seplat

Interim management statement and consolidated interim financial results

For the nine months ended 30 September 2017 (expressed in US Dollars and Naira)

23 October 2017

Seplat Petroleum Development Company Plc

Seplat Petroleum Development Company Plc

Interim management statement and consolidated interim financial results for the nine months ended 30 September 2017

Lagos and London, 23 October 2017: Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), a leading Nigerian independent oil and gas company listed on both the Nigerian Stock Exchange and London Stock Exchange, today announces its results for the nine months ended 30 September 2017. Information contained within this release is un-audited and is subject to further review.

Commenting on the results Austin Avuru, Seplat's Chief Executive Officer, said:

"I am pleased to report a sharp improvement in Seplat's operational and financial performance which has resulted in a welcome return to profitability during the third quarter. The improved cash flow is translating into a stronger balance sheet and, based on current levels of production and sales, we maintain full year production guidance of 35,000 to 38,000 boepd. Looking ahead, we plan to build on this performance in the coming quarters focusing on regular and predictable revenues as we start to unlock further value from our portfolio of production and development opportunities."

Highlights

Return to profitability in Q3 drives improved financial performance

- Q3 operating profit US$40.9 million (Q3 2016: US$11.7 million operating loss) and net profit US$22.3 million (Q3 2016: US$36.6 million net loss) on quarterly revenue of US$146.7 million (Q3 2016: US$59.7 million)
- 9M operating profit boosted to US$53.2 million (9M 2016: US$53.7 million operating loss) while 9M net loss has narrowed to US$5.3 million (9M 2016: US$97.8 million net loss) on 9M revenue of US$278.6 million (9M 2016: 212.7 million)
- 9M cash generated from operations US$167.1 million (9M 2016: US$108.9 million) versus capex incurred of US$22.5 million (9M 2016: US$29.5 million). 9M average oil price realisation US$46.49/bbl (9M 2016: US$42.82/bbl); average gas price US$3.01/Mscf (9M 2016: US$3.03/Mscf)

Continued to strengthen the balance sheet; reducing net debt and preserving a liquidity buffer

- Net debt at 30 September US$402 million; gross debt US$621 million and cash at bank US$219 million
- NPDC headline receivable at 30 September US$205 million adjusting for FX and interest; net receivable US$195 million after adjusting for impairment due to time value of money
- Extended hedging programme with dated Brent puts covering 3.6 MMbbls at an average strike price of US$40.0/bbl in H1 2018. Q4 2017 hedges comprise dated Brent puts covering 0.85 MMbbls at an average strike price of US$50.0/bbl

Gas business expanding, making a strong ongoing contribution

- 9M gas revenues of US$85.9 million up 11% year-on-year (2016: US$77.4 million); peak daily output reached 352 MMscfd (gross) in Q3. New gas sales agreements being agreed to increase offtake and diversify counterparties
- Significant progress made in formalising an incorporated joint venture relationship between Seplat and government to deliver the 300 MMscfd ANOH gas processing plant. In light of this, Seplat FID will now be aligned with NNPC approvals with both parties expected to take FID within the next three to six months

Working interest production for the third quarter and first nine months of 2017[1]

- Q3 working interest production within guided range; full year working interest production guidance of 17,000 to 19,000 bopd and 105 to 115 MMscfd (or 35,000 to 38,000 boepd) is maintained
- Uptime on the Trans Forcados System during Q3 was 84%; average reconciliation losses in Q3 significantly reduced to below 3% from previous average of around 10%
- Amukpe to Escravos pipeline commercial contracts in advanced stage with scope of work and costs of connection to the terminal agreed. The pipeline will be under joint management between the pipeline owners Pan Ocean/NAPIMS and the Seplat/NPDC JV. Timetable slightly delayed to ensure that tie-in works are fully funded prior to commencement which is now anticipated before the end of 2017. The pipeline is expected to be commissioned in H1 2018

		9M Working Interest			Q3 Working Interest		
		Liquids	Gas	Oil equivalent	Liquids	Gas	Oil equivalent
Production	Seplat %	bopd	MMscfd	boepd	bopd	MMscfd	boepd
OMLs 4, 38 & 41	45.0%	13,073	104	30,482	23,967	111	42,426
OPL 283	40.0%	1,052	-	1,052	1,335	-	1,335
OML 53	40.0%	1,058	-	1,058	1,049	-	1,049
Total		**15,183**	**104**	**32,593**	**26,351**	**111**	**44,810**

[1] Liquid production volumes as measured at the LACT unit for OMLs 4, 38 and 41 and OPL 283 flow station. Volumes stated are subject to reconciliation and will differ from sales volumes within the period.

Important notice

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Certain statements included in these results contain forward-looking information concerning Seplat's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which Seplat operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within Seplat's control or can be predicted by Seplat. Although Seplat believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. Actual results and market conditions could differ materially from those set out in the forward-looking statements. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Seplat or any other entity, and must not be relied upon in any way in connection with any investment decision. Seplat undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

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Notes to editors

Seplat Petroleum Development Company Plc is a leading indigenous Nigerian oil and gas exploration and production company with a strategic focus on Nigeria, listed on the Main Market of the London Stock Exchange ("LSE") (LSE:SEPL) and Nigerian Stock Exchange ("NSE") (NSE:SEPLAT).

Seplat is pursuing a Nigeria focused growth strategy and is well-positioned to participate in future divestment programmes by the international oil companies, farm-in opportunities and future licensing rounds. For further information please refer to the company website, http://seplatpetroleum.com/

Interim Condensed Consolidated Financial Statements (Unaudited)

for the third quarter ended 30 September 2017

Expressed in Naira (‘NGN’)

Interim condensed consolidated statement of profit or loss and other comprehensive income

for the third quarter ended 30 September 2017

	Note	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
		Unaudited	Unaudited	Unaudited	Unaudited
		₦'m	₦'m	₦'m	₦'m
Revenue	7	85,190	49,943	44,873	18,367
Cost of sales	8	(47,107)	(30,702)	(23,193)	(13,848)
Gross profit		38,083	19,241	21,680	4,519
General and administrative expenses	9	(17,167)	(17,755)	(7,611)	(7,422)
Loss on foreign exchange - net	10	(277)	(6,911)	(13)	(529)
Gain on deconsolidation of subsidiary	11	-	210	-	210
Fair value loss	12	(4,361)	(7,964)	(1,544)	(391)
Operating profit/(loss)		16,278	(13,179)	12,512	(3,613)
Finance income	13	483	6,081	213	387
Finance costs	13	(17,521)	(14,366)	(5,395)	(6,045)
(Loss)/profit before taxation		(760)	(21,464)	7,330	(9,271)
Taxation	14	(860)	(2,615)	(518)	(2,000)
(Loss)/profit for the period		(1,620)	(24,079)	6,812	(11,271)
(Loss)/profit attributable to equity holders of parent		(1,620)	(23,616)	6,812	(10,535)
Loss attributable to non-controlling interest		-	(463)	-	(736)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference		932	141,638	(117)	28,384
Total comprehensive (loss)/profit for the period		(688)	117,559	6,695	17,113
(Loss)/profit attributable to equity holders of parent		(688)	118,095	6,695	19,659
Loss attributable to non-controlling interest		-	(536)	-	(2,546)
(Loss)/earnings per share (₦)	15	(2.88)	(42.13)	12.09	(18.79)
Diluted (loss)/earnings per share(₦)	15	(2.84)	(41.88)	11.95	(18.68)

Interim condensed consolidated statement of financial position

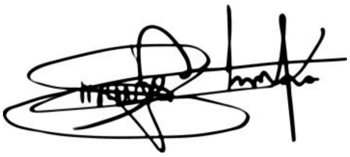
As at 30 September 2017

	Note	As at 30 Sept 2017 Unaudited ₦'m	As at 31 Dec 2016 Audited ₦'m
Assets			
Non-current assets			
Oil and gas properties		364,542	373,442
Other property, plant and equipment		1,534	2,430
Other asset	18	70,017	76,277
Prepayments		9,057	10,253
Total non-current assets		445,150	462,402
Current assets			
Inventories		31,164	32,395
Trade and other receivables	19	131,195	119,160
Prepayments		569	2,035
Cash and bank balance		67,008	48,684
Total current assets		229,936	202,274
Total assets		675,086	664,676
Equity and liabilities			
Equity			
Issued share capital	20	283	283
Share premium		82,080	82,080
Share based payment reserve		3,823	2,597
Capital contribution		5,932	5,932
Retained earnings		83,432	85,052
Foreign currency translation reserve		201,361	200,429
Total equity		376,911	376,373
Non-current liabilities			
Interest bearing loans & borrowings	17	113,137	136,060
Deferred tax liabilities		344	-
Contingent consideration	24	4,100	3,672
Provision for decommissioning obligation		204	182
Defined benefit plan		1,927	1,559
Total non-current liabilities		119,712	141,473
Current liabilities			
Interest bearing loans and borrowings	17	74,083	66,489
Trade and other payables	21	103,288	79,766
Current taxation		1,092	575
Total current liabilities		178,463	146,830
Total liabilities		298,175	288,303
Total shareholders' equity and liabilities		675,086	664,676

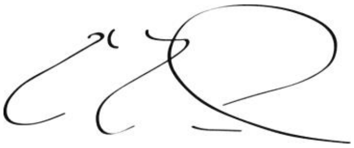
Interim condensed consolidated statement of financial position continued

As at 30 September 2017

The financial statements on pages 5 to 28 were approved and authorised for issue by the board of directors on 23 October 2017 and were signed on its behalf by



A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
23 October 2017



A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
23 October 2017

R.T. Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
23 October 2017

Interim condensed consolidated statement of changes in equity continued

for the third quarter ended 30 September 2017

for the third quarter ended 30 September 2016

	Issued share capital	Share premium	Capital contribution	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
At 1 January 2016	282	82,080	5,932	1,729	56,182	134,919	281,124	(148)	280,976
Loss for the period	-	-	-	-	-	(23,616)	(23,616)	(463)	(24,079)
Derecognition of subsidiary	-	-	-	-	-	-	-	684	684
Other comprehensive income	-	-	-		141,711	-	141,711	(73)	141,638
Total comprehensive loss for the period	-	-	-	-	141,711	(23,616)	118,095	148	118,243
Transactions with owners in their capacity as owners:									
Share based payments	-	-	-	596	-	-	596	-	596
Dividends	-	-	-	-	-	(5,373)	(5,373)		(5,373)
Total	-	-	-	596	-	(5,373)	(4,777)	-	(4,777)
At 30 September 2016 (unaudited)	**282**	**82,080**	**5,932**	**2,325**	**197,893**	**105,930**	**394,442**	**-**	**394,442**

for the third quarter ended 30 September 2017

	Issued share capital	Share premium	Capital contribution	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
At 1 January 2017	**283**	**82,080**	**5,932**	**2,597**	**200,429**	**85,052**	**376,373**	**-**	**376,373**
Loss for the period	-	-	-	-	-	(1,620)	(1,620)	-	(1,620)
Other comprehensive income	-	-	-	-	932		932		932
Total comprehensive loss for the period	-	-	-	-	932	(1,620)	(688)	-	(688)
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	1,226	-	-	1,226	-	1,226
Dividends	-	-	-	-	-	-	-	-	-
Total	-	-	-	1,226	-	-	1,226	-	1,226
At 30 September 2017 (unaudited)	**283**	**82,080**	**5,932**	**3,823**	**201,361**	**83,432**	**376,911**	**-**	**376,911**

Interim condensed consolidated statement of cash flow

for the third quarter ended 30 September 2017

	Note	9 months ended 30 Sept 2017 ₦'m Unaudited	9 months ended 30 Sept 2016 ₦'m Unaudited
Cash flows from operating activities			
Cash generated from operations	22	51,098	25,473
Net cash inflows from operating activities		51,098	25,473
Cash flows from investing activities			
Acquisition of oil and gas properties		(6,726)	(6,716)
Acquisition of other property, plant and equipment		(157)	(329)
Receipts from other asset	18	6,913	-
Interest received		484	234
Net cash inflows/(outflows) from investing activities		514	(6,811)
Cash flows from financing activities			
Repayments of bank financing		(16,744)	(37,019)
Dividends paid		-	(5,373)
Interest paid on bank financing		(15,240)	(13,678)
Interest paid on advance payments for crude oil sales		(1,346)	-
Net cash outflows from financing activities		(33,330)	(56,070)
Net increase/(decrease) in cash and bank balances		18,282	(37,408)
Cash and bank balances at the beginning of the third quarter		48,684	64,828
Exchange gains on cash and bank balances		42	14,090
Cash and bank balances at the end of the third quarter		67,008	41,510

Notes to the interim condensed consolidated financial statements

1. 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, 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 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.

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 percent Participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the ''Umuseti/Igbuku Fields'').

On 27 March 2013, Seplat Energy Limited ("Seplat Energy") was incorporated. The principal activities of the Company is the exploration, development and transportation of petroleum products and Seplat Gas Company Limited ("Seplat Gas") was incorporated on 9 December 2013 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.

In 2017, the Group incorporated a new subsidiary, ANOH Gas Processing Company Limited. The principal activities of the Company is the processing of gas from OML 53.

The Company together with its subsidiary, Newton Energy, and six 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, Seplat Gas Company Limited ('Seplat GAS'), which was incorporated on 12 December 2014, Seplat Energy Limited ('Seplat Energy'), which was incorporated on 27 March 2013 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
Seplat Energy Limited	Nigeria	100%	Oil & gas exploration and production
ANOH Gas Processing Company Limited	Nigeria	100%	Gas processing

Notes to the interim condensed consolidated financial statements continued

2. Significant changes in the current reporting period

During the reporting period ended 30 September 2017, the Group renegotiated its lending arrangements resulting in a twelve 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 30 September 2017.

3. Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards which are set out below.

3.2 Basis of preparation

i) Compliance with IFRS

The interim condensed consolidated financial statements of the Group for the third quarter reporting period ended 30 September 2017 have been prepared in accordance with accounting standard IAS 34 Interim financial reporting.

ii) Historical cost convention

The financial information has been prepared under the going concern assumption and historical cost convention, except for contingent consideration, other asset and financial instruments on initial recognition measured at fair value. The historical financial information is presented in Nigerian Naira and all values are rounded to the nearest million (₦'m) except when otherwise indicated. The accounting policies are applicable to both the Company and Group.

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 twelve months from the date of these financial statements.

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 preparing the interim condensed 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 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 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.

Notes to the interim condensed consolidated financial statements continued

The Group discloses this information in tabular format as a reconciliation from opening and closing balances, but may adopt a different format as the standard does not mandate a specific format.

The Group discloses this information in Note 17.

v) New standards, amendments and interpretations not yet adopted

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

a. Amendments to IFRS 2 Share-based payments

In June 2016, the IASB made amendments to IFRS 2 Share-based payments which clarified the effect of vesting conditions on the measurement of cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and the accounting for a modification of the terms and conditions that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for reporting periods beginning on or after 1 January 2018. The Group will adopt the amendments from 1 January 2018.

b. IFRS 9 Financial Instruments

IFRS 9 Financial instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, the standard introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group has completed a detailed assessment of the impact of the new standard on the classification and measurement of its financial assets. 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 for the following reason:

- All of the Group's financial assets are currently classified as loans and receivables and are measured at amortised cost and 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 accounting for 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. 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 they have not formally elected to apply hedge accounting.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI (FVOCI), contract assets under IFRS 15: Revenue from Contracts with Customers and lease receivables. Based on assessments undertaken on the Group's portfolio of NPDC receivables, it estimates that had the new principles been adopted as at 1 January 2017, there would have been an increase to its loss allowance for NPDC receivables of approximately ₦1.2 billion (US$4 million) at that date and retained earnings would decrease by the same amount.

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.

c. IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. It introduces a five step model approach to recognising income.

Notes to the interim condensed consolidated financial statements continued

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas to be affected:

- **Accounting for under lifts and over lifts:** IFRS 15 is applicable only if the counterparty to the contract is a customer. The standard defines a customer as a party that has contracted 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. If the over-lifter does not meet the definition of a customer or the transaction is a non-monetary exchange, then over lifts and under lifts will not be recognised as revenue from contracts with customers. If the Group were to adopt the new principles as at 1 January 2017, it estimates that revenue would have reduced by ₦5 billion (US$16 million) and other operating income would have increased by the same amount.

- **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. 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 to Seplat and as such represent consideration payable to customer and will be accounted for as a direct deduction from revenue. If the Group had adopted the new principles as at 1 January 2017, revenue would have reduced by an additional ₦5.5 billion (US$18 million) as a result of barging costs.

- **Presentation of contract assets and contract liabilities on the balance sheet** - IFRS 15 requires separate presentation of contract assets and contract liabilities on the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to advances for future oil sales which are currently included in deferred revenue.

d. IFRS 16 Leases

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.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group had non-cancellable operating lease commitments of ₦107 million ($0.35 million). The Group has determined that these lease commitments will result in the recognition of an asset and a liability for future payments. However, the extent of the impact is yet to be quantified.

Some of the commitments may be covered by the exception for short-term leases, while none of the leases will be covered by the exception for low value leases. Some commitments may relate to arrangements that will not qualify as leases under IFRS 16, principally because they have previously been identified as service contracts.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2017.

This basis is the same adopted for the last audited financial statements as at 31 December 2016.

3.4 Functional and presentation currency

The Group's financial statements are presented in United States Dollars, which is also the Company's functional currency and the Nigerian Naira as required by the Financial Reporting Council of Nigeria. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Notes to the interim condensed consolidated financial statements continued

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation 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.

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 balance sheet presented are translated at the closing rate at the date of the balance sheet
- income and expenses for each statement of profit or loss and statement of 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.

4. 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.

5. Significant accounting judgements, estimates and assumptions

5.1 Judgements

Management's judgements at the end of the third quarter are consistent with those disclosed in the recent 2016 Annual financial statements. The following are some of the judgements which have the most significant effect on the amounts recognised in this consolidated financial statements.

i) OMLs 4, 38 and 41

OMLs 4, 38, 41 are grouped together as a cash generating unit for the purpose of impairment testing. These three OMLs are grouped together because they each do not 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 (note 19)

The Group considers that the advances on investment of ₦20 million (2016: ₦20 million) in relation to the acquisition of additional assets is fully recoverable in accordance with the terms of the deposit.

Notes to the interim condensed consolidated financial statements continued

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed in the most recent 2016 annual financial statements.

The following are some of the estimates and assumptions made.

i) 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.

Management has made certain assumptions about the recoverability of financial assets exposed to credit risk from NPDC. These are based on management's past experiences with NPDC, current discussions with NPDC and financial capacity of NPDC. However, wherever these assumptions do not hold, it might have a significant impact on the Group's profit or loss in future.

ii) Defined benefit plans

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined at the end of the financial year 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. Service and interest costs are recognised at each reporting period based on an estimate of the periodic benefit expense for the financial year.

The defined benefit obligation recognised in this period has been based on the same assumptions as in the previous financial year. The subsequent financial year end balance was estimated as at 31 December 2016 and has been recognised in this third quarter on a pro rata basis. Therefore, no actuarial gains or losses have been recognised given that last year's assumptions have been adopted.

iii) Contingent consideration

The fair value of the contingent consideration arrangement of ₦4.1 billion (US$13.4 million) was estimated calculating the present value of the future expected cash flows. Refer to note 24 for further details.

6. Financial risk management

6.1 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.

Notes to the interim condensed consolidated financial statements continued

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	None
Market risk - commodity prices	Future sales transactions	Sensitivity analysis	Oil price hedges
Credit risk	Cash and bank balances, trade receivables and derivative financial instruments.	Aging 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

6.1.1 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 interest 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.

Notes to the interim condensed consolidated financial statements continued

	Variable rate	Less than 1 year	1 -2 years	2 - 3 years	3 - 5 years	After 5 years	Total
	%	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
30 September 2017							
Non - derivatives							
Variable interest rate borrowings (bank loans):							
Allan Gray	8.5%+LIBOR	1,512	1,597	1,310	731	-	5,150
Zenith Bank Plc	8.5%+LIBOR	20,723	21,890	17,948	10,020	-	70,581
First Bank of Nigeria	8.5%+LIBOR	11,440	12,084	9,908	5,531	-	38,963
United Bank of Africa Plc	8.5%+LIBOR	12,952	13,681	11,217	6,262	-	44,112
Stanbic IBTC Bank Plc	8.5%+LIBOR	1,941	2,050	1,681	938	-	6,610
The Standard Bank of South Africa Limited	8.5%+LIBOR	1,941	2,050	1,681	938	-	6,610
Standard Chartered Bank	6.0%+LIBOR	5,845	1,400	-		-	7,245
Natixis	6.0%+LIBOR	5,845	1,400	-		-	7,245
Citibank Nigeria Limited and Citibank N.A.	6.0%+LIBOR	4,546	1,089	-		-	5,635
First Rand Bank (Merchant Bank Division)	6.0%+LIBOR	3,897	933	-		-	4,830
Nomura International Plc.	6.0%+LIBOR	3,897	933	-		-	4,830
Ned Bank Ltd London Branch	6.0%+LIBOR	3,897	933	-		-	4,830
The Mauritius Commercial Bank Plc	6.0%+LIBOR	3,897	933	-		-	4,830
Stanbic IBTC Bank Plc	6.0%+LIBOR	2,922	700	-		-	3,622
The Standard Bank of South Africa Limited	6.0%+LIBOR	4,222	1,011	-		-	5,233
Other non-derivatives							
Trade and other payables		45,949	-	-	-	-	45,949
Contingent consideration		-	-	5,656	-	-	5,656
		135,426	62,684	49,401	24,420		271,931

Notes to the interim condensed consolidated financial statements continued

	Variable rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	After 5 years	Total
	%	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
31 December 2016							
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	8.5% + LIBOR	8,452	-	-	-	-	8,452
Natixis	6.00% + LIBOR	8,452	-	-	-	-	8,452
Citibank Nigeria Ltd and Citibank NA	6.00% + LIBOR	8,452	-	-	-	-	8,452
Bank of America Merrill Lynch Int'l Ltd	6.00% + LIBOR	5,635	-	-	-	-	5,635
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.00% + LIBOR	5,635	-	-	-	-	5,635
JP Morgan Chase Bank NA, London Branch	6.00% + LIBOR	5,635	-	-	-	-	5,635
NedBank Ltd, London Branch	6.00% + LIBOR	5,635	-	-	-	-	5,635
Stanbic IBTC Bank Plc	6.00% + LIBOR	4,225	-	-	-	-	4,225
The Standard Bank of South Africa Ltd	6.00% + LIBOR	4,225	-	-	-	-	4,225
Other non - derivatives							
Trade and other payables		49,341	-	-	-	-	49,341
Contingent consideration		-	-	-	5,643	-	5,643
		133,496	**56,502**	**52,117**	**61,008**	**-**	**303,123**

6.2 Fair value measurements

Financial instruments measured at fair value were based on the same assumptions as determined in the 31 December 2016 financial statements. The judgements and estimates made by the Group in determining the fair values of the financial instruments have remained the same since the last annual financial report. There were no transfers of financial instruments between fair value hierarchy levels during this third quarter.

Notes to the interim condensed consolidated financial statements continued

7. Revenue

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	₦'m	₦'m	₦'m	₦'m
Crude oil sales	68,460	22,634	34,453	8,131
(Over lift)/Under lift	(9,532)	8,403	785	922
	58,928	31,037	35,238	9,053
Gas sales	26,262	18,906	9,635	9,314
Revenue	85,190	49,943	44,873	18,367

The major off-taker for crude oil is Mercuria. The major off-taker for gas is the Nigerian Gas Company.

In the prior period to 30 September 2016, realised fair value losses on crude oil hedges of ₦2.3 billion were included in revenue. This is now classified under fair value loss (note 12)

8. Cost of sales

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	₦'m	₦'m	₦'m	₦'m
Crude handling fees	5,240	1,243	3,709	301
Barging cost	2,787	3,161	792	1,969
Royalties	13,107	6,305	7,371	3,612
Depletion, depreciation and amortisation	16,546	10,229	7,685	4,461
Niger Delta Development Commission levy	1,108	992	379	401
Rig related expenses	1,020	627	521	257
Operations & maintenance expenses	7,299	8,145	2,736	2,847
Cost of sales	47,107	30,702	23,193	13,848

9. General and administrative expenses

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	₦'m	₦'m	₦'m	₦'m
Depreciation	1,035	1,000	313	440
Employee benefits	4,908	3,587	1,612	1,433
Professional and consulting fees	3,802	3,538	1,905	1,259
Auditor's remuneration	288	13	194	-
Directors emoluments (executive)	560	589	137	261
Directors emoluments (non-executive)	718	614	242	123
Rentals	350	333	126	127
Impairment loss	-	4,775	-	2,440
Other general expenses	5,506	3,306	3,082	1,339
General and administrative expenses	17,167	17,755	7,611	7,422

Directors' emoluments have been split between executive and non-executive directors. There were no non-audit services rendered by the Group's auditors during the period. Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others. Share based payment expenses are included in the employee benefits expense.

Notes to the interim condensed consolidated financial statements continued

10. Loss on foreign exchange - net

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	₦'m	₦'m	₦'m	₦'m
Exchange loss	(277)	(6,911)	(13)	(529)

This is principally as a result of translation of naira denominated monetary assets and liabilities.

11. Gain on deconsolidation of subsidiary

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	₦'m	₦'m	₦'m	₦'m
Gain on deconsolidation of BelemaOil	-	**210**	-	**210**

Gain on deconsolidation arose in 2016 as a result of the deconsolidation of BelemaOil. The sum of assets and liabilities derecognised amounted to ₦76.08 billion. On derecognition, Seplat recognised a right to receive a discharge sum of ₦100 billion fair valued at ₦76.28 billion (note 18).

12. Fair value loss

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	₦'m	₦'m	₦'m	₦'m
Realised fair value losses on crude oil hedges	(4,405)	(2,271)	(1,399)	-
Unrealised fair value losses on crude oil hedges	-	(5,247)	-	(455)
Fair value loss on contingent consideration	(419)	(446)	(145)	64
Fair value gain on other assets	463	-	-	-
Fair value loss	(4,361)	(7,964)	(1,544)	(391)

Realised fair value losses on crude oil hedges represent the payments for crude oil price options, while unrealised fair value losses represent losses on crude oil price hedges charged to profit or loss. 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 of ₦94 billion (US$308 million).

13. Finance income/ (costs)

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	₦'m	₦'m	₦'m	₦'m
Finance income				
Interest income	483	6,081	213	387
Finance costs				
Interest on advance payments for crude oil sales	1,346	-	403	-
Interest on bank loan and other bank charges	16,153	14,188	4,984	5,890
Unwinding of discount on provision for decommissioning	22	178	8	155
	17,521	14,366	5,395	6,045
Finance costs - net	(17,038)	(8,285)	(5,182)	(5,658)

Notes to the interim condensed consolidated financial statements continued

14. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 September 2017 is 65.75% for crude oil activities and 30% for gas activities. As at 31st December 2016, the tax rates were 65.75% and 30% for crude oil and gas activities respectively.

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 ₦73 billion (2016: ₦58 billion) in respect of temporary differences amounting to ₦111 billion (2016: ₦89 billion). Out of this, deferred tax asset of ₦10 billion (2016: ₦14 billion) relates to tax losses of ₦15 billion (2016: ₦22 billion). There are no expiration dates for the tax losses.

15. Loss/earnings per share (LPS/EPS)

Basic
Basic LPS/EPS is calculated on the Group's (loss)/profit after taxation attributable to the parent entity and on the basis of the weighted average of issued and fully paid ordinary shares at the end of the period.

Diluted
Diluted LPS/EPS is calculated by dividing the (loss)/profit 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.

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	₦'m	₦'m	₦'m	₦'m
(Loss)/profit for the period attributable to equity holders of the parent	(1,620)	(23,616)	6,812	(10,535)
	Share '000	Share '000	Share '000	Share '000
Weighted average number of ordinary shares in issue	563,445	560,576	563,445	560,576
Share awards	6,437	3,276	6,437	3,276
Weighted average number of ordinary shares adjusted for the effect of dilution	569,882	563,852	569,882	563,852
	₦	N	₦	₦
Basic (loss)/earnings per share	(2.88)	(42.13)	12.09	(18.79)
Diluted (loss)/earnings per share	(2.84)	(41.88)	11.95	(18.68)
	₦'m	₦'m	₦'m	₦'m
(Loss)/profit attributable to equity holders of the parent	(1,620)	(23,616)	6,812	(10,535)
Loss)/profit used in determining diluted (loss)/earnings per share	(1,620)	(23,616)	6,812	(10,535)

16. Dividend

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016
	₦'m	₦'m
Dividend paid during the period	-	5,373
	₦	₦
Dividend per share ($)	-	9.58

Notes to the interim condensed consolidated financial statements continued

17. Interest bearing loans & borrowings

Below is the net debt reconciliation on interest bearing loans and borrowings.

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦'m	₦'m	₦'m
Balance as at 1 January 2017	66,489	136,060	202,549
Effective interest	16,153	-	16,153
Effect of loan restructuring	(8,807)	8,807	-
Reclassification	32,070	(32,070)	-
Repayment	(31,983)	-	(31,983)
Exchange differences	161	340	501
Balance as at 30 September 2017	74,083	113,137	187,220

18. Other asset

	As at 30 Sept 2017
	₦'m
Initial fair value of investment in OML 55 at acquisition date	76,277
Receipts from crude oil lifted	(6,913)
Fair value adjustment as at 30 September 2017	463
Exchange differences	190
Fair Value as at 30 September 2017	70,017

Other asset represents the Group's rights to receive the discharge sum of ₦94 billion (2016: ₦100 billion) 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. As at 30 September 2017, the fair value of the discharge sum is ₦70 billion (2016: ₦76 billion)

19. Trade and other receivables

	As at 30 Sept 2017	As at 31 Dec 2016
	₦'m	₦'m
Trade receivables	42,171	22,395
Nigerian Petroleum Development Company (NPDC) receivables	62,715	72,049
National Petroleum Investment Management Services	1,604	2,511
Advances on investment	20,090	20,040
Under lift	1,195	1,372
Advances to suppliers	5,858	2,720
Other receivables	700	346
		-
Impairment loss on NPDC receivables	(3,138)	(2,273)
	131,195	119,160

19a. Trade receivables:

Included in trade receivables is an amount due from Nigerian Gas Company (NGC) of ₦26 billion (2016: ₦20 billion) with respect to the sale of gas.

Notes to the interim condensed consolidated financial statements continued

19b. NPDC receivables:

NPDC receivables represent the outstanding cash calls due to Seplat from its JV partner, Nigerian Petroleum Development Company. The receivables have been discounted to reflect the impact of time value of money, and an impairment loss has been recognized in the financial statements. As at 30 September 2017, the undiscounted value of this receivable is ₦63 billion (2016: ₦72 billion).

19c. Advances on investment:

This comprises an advance of ₦13.8 billion (2016: ₦13.8 billion) on a potential investment in OML 25 and ₦6 billion (2016: ₦6 billion) 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 (2016: ₦6 billion) 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 placed in escrow in July 2015 pursuant to an agreement reached with Crestar and the vendor on final terms of the transaction.

20. Share capital

20a. Authorised and issued share capital

	As at 30 Sept 2017	As at 31 Dec 2016
	₦'m	₦'m
Authorised ordinary share capital		
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500
Issued and fully paid		
563,444,561 (2016: 563,444,561) issued shares denominated in Naira of 50 kobo per share	283	283

20b. Employee share based payment scheme

As at 30 September 2017, the Group had awarded shares of 25,726,262 (31 December 2016: 25,448,071 shares) to certain employees and senior executives in line with its share based incentive scheme. During the third quarter ended 30 September 2017 no shares were vested (31 December 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).

21. Trade and other payables

	As at 30 Sept 2017	As at 31 Dec 2016
	₦'m	₦'m
Trade payables	28,962	32,983
Accruals and other payables	33,211	25,574
NDDC levy	2,357	6
Deferred revenue	23,527	10,727
Royalties	15,231	10,476
	103,288	79,766

Included in accruals and other payables are field-related accruals ₦10.6 billion (2016: ₦10.7 billion) and other vendor payables of ₦22.6 billion (2016: ₦14.9 billion). Deferred revenue includes advance payments for crude oil sales of ₦23 billion (2016: ₦10 billion) and royalties include accruals in respect of gas sales for which payment is outstanding at the end of the period.

Notes to the interim condensed consolidated financial statements continued

22. Computation of cash generated from operations

	Notes	9 months ended 30 Sept 2017 ₦'m	9 months ended 30 Sept 2016 ₦'m
Loss before tax		(760)	(21,464)
Adjusted for:			
Depletion, depreciation and amortisation	8,9	17,581	11,229
Interest on bank loan and other bank charges	13	16,153	14,188
Interest on advance payment for crude oil sales	13	1,346	-
Impairment loss	9	-	4,775
Unwinding of discount on provision for decommissioning	13	22	178
Interest income	13	(483)	(6,081)
Fair value loss on contingent consideration	12	419	446
Fair value gain on other assets	18	(463)	-
Unrealised fair value loss on crude oil hedges	12	-	5,247
Gain on deconsolidation of subsidiary	11	-	(210)
Unrealised foreign exchange loss	10	277	6,911
Share based payments expenses		1,226	596
Defined benefit expenses		365	(97)
Loss on disposal of other property,plant and equipment		25	-
Changes in working capital (excluding the effects of exchange differences):			
Trade and other receivables, including prepayments		(9,050)	19,273
Trade and other payables		23,129	(3,281)
Inventories		1,311	(6,237)
Net cash from operating activities		51,098	25,473

23. Related party relationships and transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the 'parent Company'). As at 30 September 2017, 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 13.15% 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.

23a. 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.

Abtrust Integrated Services: The Chief Executive Officer of Seplat's wife is a shareholder and director. The company provides bespoke gift hampers to Seplat.

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 stationary 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.

Notes to the interim condensed consolidated financial statements continued

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.

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). SPDCL (BVI) provided consulting services to Seplat.

The following transactions were carried by Seplat with related parties:

23b. Related party relationships

i) Purchases of goods and services

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016
	₦'m	₦'m
Shareholders of the parent company		
M&P (MPI SA)	-	9
SPDCL (BVI)	310	164
Total	**310**	**173**
Entities controlled by key management personnel:		
Contracts > $1million in 2017		
Nerine Support Services Limited	1,191	1,913
Cardinal Drilling Services Limited	793	1,271
	1,984	3,184

Notes to the interim condensed consolidated financial statements continued

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016
	₦'m	₦'m
Contracts < $1million in 2017		
Abbey Court trading Company Limited	147	88
Charismond Nigeria Limited	13	-
Keco Nigeria Enterprises	35	46
Ndosumili Ventures Limited	171	247
Oriental Catering Services Limited	95	92
ResourcePro Inter Solutions Limited	7	19
Berwick Nigeria Limited	-	7
Montego Upstream Services Limited	80	2,807
Neimeth International Pharmaceutical Plc	1	-
Nabila Resources & Investment Limited	-	1
Helko Nigeria Limited	-	98
	549	3,405
Total	**2533**	6,589

* Nerine charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross i.e. it includes salaries and Nerine's mark-up. Total costs for agency and contracts during the third quarter ended 30 September 2017 is N1.1 billion.

23c. Balances

The following balances were receivable from or payable to related parties as at 30 September 2017:

i) **Prepayments / receivables**	As at 30 Sept 2017	As at 31 Dec 2016
	₦'m	₦'m
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	1,896	1,894
	1,896	1,894

ii) **Payables**	As at 30 Sept 2017	As at 31 Dec 2016
	₦'m	₦'m
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	285	308
Abbey Court Petroleum Company Limited	6	-
Charismond Nigeria Limited	-	-
Keco Nigeria Enterprises	6	-
Ndosumili Ventures Limited	58	-
Nerine Support Services Limited	2	3,480
Montego Upstream Services Limited	78	3,520
	435	7,308

Notes to the interim condensed consolidated financial statements continued

24. Commitments and contingencies

24a. Operating lease commitments – Group as lessee

The Group leases drilling rigs, buildings, land, boats and storage facilities. The lease terms are between 1 and 5 years. The operating lease commitments of the Group as at 30 September 2017 are:

iii) Operating lease commitments	As at 30 Sept 2017	As at 31 Dec 2016
iv)	₦'m	₦'m
v) Not later than one year	vi) 47	vii) 36
viii) Later than one year and not later than five years	ix) 60	x) 83
xi)	xii) 107	xiii) 119

24b. Contingent consideration

As part of the purchase agreement of OML 53, a portion of the consideration is contingent on the performance of the producing asset. There will be additional cash payments to the previous owners should the oil price rise above US$90/bbl in the three year period following the acquisition date.

The fair value of the contingent consideration determined at 31 December 2016 reflects the current and projected crude oil prices, amongst other factors and a fair value adjustment has been recognised in profit or loss.

A reconciliation of the fair value of the contingent consideration liability is provided below:

	As at 30 Sept 2017
	₦'m
Initial fair value of the contingent consideration at acquisition date	2,073
Unrealised fair value changes recognised in profit or loss during year ended 31 December 2016	411
Exchange difference	1,188
Financial liability for the contingent consideration as at 31 December 2016	3,672
Fair value adjustment as at 30 September 2017	419
Exchange difference	9
Contingent consideration as at 30 September 2017	4,100

24c. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the period ended 30 September 2017 is ₦53 billion (2016: ₦4.7 billion). 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.

25. Events after the reporting period

There was no significant event after the reporting date which could have a material effect on the state of affairs of the Group as at 30 September 2017 and on the profit or loss for the third quarter ended on that date, which have not been adequately provided for or disclosed in these financial statements.

Notes to the interim condensed consolidated financial statements continued

26. Compliance with FRC Rule 1

In compliance with the regulatory requirement in Nigeria that the CFO, who signs the Annual Report and Accounts, must be a member of a professional accountancy body recognised by an Act of the National Assembly in Nigeria, the CFO of Seplat, Roger Brown, has been granted a waiver by the Financial Reporting Council of Nigeria to sign the accounts of the Group.

27. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

28. Exchange rates used in translating the accounts to Naira

The table below shows the exchange rates used in translating the accounts into Naira.

	Basis	30 Sept 2017 ₦/$	30 Sept 2016 ₦/$	31 December 2016 ₦/$
Fixed assets – opening balances	Historical rate	Historical	Historical	Historical
Fixed assets - additions	Average rate	305.82	199	308
Fixed assets - closing balances	Closing rate	305.75	283	305
Current assets	Closing rate	305.75	283	305
Current liabilities	Closing rate	305.75	283	305
Equity	Historical rate	Historical	Historical	Historical
Income and Expenses:	Overall Average rate	305.82	213	255

Interim Condensed Consolidated Financial Statements (Unaudited)

for the third quarter ended 30 September 2017

Expressed in US Dollars ('USD')

Interim condensed consolidated statement of profit or loss and other comprehensive income

for the third quarter ended 30 September 2017

	Note	9 months ended 30 Sept 2017 Unaudited $'000	9 months ended 30 Sept 2016 Unaudited $'000	3 months ended 30 Sept 2017 Unaudited $'000	3 months ended 30 Sept 2016 Unaudited $'000
Revenue	7	278,560	212,688	146,746	59,666
Cost of sales	8	(154,031)	(128,727)	(75,844)	(44,985)
Gross profit		124,529	83,961	70,902	14,681
General and administrative expenses	9	(56,132)	(73,699)	(24,891)	(24,107)
Loss on foreign exchange - net	10	(906)	(30,047)	(40)	(1,717)
Gain on deconsolidation of subsidiary	11	-	681	-	681
Fair value loss	12	(14,262)	(34,614)	(5,052)	(1,269)
Operating profit/(loss)		53,229	(53,718)	40,919	(11,731)
Finance income	13	1,582	27,142	699	1,256
Finance costs	13	(57,291)	(61,069)	(17,644)	(19,637)
(Loss)/profit before taxation		(2,480)	(87,645)	23,974	(30,112)
Taxation	14	(2,813)	(10,129)	(1,694)	(6,497)
(Loss)/profit for the period		(5,293)	(97,774)	22,280	(36,609)
(Loss)/profit attributable to equity holders of parent		(5,293)	(96,270)	22,280	(33,764)
Loss attributable to non-controlling interest		-	(1,504)	-	(2,845)
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/profit for the period		(5,293)	(97,774)	22,280	(36,609)
					-
(Loss)/profit attributable to equity holders of parent		(5,293)	(96,270)	22,280	(33,764)
Loss attributable to non-controlling interest		-	(1,504)	-	(2,845)
(Loss)/earnings per share ($)	15	(0.01)	**(0.17)**	0.04	**(0.06)**
Diluted (loss)/earnings per share($)	15	(0.01)	**(0.17)**	0.04	**(0.06)**

Interim condensed consolidated statement of financial position

As at 30 September 2017

	Note	As at 30 Sept 2017 Unaudited $'000	As at 31 Dec 2016 Audited $'000
Assets			
Non-current assets			
Oil and gas properties		1,192,288	1,224,400
Other property, plant and equipment		5,016	7,967
Other asset	18	229,000	250,090
Prepayments		29,623	33,616
Total non-current assets		1,455,927	1,516,073
Current assets			
Inventories		101,925	106,213
Trade and other receivables	19	429,090	390,694
Prepayments		1,862	6,672
Cash and bank balances		219,160	159,621
Total current assets		752,037	663,200
Total assets		2,207,964	2,179,273
Equity and liabilities			
Equity			
Issued share capital	20	1,826	1,826
Share premium		497,457	497,457
Share based payment reserve		16,145	12,135
Capital contribution		40,000	40,000
Retained earnings		673,629	678,922
Foreign currency translation reserve		3,675	3,675
Total equity		1,232,732	1,234,015
Non-current liabilities			
Interest bearing loans & borrowings	17	370,032	446,098
Deferred tax liabilities		1,125	-
Contingent consideration	24	13,410	12,040
Provision for decommissioning obligation		668	597
Defined benefit plan		6,304	5,112
Total non-current liabilities		391,539	463,847
Current liabilities			
Interest bearing loans and borrowings	17	242,300	217,998
Trade and other payables	21	337,820	261,528
Current taxation		3,573	1,885
Total current liabilities		583,693	481,411
Total liabilities		975,232	945,258
Total shareholders' equity and liabilities		2,207,964	2,179,273

Interim condensed consolidated statement of financial position continued

As at 30 September 2017

The financial statements on pages 30 to 53 were approved and authorised for issue by the board of directors on 23 October 2017 and were signed on its behalf by

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
23 October 2017

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
23 October 2017

R.T. Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
23 October 2017

Interim condensed consolidated statement of changes in equity continued

for the third quarter ended 30 September 2017

for the third quarter ended 30 September 2016

	Issued share capital	Share premium	Capital contribution	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	1,821	497,457	40,000	8,734	325	865,485	1,413,822	(745)	1,413,077
Loss for the period	-	-	-	-	-	(96,270)	(96,270)	(1,504)	(97,774)
Derecognition of subsidiary	-	-	-	-	-	-	-	2,249	2,249
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(96,270)	(96,270)	745	(95,525)
Transactions with owners in their capacity as owners:									
Share based payments	-	-	-	2,498	-	-	2,498	-	2,498
Dividends	-	-	-	-	-	(22,534)	(22,534)	-	(22,534)
Total	-	-	-	2,498	-	(22,534)	(20,036)	-	(20,036)
At 30 September 2016 (unaudited)	1,821	497,457	40,000	11,232	325	746,681	1,297,516	-	1,297,516

for the third quarter ended 30 September 2017

	Issued share capital	Share premium	Capital contribution	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2017	1,826	497,457	40,000	12,135	3,675	678,922	1,234,015	-	1,234,015
Loss for the period	-	-	-	-	-	(5,293)	(5,293)	-	(5,293)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(5,293)	(5,293)	-	(5,293)
Transactions with owners in their capacity as owners:									
Share based payments	-	-	-	4,010	-	-	4,010	-	4,010
Dividends	-	-	-	-	-	-	-	-	-
Total	-	-	-	4,010	-	-	4,010	-	4,010
At 30 September 2017 (unaudited)	1,826	497,457	40,000	16,145	3,675	673,629	1,232,732	-	1,232,732

Interim condensed consolidated statement of cash flow
for the third quarter ended 30 September 2017

	Note	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016
		$'000	$'000
		Unaudited	Unaudited
Cash flows from operating activities			
Cash generated from operations	22	167,089	108,902
Net cash inflows from operating activities		167,089	108,902
Cash flows from investing activities			
Acquisition of oil and gas properties		(21,993)	(28,167)
Acquisition of other property, plant and equipment		(515)	(1,380)
Receipts from other asset	18	22,604	-
Interest received		1,582	760
Net cash inflows/(outflows) from investing activities		1,678	(28,787)
Cash flows from financing activities			
Repayments of bank financing		(54,750)	(155,250)
Dividends paid		-	(22,534)
Interest paid on bank financing		(49,832)	(57,363)
Interest paid on advance payments for crude oil sales		(4,402)	-
Net cash outflows from financing activities		(108,984)	(235,147)
Net increase/(decrease) in cash and bank balances		59,783	(155,032)
Cash and bank balances at the beginning of the third quarter		159,621	326,029
Effects of exchange rate changes on cash and bank balances		(244)	(34,451)
Cash and bank balances at the end of the third quarter		219,160	136,546

Notes to the interim condensed consolidated financial statements

1. 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, 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 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.

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 percent Participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the ''Umuseti/Igbuku Fields'').

On 27 March 2013, Seplat Energy Limited ("Seplat Energy") was incorporated. The principal activities of the Company is the exploration, development and transportation of petroleum products and Seplat Gas Company Limited ("Seplat Gas") was incorporated on 9 December 2013 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.

In 2017, the Group incorporated a new subsidiary, ANOH Gas Processing Company Limited. The principal activities of the Company is the processing of gas from OML 53.

The Company together with its subsidiary, Newton Energy, and six 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, Seplat Gas Company Limited ('Seplat GAS'), which was incorporated on 12 December 2014, Seplat Energy Limited ('Seplat Energy'), which was incorporated on 27 March 2013 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
Seplat Energy Limited	Nigeria	100%	Oil & gas exploration and production
ANOH Gas Processing Company Limited	Nigeria	100%	Gas processing

Notes to the interim condensed consolidated financial statements continued

2. Significant changes in the current reporting period

During the reporting period ended 30 September 2017, the Group renegotiated its lending arrangements resulting in a twelve 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 30 September 2017.

3. Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards which are set out below.

3.2 Basis of preparation

i) Compliance with IFRS

The interim condensed consolidated financial statements of the Group for the third quarter reporting period ended 30 September 2017 have been prepared in accordance with accounting standard IAS 34 Interim financial reporting.

ii) Historical cost convention

The financial information has been prepared under the going concern assumption and historical cost convention, except for contingent consideration, other asset and financial instruments on initial recognition measured at fair value. The historical financial information is presented in US Dollars and all values are rounded to the nearest thousand ($000) except when otherwise indicated. The accounting policies are applicable to both the Company and Group.

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 twelve months from the date of these financial statements.

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 preparing the interim condensed 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 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 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.

Notes to the interim condensed consolidated financial statements continued

The Group discloses this information in tabular format as a reconciliation from opening and closing balances, but may adopt a different format as the standard does not mandate a specific format.

The Group discloses this information in Note 17.

v) New standards, amendments and interpretations not yet adopted

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

a. Amendments to IFRS 2 Share-based payments

In June 2016, the IASB made amendments to IFRS 2 Share-based payments which clarified the effect of vesting conditions on the measurement of cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and the accounting for a modification of the terms and conditions that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for reporting periods beginning on or after 1 January 2018. The Group will adopt the amendments from 1 January 2018.

b. IFRS 9 Financial Instruments

IFRS 9 Financial instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, the standard introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group has completed a detailed assessment of the impact of the new standard on the classification and measurement of its financial assets. 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 for the following reason:

- All of the Group's financial assets are currently classified as loans and receivables and are measured at amortised cost and 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 accounting for 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. 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 they have not formally elected to apply hedge accounting.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI (FVOCI), contract assets under IFRS 15: Revenue from Contracts with Customers and lease receivables. Based on assessments undertaken on the Group's portfolio of NPDC receivables, it estimates that had the new principles been adopted as at 1 January 2017, there would have been an increase to its loss allowance for NPDC receivables of approximately $4 million at that date and retained earnings would decrease by the same amount.

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.

c. IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. It introduces a five step model approach to recognising income.

Notes to the interim condensed consolidated financial statements continued

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas to be affected:

- **Accounting for under lifts and over lifts:** IFRS 15 is applicable only if the counterparty to the contract is a customer. The standard defines a customer as a party that has contracted 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. If the over-lifter does not meet the definition of a customer or the transaction is a non-monetary exchange, then over lifts and under lifts will not be recognised as revenue from contracts with customers. If the Group were to adopt the new principles as at 1 January 2017, it estimates that revenue would have reduced by $16 million and other operating income would have increased by the same amount.

- **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. 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 to Seplat and as such represent consideration payable to customer and will be accounted for as a direct deduction from revenue. If the Group had adopted the new principles as at 1 January 2017, revenue would have reduced by an additional $18 million as a result of barging costs.

- **Presentation of contract assets and contract liabilities on the balance sheet** – IFRS 15 requires separate presentation of contract assets and contract liabilities on the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to advances for future oil sales which are currently included in deferred revenue.

d. IFRS 16 Leases

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.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group had non-cancellable operating lease commitments of $0.35 million. The Group has determined that these lease commitments will result in the recognition of an asset and a liability for future payments. However, the extent of the impact is yet to be quantified.

Some of the commitments may be covered by the exception for short-term leases, while none of the leases will be covered by the exception for low value leases. Some commitments may relate to arrangements that will not qualify as leases under IFRS 16, principally because they have previously been identified as service contracts.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2017.

This basis is the same adopted for the last audited financial statements as at 31 December 2016.

3.4 Functional and presentation currency

The Group's financial statements are presented in United States Dollars, which is also the Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Notes to the interim condensed consolidated financial statements continued

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation 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.

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 balance sheet presented are translated at the closing rate at the date of the balance sheet
- income and expenses for each statement of profit or loss and statement of 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.

4. 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.

5. Significant accounting judgements, estimates and assumptions

5.1 Judgements

Management's judgements at the end of the third quarter are consistent with those disclosed in the recent 2016 Annual financial statements. The following are some of the judgements which have the most significant effect on the amounts recognised in this consolidated financial statements.

i) OMLs 4, 38 and 41

OMLs 4, 38, 41 are grouped together as a cash generating unit for the purpose of impairment testing. These three OMLs are grouped together because they each do not 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 (note 19)

The Group considers that the advances on investment of US$65.7 million (2016: US$65.7 million) in relation to the acquisition of additional assets is fully recoverable in accordance with the terms of the deposit.

Notes to the interim condensed consolidated financial statements continued

5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed in the most recent 2016 annual financial statements.

The following are some of the estimates and assumptions made.

i) 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.

Management has made certain assumptions about the recoverability of financial assets exposed to credit risk from NPDC. These are based on management's past experiences with NPDC, current discussions with NPDC and financial capacity of NPDC. However, wherever these assumptions do not hold, it might have a significant impact on the Group's profit or loss in future.

ii) Defined benefit plans

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined at the end of the financial year 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. Service and interest costs are recognised at each reporting period based on an estimate of the periodic benefit expense for the financial year.

The defined benefit obligation recognised in this period has been based on the same assumptions as in the previous financial year. The subsequent financial year end balance was estimated as at 31 December 2016 and has been recognised in this third quarter on a pro rata basis. Therefore, no actuarial gains or losses have been recognised given that last year's assumptions have been adopted.

iii) Contingent consideration

The fair value of the contingent consideration arrangement of US$13.4 million was estimated calculating the present value of the future expected cash flows. Refer to note 24 for further details.

6. Financial risk management

6.1 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.

Notes to the interim condensed consolidated financial statements continued

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	None
Market risk - commodity prices	Future sales transactions	Sensitivity analysis	Oil price hedges
Credit risk	Cash and bank balances, trade receivables and derivative financial instruments.	Aging 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

6.1.1 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 interest 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.

Notes to the interim condensed consolidated financial statements continued

	Variable rate	Less than 1 year	1 -2 years	2 - 3 years	3 - 5 years	After 5 years	Total
	%	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
30 September 2017							
Non - derivatives							
Variable interest rate borrowings (bank loans):							
Allan Gray	8.5%+LIBOR	4,946	5,225	4,284	2,391	-	16,846
Zenith Bank Plc	8.5%+LIBOR	67,778	71,595	58,700	32,772	-	230,845
First Bank of Nigeria	8.5%+LIBOR	37,415	39,522	32,404	18,091	-	127,432
United Bank of Africa Plc	8.5%+LIBOR	42,361	44,747	36,688	20,482	-	144,278
Stanbic IBTC Bank Plc	8.5%+LIBOR	6,348	6,706	5,498	3,069	-	21,621
The Standard Bank of South Africa Limited	8.5%+LIBOR	6,348	6,706	5,498	3,069	-	21,621
Standard Chartered Bank	6.0%+LIBOR	19,117	4,579	-	-	-	23,696
Natixis	6.0%+LIBOR	19,117	4,579	-	-	-	23,696
Citibank Nigeria Limited and Citibank N.A.	6.0%+LIBOR	14,869	3,561	-	-	-	18,430
First Rand Bank (Merchant Bank Division)	6.0%+LIBOR	12,745	3,053	-	-	-	15,798
Nomura International Plc.	6.0%+LIBOR	12,745	3,053	-	-	-	15,798
Ned Bank Ltd London Branch	6.0%+LIBOR	12,745	3,053	-	-	-	15,798
The Mauritius Commercial Bank Plc	6.0%+LIBOR	12,745	3,053	-	-	-	15,798
Stanbic IBTC Bank Plc	6.0%+LIBOR	9,558	2,290	-	-	-	11,848
The Standard Bank of South Africa Limited	6.0%+LIBOR	13,809	3,308	-	-	-	17,117
Other non-derivatives							
Trade and other payables	-	150,283	-	-	-	-	150,283
Contingent consideration	-	-	-	18,500	-	-	18,500
		442,929	205,030	161,572	79,874	-	**889,405**

Notes to the interim condensed consolidated financial statements continued

	Variable rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	After 5 years	Total
	%	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
31 December 2016							
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 Int'l 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	-	161,773	-	-	-	-	161,773
Contingent consideration	-	-	-	-	18,500	-	18,500
		437,686	**185,252**	**170,879**	**200,025**	**-**	**993,842**

6.2 Fair value measurements

Financial instruments measured at fair value were based on the same assumptions as determined in the 31 December 2016 financial statements. The judgements and estimates made by the Group in determining the fair values of the financial instruments have remained the same since the last annual financial report. There were no transfers of financial instruments between fair value hierarchy levels during this third quarter.

Notes to the interim condensed consolidated financial statements continued

7. Revenue

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	$'000	$'000	$'000	$'000
Crude oil sales	223,855	96,366	112,672	26,414
(Over lift)/Under lift	(31,168)	38,925	2,564	2,995
	192,687	135,291	115,236	29,409
Gas sales	85,873	77,397	31,510	30,257
Revenue	278,560	212,688	146,746	59,666

The major off-taker for crude oil is Mercuria. The major off-taker for gas is the Nigerian Gas Company.

In the prior period to 30 September 2016, realised fair value losses on crude oil hedges of US$9,999 ('000) were included in revenue. This is now classified under fair value loss (note 12).

8. Cost of sales

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	$'000	$'000	$'000	$'000
Crude handling fees	17,134	7,940	12,128	3,160
Barging cost	9,113	10,268	2,589	4,215
Royalties	42,857	25,108	24,104	11,732
Depletion, depreciation and amortisation	54,105	42,999	25,131	14,490
Niger Delta Development Commission levy	3,620	4,265	1,239	1,304
Rig related expenses	3,334	2,649	1,704	836
Operations & maintenance expenses	23,868	35,498	8,949	9,248
Cost of sales	154,031	128,727	75,844	44,985

9. General and administrative expenses

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	$'000	$'000	$'000	$'000
Depreciation	3,384	4,172	1,022	1,428
Employee benefits	16,046	15,119	5,270	4,654
Professional and consulting fees	12,432	15,261	6,230	4,087
Auditor's remuneration	940	56	634	-
Directors emoluments (executive)	1,832	2,461	450	848
Directors emoluments (non-executive)	2,348	2,796	793	401
Rentals	1,146	1,422	414	414
Impairment loss	-	18,467	-	7,926
Other general expenses	18,004	13,945	10,078	4,349
General and administrative expenses	56,132	73,699	24,891	24,107

Directors' emoluments have been split between executive and non-executive directors. There were no non-audit services rendered by the Group's auditors during the period. Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others. Share based payment expenses are included in the employee benefits expense.

Notes to the interim condensed consolidated financial statements continued

10. Loss on foreign exchange - net

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	$'000	$'000	$'000	$'000
Exchange loss	(906)	(30,047)	(40)	(1,717)

This is principally as a result of translation of naira denominated monetary assets and liabilities.

11. Gain on deconsolidation of subsidiary

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	$'000	$'000	$'000	$'000
Gain on deconsolidation of BelemaOil	-	681	-	681

Gain on deconsolidation arose in 2016 as a result of the deconsolidation of BelemaOil. The sum of assets and liabilities derecognised amounted to US$249 million. On derecognition, Seplat recognised a right to receive a discharge sum of US$ 330 million fair valued at US$ 250 million (note 18).

12. Fair value loss

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	$'000	$'000	$'000	$'000
Realised fair value losses on crude oil hedges	(14,406)	(9,999)	(4,579)	-
Unrealised fair value losses on crude oil hedges	-	(22,426)	-	(1,639)
Fair value loss on contingent consideration	(1,370)	(2,189)	(473)	370
Fair value gain on other assets	1,514	-	-	-
Fair value loss	(14,262)	(34,614)	(5,052)	(1,269)

Realised fair value losses on crude oil hedges represent the payments for crude oil price options, while unrealised fair value losses represent losses on crude oil price hedges charged to profit or loss. 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 of US$308 million.

13. Finance income/ (costs)

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	$'000	$'000	$'000	$'000
Finance income				
Interest income	1,582	27,142	699	1,256
Finance costs				-
Interest on advance payments for crude oil sales	4,402	-	1,318	-
Interest on bank loan and other bank charges	52,818	60,349	16,302	19,133
Unwinding of discount on provision for decommissioning	71	720	24	504
	57,291	61,069	17,644	19,637
Finance costs - net	(55,709)	(33,927)	(16,945)	(18,381)

Notes to the interim condensed consolidated financial statements continued

14. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 September 2017 is 65.75% for crude oil activities and 30% for gas activities. As at 31st December 2016, the tax rates were 65.75% and 30% for crude oil and gas activities respectively.

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 US$239 million (2016: US$192 million) in respect of temporary differences amounting to US$363 million (2016: US$292 million). Out of this, deferred tax asset of US$32 million (2016: US$47 million) relates tax losses of US$48million (2016: US$71 million). There are no expiration dates for the tax losses.

15. Loss/earnings per share (LPS/ EPS)

Basic

Basic LPS/EPS is calculated on the Group's (loss)/profit after taxation attributable to the parent entity and on the basis of the weighted average of issued and fully paid ordinary shares at the end of the period.

Diluted

Diluted LPS/EPS is calculated by dividing the (loss)/profit 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.

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016	3 months ended 30 Sept 2017	3 months ended 30 Sept 2016
	$'000	$'000	$'000	$'000
(Loss)/profit for the period attributable to equity holders of the parent	(5,293)	(96,270)	22,280	(33,764)
	Share '000	Share '000	Share '000	Share '000
Weighted average number of ordinary shares in issue	563,445	560,576	563,445	560,576
Share awards	6,437	3,276	6,437	3,276
Weighted average number of ordinary shares adjusted for the effect of dilution	569,882	563,852	569,882	563,852
	$	$	$	$
Basic (loss)/earnings per share	(0.01)	(0.17)	0.04	(0.06)
Diluted (loss)/earnings per share	(0.01)	(0.17)	0.04	(0.06)

	$'000	$'000	$'000	$'000
(Loss)/profit attributable to equity holders of the parent	(5,293)	(96,270)	22,280	(33,764)
(Loss)/profit used in determining diluted (loss)/earnings per share	(5,293)	(96,270)	22,280	(33,764)

16. Dividend

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016
	$'000	$'000
Dividend paid during the period	-	22,534
	$	$
Dividend per share ($)	-	0.04

Notes to the interim condensed consolidated financial statements continued

17. Interest bearing loans & borrowings

Below is the net debt reconciliation on interest bearing loans and borrowings.

	Borrowings due within 1 year US$'000	Borrowings due above 1 year US$'000	Total US$'000
Balance as at 1 January 2017	217,998	446,098	664,096
Effective interest	52,818	-	52,818
Effect of loan restructuring	(28,798)	28,798	-
Reclassification	104,864	(104,864)	-
Repayment	(104,582)	-	(104,582)
Balance as at 30 September 2017	242,300	370,032	612,332

18. Other asset

	As at 30 Sept 2017 $'000
Initial fair value of investment in OML 55 at acquisition date	250,090
Receipts from crude oil lifted	(22,604)
Fair value adjustment as at 30 September 2017	1,514
Fair value as at 30 September 2017	**229,000**

Other asset represents the Group's rights to receive the discharge sum of US$308 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. As at 30 September 2017, the fair value of the discharge sum is US$229 million (2016: US$250 million).

19. Trade and other receivables

	As at 30 Sept 2017 $'000	As at 31 Dec 2016 $'000
Trade receivables	137,925	74,083
Nigerian Petroleum Development Company (NPDC) receivables	205,116	239,034
National Petroleum Investment Management Services	5,245	8,233
Advances on investment	65,705	65,705
Under lift	3,909	4,498
Advances to suppliers	19,159	8,921
Other receivables	2,291	480
Impairment loss on NPDC receivables	(10,260)	(10,260)
	429,090	390,694

19a. Trade receivables:

Included in trade receivables is an amount due from Nigerian Gas Company (NGC) of US$84.6 million (2016: US$67 million) with respect to the sale of gas.

Notes to the interim condensed consolidated financial statements continued

19b. NPDC receivables:

NPDC receivables represent the outstanding cash calls due to Seplat from its JV partner, Nigerian Petroleum Development Company. The receivables have been discounted to reflect the impact of time value of money, and an impairment loss has been recognized in the financial statements. As at 30 September 2017, the undiscounted value of this receivable is US$205 million (2016: US$239 million).

19c. Advances on investment:

This comprises an advance of US$45million on a potential investment in OML 25 and 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 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 placed in escrow in July 2015 pursuant to an agreement reached with Crestar and the vendor on final terms of the transaction.

20. Share capital

20a. Authorised and issued share capital

	As at 30 Sept 2017	As at 31 Dec 2016
	$'000	$'000
Authorised ordinary share capital		
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	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	1,826	1,826

20b. Employee share based payment scheme

As at 30 September 2017, the Group had awarded shares of 25,726,262 (31 December 2016: 25,448,071 shares) to certain employees and senior executives in line with its share based incentive scheme. During the third quarter ended 30 September 2017, no shares were vested (31 December 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).

21. Trade and other payables

	As at 30 Sept 2017	As at 31 Dec 2016
	$'000	$'000
Trade payables	94,725	108,140
Accruals and other payables	108,622	83,850
NDDC levy	7,708	19
Deferred revenue	76,949	35,170
Royalties	49,816	34,349
	337,820	261,528

Included in accruals and other payables are field-related accruals US$35 million (2016: US$35 million) and other vendor payables of US$74 million (2016: US$49 million). Deferred revenue includes advance payments for crude oil sales of US$75.5 million (2016: US$34 million) and royalties include accruals in respect of gas sales for which payment is outstanding at the end of the period.

Notes to the interim condensed consolidated financial statements continued

22. Computation of cash generated from operations

	Notes	9 months ended 30 Sept 2017 $'000	9 months ended 30 Sept 2016 $'000
Loss before tax		(2,480)	(87,645)
Adjusted for:			
Depletion, depreciation and amortisation	8,9	57,489	47,171
Interest on bank loan and other bank charges	13	52,818	60,349
Interest on advance payment for crude oil sales	13	4,402	-
Impairment loss	9	-	18,467
Unwinding of discount on provision for decommissioning	13	71	720
Interest income	13	(1,582)	(27,142)
Fair value loss on contingent consideration	12	1,370	2,189
Fair value gain on other assets	18	(1,514)	-
Unrealised fair value loss on crude oil hedges	12	-	22,426
Gain on deconsolidation of subsidiary	11	-	(681)
Unrealised foreign exchange loss	10	906	30,047
Share based payments expenses		4,010	2,498
Defined benefit expenses		1,192	(407)
Loss on disposal of other property, plant and equipment		82	-
Changes in working capital (excluding the effects of exchange differences):			
Trade and other receivables, including prepayments		(29,593)	80,827
Trade and other payables		75,630	(13,760)
Inventories		4,288	(26,157)
Net cash from operating activities		167,089	108,902

23. Related party relationships and transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the 'parent Company'). As at 30 September 2017, 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 13.15% 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.

23a. 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.

Abtrust Integrated Services: The Chief Executive Officer of Seplat's wife is a shareholder and director. The company provides bespoke gift hampers to Seplat.

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 stationary and other general supplies to the field locations.

Notes to the interim condensed consolidated financial statements continued

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.

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). SPDCL (BVI) provided consulting services to Seplat.

The following transactions were carried by Seplat with related parties:

23b. Related party relationships

ii) Purchases of goods and services	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016
	$'000	$'000
Shareholders of the parent company		
M&P (MPI SA)	-	37
SPDCL (BVI)	1,013	689
Total	**1,013**	**726**

Entities controlled by key management personnel:		
Contracts > $1million in 2017		
Nerine Support Services Limited	3,894	8,021
Cardinal Drilling Services Limited	2,592	5,331
	6,486	13,352

Notes to the interim condensed consolidated financial statements continued

	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016
Contracts < $1million in 2017		
Abbey Court trading Company Limited	482	370
Charismond Nigeria Limited	43	-
Keco Nigeria Enterprises	115	191
Ndosumili Ventures Limited	560	1,036
Oriental Catering Services Limited	311	385
ResourcePro Inter Solutions Limited	24	78
Berwick Nigeria Limited	-	28
Montego Upstream Services Limited	262	11,770
Neimeth International Pharmaceutical Plc	2	-
Nabila Resources & Investment Limited	-	5
Helko Nigeria Limited	-	411
	1,799	14,274
Total	**8,285**	**27,626**

Nerine charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross i.e. it includes salaries and Nerine's mark-up. Total costs for agency and contracts during the third quarter ended 30 September 2017 is US$3.7 million.

23c. Balances

The following balances were receivable from or payable to related parties as at 30 September 2017:

Prepayments / receivables	As at 30 Sept 2017	As at 31 Dec 2016
	$'000	$'000
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	6,200	6,211
	6,200	**6,211**

Payables	As at 30 Sept 2017	As at 31 Dec 2016
	$'000	$'000
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	932	1,009
Abbey Court Petroleum Company Limited	18	-
Charismond Nigeria Limited	1	-
Keco Nigeria Enterprises	21	
Ndosumili Ventures Limited	189	-
Nerine Support Services Limited	8	11,411
Montego Upstream Services Limited	255	11,540
	1,424	**23,960**

Notes to the interim condensed consolidated financial statements continued

24. Commitments and contingencies

24a. Operating lease commitments – Group as lessee

The Group leases drilling rigs, buildings, land, boats and storage facilities. The lease terms are between 1 and 5 years. The operating lease commitments of the Group as at 30 September 2017 are:

Operating lease commitments	As at 30 Sept 2017	As at 31 Dec 2016
	$'000	$'000
Not later than one year	152	119
Later than one year and not later than five years	196	271
	348	390

24b. Contingent consideration

As part of the purchase agreement of OML 53, a portion of the consideration is contingent on the performance of the producing asset. There will be additional cash payments to the previous owners should the oil price rise above US$90/bbl. in the three year period following the acquisition date.

The fair value of the contingent consideration determined at 31 December 2016 reflects the current and projected crude oil prices, amongst other factors and a fair value adjustment has been recognised in profit or loss.

A reconciliation of the fair value of the contingent consideration liability is provided below:

	As at 30 Sept 2017
	$'000
Initial fair value of the contingent consideration at acquisition date	10,427
Unrealised fair value changes recognised in profit or loss during year ended 31 December 2016	1,613
Financial liability for the contingent consideration as at 31 December 2016	12,040
Fair value adjustment as at 30 September 2017	1,370
Contingent consideration as at 30 September 2017	13,410

24c. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the period ended 30 September 2017 is US$176 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.

25. Events after the reporting period

There was no significant event after the reporting date which could have a material effect on the state of affairs of the Group as at 30 September 2017 and on the profit or loss for the third quarter ended on that date, which have not been adequately provided for or disclosed in these financial statements.

26. Compliance with FRC Rule 1

In compliance with the regulatory requirement in Nigeria that the CFO, who signs the Annual Report and Accounts, must be a member of a professional accountancy body recognised by an Act of the National Assembly in Nigeria, the CFO of Seplat, Roger Brown, has been granted a waiver by the Financial Reporting Council of Nigeria to sign the accounts of the Group.

Notes to the interim condensed consolidated financial statements continued

27. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

General information

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 Floor, UBA House 57 Marina Lagos.
Registrars	DataMax Registrars Limited 7 Anthony Village Road Anthony P.M.B 10014 Shomolu Lagos, Nigeria
Solicitors	Abraham Uhunmwagho & Co Adepetun Caxton-Martins Agbor & Segun ('ACAS-Law') Austin and Berns Solicitors Chief J.A. Ororho & Co. Consolex LP Freshfields Bruckhaus Deringer LLP G.C. Arubayi & Co. Herbert Smith Freehills LLP J.E. Okodaso & Company Norton Rose Fulbright LLP Ogaga Ovrawah & Co. Olaniwun Ajayi LP O. Obrik. Uloho and Co. Streamsowers & Kohn Thompson Okpoko & Partners V.E. Akpoguma & Co. Winston & Strawn London LLP
Bankers	Citibank Nigeria Limited First Bank of Nigeria Limited HSBC Bank Skye Bank Plc Stanbic IBTC Bank Plc Standard Chartered Bank United Bank for Africa Plc Zenith Bank Plc