No, 2c Gbagada Expressway, Gbagada Phase 1, Lagos.

4. NOMINATION FOR AUDIT COMMITTEE:
In accordance with section 359(4) & (5) of the Companies and Allied Matters Act 2004, the Audit Committee shall consist of an equal number of directors and representatives of the shareholders of the Company (subject to a maximum number of six (6) members). Any shareholder may nominate a shareholder as a member of the Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least twenty-one (21) days before the Annual General Meeting.

5. RE-ELECTION OF DIRECTORS:
The following two Independent Non-Executive Directors who have stayed longest in office will retire and stand for re-election:
i. Mr. Michael Richard Alexander; and
ii. Lord Mark Malloch-Brown.
The profiles of these Directors are available on pages 73 and 74 respectively, of the 2017 Annual Report and Accounts.

6. RIGHT OF SECURITIES' HOLDERS TO ASK QUESTIONS:
In line with Rule 19.12(c) of the Listing Rules of the Nigerian Stock Exchange, Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting. Questions submitted prior to the Meeting should be addressed to the Company Secretary and must reach the head office of the Company no later than 7days before the date of the Meeting (being 30 May 2018).

General information

Board of Directors:

Name	Position	Nationality
Ambrosie Bryant Chukwueloka Orjiako	Chairman	Nigerian
Ojunekwu Augustine Avuru	Managing Director and Chief Executive Officer	Nigerian
Roger Thompson Brown	Chief Financial Officer (Executive Director)	British
Effiong Okon	Operations Director (Executive Director)	Nigerian
Michel Hochard[1]	Non-Executive Director	French
Macaulay Agbada Ofurhie	Non-Executive Director	Nigerian
Michael Richard Alexander	Senior Independent Non-Executive Director	British
Ifueko Omoigui Okauru	Independent Non-Executive Director	Nigerian
Basil Omiyi	Independent Non-Executive Director	Nigerian
Charles Okeahalam	Independent Non-Executive Director	Nigerian
Lord Mark Malloch-Brown	Independent Non-Executive Director	British
Damian Dinshiya Dodo	Independent Non-Executive Director	Nigerian

1 Madame Nathalie Delapalme acts as Alternate Director to Michel Hochard.

Company Secretary
Mirian Kachikwu

Registered office and business address of Directors
25a Lugard Avenue
Ikoyi
Lagos
Nigeria

Registered number
RC No. 824838

FRC number
FRC/2015/NBA/00000010739

Auditors
Ernst & Young
(10th & 13th Floors), UBA House
57 Marina Lagos, Nigeria

Registrar
DataMax Registrars Limited
2C Gbagada Expressway
Gbagada
Lagos, Nigeria

Custodian and Depositary
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom

Solicitors
Abraham Uhunmwagho & Co.
Adepetun Caxton-Martins Agbor & Segun ('ACAS-Law')
Banwo-Ighodalo
Chief J.A. Ororho & Co.
Chukwuma Chambers
Consolex LP
Freshfields Bruckhaus Deringer LLP
G.C. Arubayi & Co.
Herbert Smith Freehills LLP
J.E. Okodaso & Company
Latham & Watkins LLP
Norton Rose Fulbright LLP
Ogaga Ovrawah & Co.
Olaniwun Ajayi LP
O. Obrik. Uloho and Co.
Streamsowers & Kohn
Thompson Okpoko & Partners
V.E. Akpoguma & Co.
Walles & Tarres Solicitors
White & Case LLP

Bankers
Citibank Nigeria Limited
First Bank of Nigeria Limited
HSBC Bank
Stanbic IBTC Bank Plc
Standard Chartered Bank
United Bank for Africa Plc
Zenith Bank Plc

Brokers
Citigroup Global Markets
33 Canada Square,
Canary Wharf,
Canary Wharf Group,
London E14 5LB

Investec Bank plc
2 Gresham Street
London EC2V 7QP

Glossary of terms

AEPS
Amukpe-Escravos Pipeline System

AG
Associated Gas

AGM
Annual General Meeting

ALR
Amended Listing Rules

ANOH
Assa North Ohaji South

bbls
Barrels of oil

boe
Barrels of oil equivalent

boepd
Barrels of oil equivalent per day

bopd
Barrels of oil per day

bn
Billion

Bscf
Billion standard cubic feet of gas

BTU
British Thermal Unit

CAMA
Companies and Allied Matters Act

CBI
Convention on Business Integrity

CBN
Central Bank of Nigeria

CGRS
Corporate Governance Rating System

CPR
Competent Person's Report

DD&A
Depreciation, Depletion & Amortisation

Degrees API
A measure of how heavy or light a petroleum liquid is compared to water

Development well
A well drilled specifically into a previously discovered field

DSO
Domestic Supply Obligation

DTR
The FCA's Disclosure and Transparency Rules

EBIT
Earnings Before Interest and Tax

EPF
Early Production Facility

EPS
Earnings Per Share

ERGP
Economic Recovery and Growth Plan

ERM
Enterprise Risk Management

ESIA
Environmental Social Impact Assessment

E&P
Exploration and Production

Farm in
To acquire an interest in a licence from another party

Farm out
To assign an interest in a licence to another party

FCA
Financial Conduct Authority

FID
Final Investment Decision

FMPWH
Federal Ministry of Power Works and Housing

ft
Feet

FTSE
Financial Times Stock Exchange Index

GBP/£
Pound sterling currency

GDP
Gross Domestic Product

GGFR
Global Gas Flaring Reduction

GHDI
Global Human Development Initiative

GMOU
Global Memorandum of Understanding

GMP
Gas Master Plan

GSA
Gas Supply Agreement

GTL
Gas To Liquids

GW
Giga Watt

HSSE
Health, Safety, Security and Environment

Hydrocarbons
Compounds containing only the elements hydrogen and carbon; they may exist as solids, liquids or gases

H1
First half of the year

H2
Second half of the year

IEFX
Investors' & Exporters' Foreign Exchange window

IOGP
International Association of Oil and Gas Producers

IPO
Initial Public Offering

IPP
Independent Power Plants

ISO
International Organization for Standardization

Joint venture/JV
A group of companies who share the cost and rewards of exploring for and producing oil or gas from a licence or block

km^2
Square kilometres

KPI
Key Performance Indicator

kWh
KiloWatt hour

LACT
Lease Automated Custody Transfer unit; facility used for accurately metering liquids production

LFN
Laws of the Federation of Nigeria

Licence/Block
Area of specified size, which is licensed to a company by the government for production of oil and gas

LNG
Liquefied Natural Gas

LPS
Loss Per Share

LSE
London Stock Exchange

LTF
Liquid Treatment Facility

LTIF
Lost Time Incident Frequency

LTIP
Long Term Incentive Plan

m
Metres

Major IOC
Major international oil company

MCP
Multiple Currency Practices

MMbbls
Million barrels

MMboe
Millions of barrels of oil equivalent

MMscfd
Million standard cubic feet of gas per day

MOPU
Mobile Offshore Production Unit

MOU
Memorandum of Understanding

NAPIMS
National Petroleum Investment Management Service

NBS
National Bureau of Statistics

NED
Non-Executive Director

NGMP
Nigeria Gas Master Plan

NGO
Non-Governmental Organisation

NIIMP
Nigerian Integrated Infrastructure Master Plan

NNPC
Nigerian National Petroleum Company

NOGICD
Nigeria Oil and Gas Industry Content Development

NPC
National Population Commission

NPDC
Nigerian Petroleum Development Company

NSE
Nigerian Stock Exchange

OB3
Obiafu-Obrikom-Oben gas pipeline

OML
Oil Mining Licence

OPEC
Organization of the Petroleum Exporting Countries

Operator
A company which organises the exploration and production programmes in a block or licence on behalf of all the interest holders in the block or licence

OPL
Oil Prospecting Licence

O&G
Oil and Gas

PIB
Petroleum Industry Bill

PPP
Public Private Partnership

PRSP
Power Sector Recovery Programme

Q1
First quarter

Q2
Second quarter

Q3
Third quarter

Q4
Fourth quarter

SDG
Sustainable Development Goals

SEC
Securities Exchange Commission

SID
Senior Independent Director

SPDC
Shell Petroleum Development Company

Spud
To commence drilling a well

STOIIP
Stock Tank Oil Initially In Place

TFP/TFS
Trans Forcados Pipeline/System

TRIR
Total Recordable Incident Rate

Tscf
Trillion standard cubic feet of gas

TSR
Total Shareholder Return

US$/$
United States Dollar currency

US$m/$m
Millions of United States Dollar currency

WEF
World Economic Forum

WI
Working interest

WRPC
Warri Refinery Petrochemical Company

1P Reserves
Proven reserves

2D Seismic
Two-dimensional seismic

2P Reserves
Proven and probable reserves

3D Seismic
Three-dimensional seismic

3P Reserves
Proven, probable and possible reserves

₦
Nigerian Naira currency

Forward-looking statements

This document may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's business, results of operations, financial position, liquidity, prospects, growth, strategies and the oil and gas business. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C107262

This report is printed on Horizon Offset. Manufactured at a mill that is FSC® accredited.
Printed by Principal Colour. Principal Colour are ISO 14001 certified, Alcohol Free and FSC® Chain of Custody certified.

Designed and produced by **SampsonMay**
Telephone: 020 7403 4099 www.sampsonmay.com

Seplat Petroleum
Development
Company Plc

Head Office
25A Lugard Avenue,
Ikoyi, Lagos, Nigeria

London Office
Fourth Floor,
50 Pall Mall,
London SW1Y 5JH
United Kingdom

www.seplatpetroleum.com