Seplat Petroleum Development Company Plc
Annual Report and Accounts 2014

Seplat is a leading independent indigenous Nigerian upstream exploration and production ("E&P") company with a focus on Nigeria and a dual listing on both the Nigerian Stock Exchange (Seplat) and the Main Market of the London Stock Exchange (SEPL).

Our Vision
To be a leading energy company delivering premium value to all stakeholders.

Our Mission
To build and sustain a best practice oil and gas company through innovative partnerships and premium value delivery.

www.seplatpetroleum.com

2014 highlights

2P reserves

281 MMboe

Working interest production

30,823 boepd

Revenue

US$775m

Gross profit

US$459m

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Business overview

A large-scale indigenous oil and gas operator in Nigeria

Seplat's portfolio comprises six blocks in the Niger Delta, five of which Seplat operates.

Who we are

Since Seplat commenced production in 2010, the Company has increased oil and gas production in each year of operation. Today, Seplat has become a leading indigenous independent oil and gas operator in Nigeria. The Company's production and reserves have increased year-on-year and revenues and net profit have replicated this trend since it commenced operations.

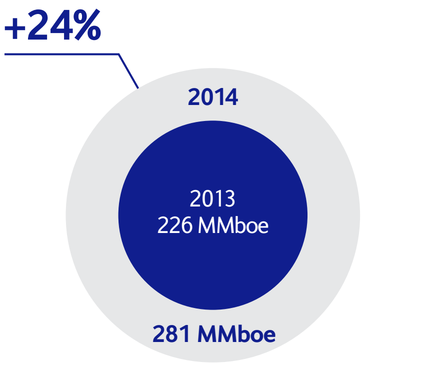
What we do

Seplat is a leading independent oil and natural gas producer in the Niger Delta area of Nigeria. The Company's focus is on maximising hydrocarbon production and recovery from its existing assets, acquiring and farming into new opportunities in Nigeria (specifically those which offer production, cash flow and reserve replacement potential, with a particular focus on the onshore and shallow water offshore areas) and realising the upside potential within its portfolio through exploration and appraisal activities.

A landmark IPO

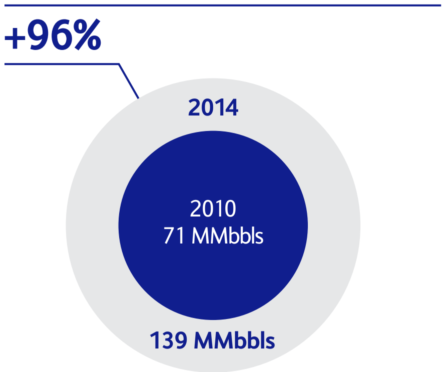
In April 2014, Seplat completed the first ever dual listing on both the London Stock Exchange and the Nigerian Stock Exchange. Seplat raised US$535 million in an initial public offering that valued the Company at US$1.9 billion. The IPO ranked as the largest for a sub-Saharan company since 2008 and the second largest ever for a Nigerian company, demonstrating the international investor appetite for leading Nigerian indigenous players in the oil and gas sector. The capital raised will allow Seplat to further implement the Company's business strategy, which includes acquiring new assets.

Total working interest 2P reserves



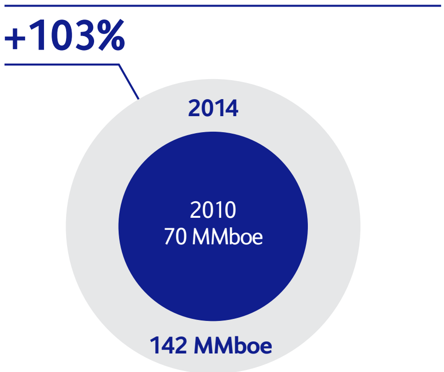
Movement in total working interest 2P reserves from end 2013 to end 2014.

Working interest 2P liquid reserves



Movement in working interest 2P liquid reserves from end 2010 to end 2014.

Working interest 2P gas reserves



Movement in working interest 2P gas reserves from end 2010 to end 2014.

Company history

Seplat was formed in June 2009 through the partnership of Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited to specifically pursue upstream oil and gas opportunities in Nigeria, and in particular divestment opportunities arising out of the incumbent Major IOC's portfolios. In December 2009, Établissements Maurel et Prom ("MPI") acquired a 45% shareholding in Seplat and was followed by certain other pre-IPO investors.

In July 2010, the Company acquired a 45% working interest in, and was appointed operator of, a portfolio of three onshore producing oil and gas leases: OMLs 4, 38 and 41. Located in the prolific western delta basin of Edo and Delta states, the three OMLs contain the producing Oben, Ovhor, Sapele, Okporhuru and Amukpe fields. Initially Seplat formed a JV partnership with NNPC, until NNPC transferred its 55% interest to NPDC. Today, Seplat operates the blocks on behalf of the Seplat/NPDC joint venture.

In June 2013, Newton Energy, a wholly owned subsidiary of Seplat, reached an agreement with Pillar Oil to acquire a 40% participating interest (non-operated) in the Umuseti/Igbuku fields (OPL 283).

Our timeline

2015
Post-period end

February 2015
Completed the acquisition of 40% working interest in OML 53
Completed the acquisition of 22.5% working interest in OML 55

January 2015
Secured US$1 billion debt re-financing

2014
Achieved gross daily average liquids production of 54,073 bopd

December 2014
Gross daily liquids production at OMLs 4, 38 and 41 exceeded 76,000 bopd – a new record

April 2014
Dual listing on London Stock Exchange and Nigerian Stock Exchange raising US$535 million

March 2014
Completed Warri refinery pipeline

2013
Achieved gross daily average liquids production of 51,400 bopd

April 2013
Closed 40% farm-in to Pillar Oil Umuseti/ Igbuku marginal fields

April 2013
Increased Okporhuru gross reserves to 43 MMbbl

February 2013
Signed an agreement with SPDC reducing loss allocation

2012
Achieved gross daily average liquids production of 33,100 bopd

August 2012
Added reserves of 23 MMbbl from Okporhuru

April 2012
Spudded first development well

2011
Achieved gross daily average liquids production of 31,400 bopd

September 2011
Start of extensive work-over campaign

March 2011
US$550m refinancing package

2010
Achieved increase in gross daily liquids production to 30,000 bopd (Oct 2010)

December 2010
Signed a GMoU with host communities

July 2010
Closing of acquisition of OMLs 4, 38, 41. Seplat operator

2009

June 2009
Seplat was formed by Shebah and Platform

Business overview continued

A strong track record

Seplat has a strong reserve base and proven track record of converting contingent resources to reserves. The management team has also achieved a consistent increase in gross operated oil production and boasts a record of value accretive acquisitions.

Since making its first acquisition in 2010, Seplat has risen to become a leading indigenous oil and gas operator in Nigeria. The Company has increased its production and reserves year-on-year and has consistently grown revenues and profits since it commenced operations. Gross operated liquids production at OMLs 4, 38 and 41 at the time of acquisition was 14,000 bopd. Through the implementation of a focused re-development work programme and drilling campaign the Company grew this to over 70,000 bopd by the end of 2014, representing over a four-fold increase and significantly ahead of the peak rate achieved by the previous operator of approximately 56,000 bopd in 1996.

Alongside its oil business, the Company has successfully begun to commercialise, develop and monetise the substantial gas reserves that exist on its blocks. Whilst natural gas was commonly viewed as a by-product from oil production in previous years, Seplat was quick to see the opportunity of the increasing importance of natural gas as a key source of energy for Nigeria. The Company has responded by investing in the installation of dedicated gas production and processing facilities and the drilling of gas production wells to meet domestic supply obligations and provide feedstock to power projects that will help increase Nigeria's power generation capacity. Rather than being the by-product, natural gas for Seplat is a valuable primary commodity in its own right that will form a significant component of its future growth and success in Nigeria.

Strategically located, high-quality assets

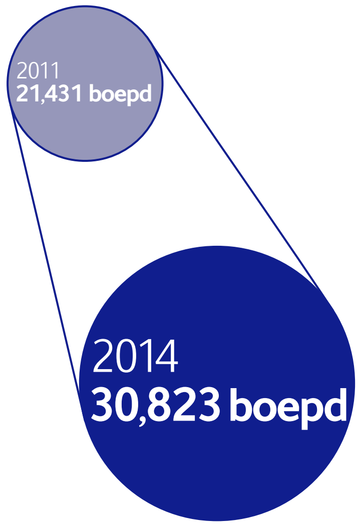
Since its inception, Seplat has acquired an attractive portfolio of assets in the prolific Niger Delta region. The Company's portfolio provides a robust platform of oil and natural gas reserves and production together with material upside opportunities through 2C to 2P conversion and exploration and appraisal drilling. Seplat's initial focus has been on securing assets in the onshore regions of the Niger Delta, but the Company also views the shallow water offshore areas of the Niger Delta as an appealing opportunity set and one it aims to access in the future.

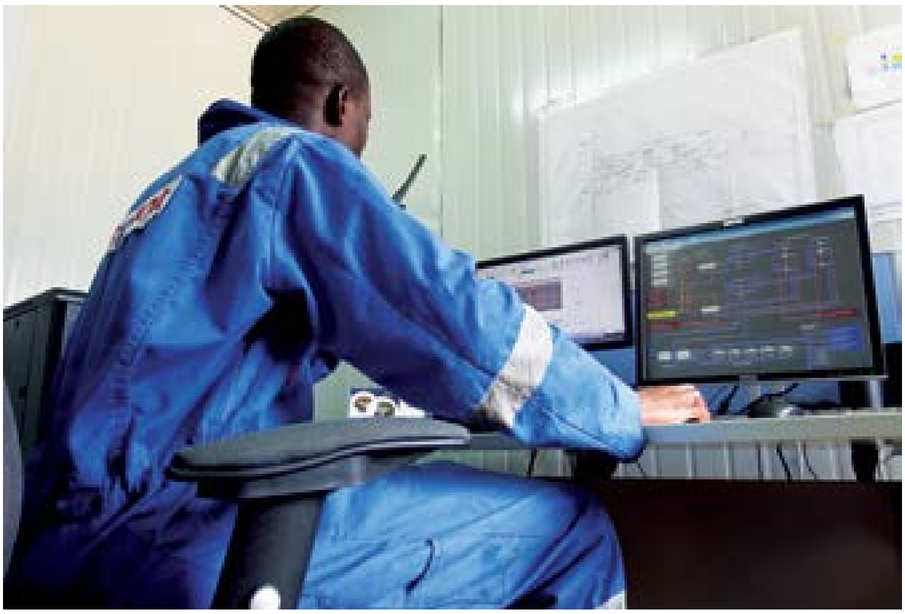
Seplat has a 45% working interest in OMLs 4, 38 and 41 which are located in Edo and Delta States onshore Nigeria. Seplat is operator of the three blocks on behalf of the NPDC/Seplat Joint Venture. As operator, Seplat is empowered with running the day-to-day operations activities and is able to set production and operational improvement goals and lead exploration activities, subject to the approval of its partners. Production is predominantly from five fields, namely Amukpe, Oben, Okporhuru, Ovhor and Sapele, and the partners aim to bring additional fields onstream in the future.

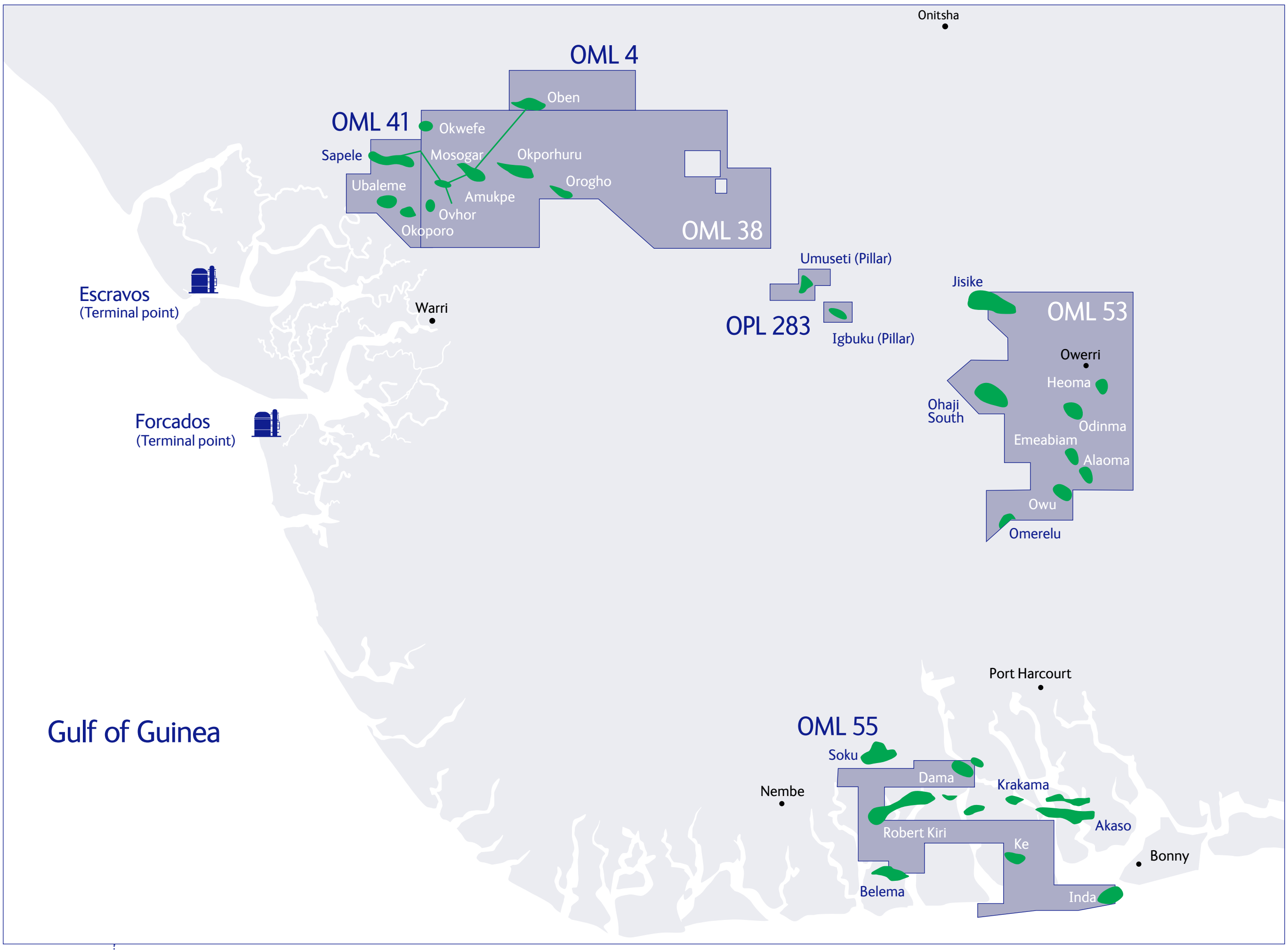
Seplat also has a 40% non-operated working interest in OPL 283 Marginal Field Area (Pillar). The block is located in the northern onshore depo-belt of the Niger Delta and contains the Umuseti and Igbuku fields. The block is operated by Pillar Oil.

Following period-end, the Company acquired a 40% interest in OML 53 and a 22.5% working interest in OML 55 from Chevron Nigeria Limited ("CNL"). OML 53 covers an area of 1,556km^2 and is located onshore in Imo State, in the north eastern Niger Delta approximately 60km north of Port Harcourt. The block contains one producing field (Jisike), two undeveloped fields (Ohaji South gas and Ohaji South oil), seven unappraised discoveries (Apani, Alaoma, Emeabiam, Iheoma, Odinma, Omerelu and Owu), four exploration prospects (Aku A, Manu A, Onyinye A and Owu South) and numerous exploration leads.

Production growth 2011-2014







OML 55 covers an area of 840km^2 and is located in the swamp to shallow water offshore areas in the south eastern Niger Delta. The block contains five producing fields (Robertkiri, Inda, Belema North, Idama and Jokka). The majority of production on the block is from the Robertkiri, Idama and Inda fields. In addition to the oil potential on the block there is also an opportunity to develop the significant gas resources that have also been identified.

Strong relationship with local communities

Seplat has built strong relationships with its key local communities, promoting trust and confidence amongst its various stakeholders and ultimately resulting in a stable operating environment that facilitates the creation of shared value. In December 2010, the Company entered into a Global Memorandum of Understanding with the communities within OMLs 4, 38 and 41 which host its operations and has established a trust fund for community projects. To continue to nurture these relationships, Seplat is fully focused on proactive engagement with the communities where it operates, implementing community projects based on sustainable development principles. These initiatives seek to promote local capacity building, support host community participation and enhance the quality of life for individuals within these local communities through the provision of high-standard free healthcare, implementation of education and community development programmes, skills training, educational scholarships/grants and the development of local infrastructure.

Additionally, Seplat has established an operational base office within these host communities, reflecting the depth of its commitment and importance placed on the relationship it has with its host communities and partners.

Performance review
more on page 32

Country overview

Nigeria, the leading oil and gas country in Africa

Nigeria is the largest oil producer in Africa with proven geology, and long established infrastructure, regulatory and fiscal regimes. Nigeria also possesses one of the largest gas reserves on the continent, the development of which to supply the rapidly evolving and expanding domestic market is an attractive growth opportunity for Seplat.

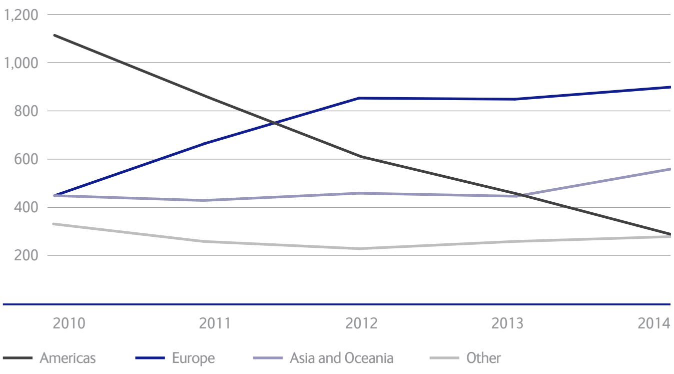
Prolific hydrocarbon geology

Nigeria's oil and gas industry represents a compelling value proposition and is attractive, not just to Seplat but the wider industry also, on many levels. It starts below the ground and the prolific hydrocarbon geology of the Niger Delta area, where Nigeria's oil and gas industry is concentrated. Covering an area of approximately 75,000 km^2 and with up to 10km sedimentary thickness, the critical factors required for hydrocarbon generation have all combined to great effect in the Niger Delta basin, namely the existence of source rocks with high levels of organic content, high rates of sedimentation and rapid burial to allow hydrocarbon generation and the presence of good quality reservoir rocks and effective trap/seal mechanisms where hydrocarbons have accumulated in vast quantities. Nigeria is estimated to hold remaining recoverable proved reserves of around 37 billion barrels of oil and 179 trillion cubic feet of gas, making it a globally significant source of long-term supply.

A globally significant oil producer

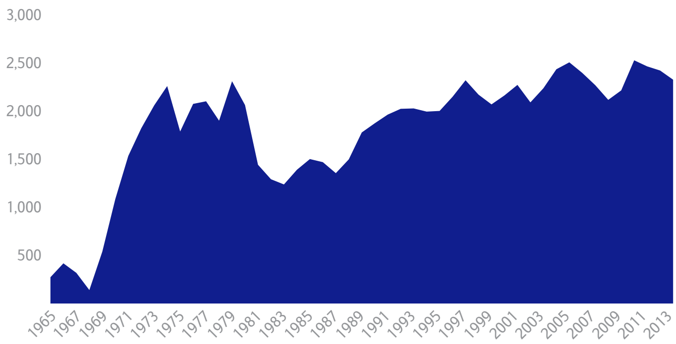
In terms of oil production, Nigeria has consistently produced in excess of 2 million barrels per day since the mid 1990s and is an important supplier to some of the world's major economies. Historically the US has been the largest importer of Nigerian oil but in recent years, as a result of the shale oil boom that has led to oil self-sufficiency there, imports from Nigeria have decreased from over 10% of crude oil imports in 2010 to less than 1% in 2014. However, international demand for Nigerian oil has remained elsewhere, with exports to Europe and Asia in particular increasing in recent years, but not sufficiently to wholly offset the reduced US demand for Nigerian blends.

Nigeria's crude and condensate exports by region (thousand barrels/day)



Source: US Energy Information Administration based on Lloyd's List intelligence (APEX tanker data)

Nigeria's historical oil production ('000 bopd)

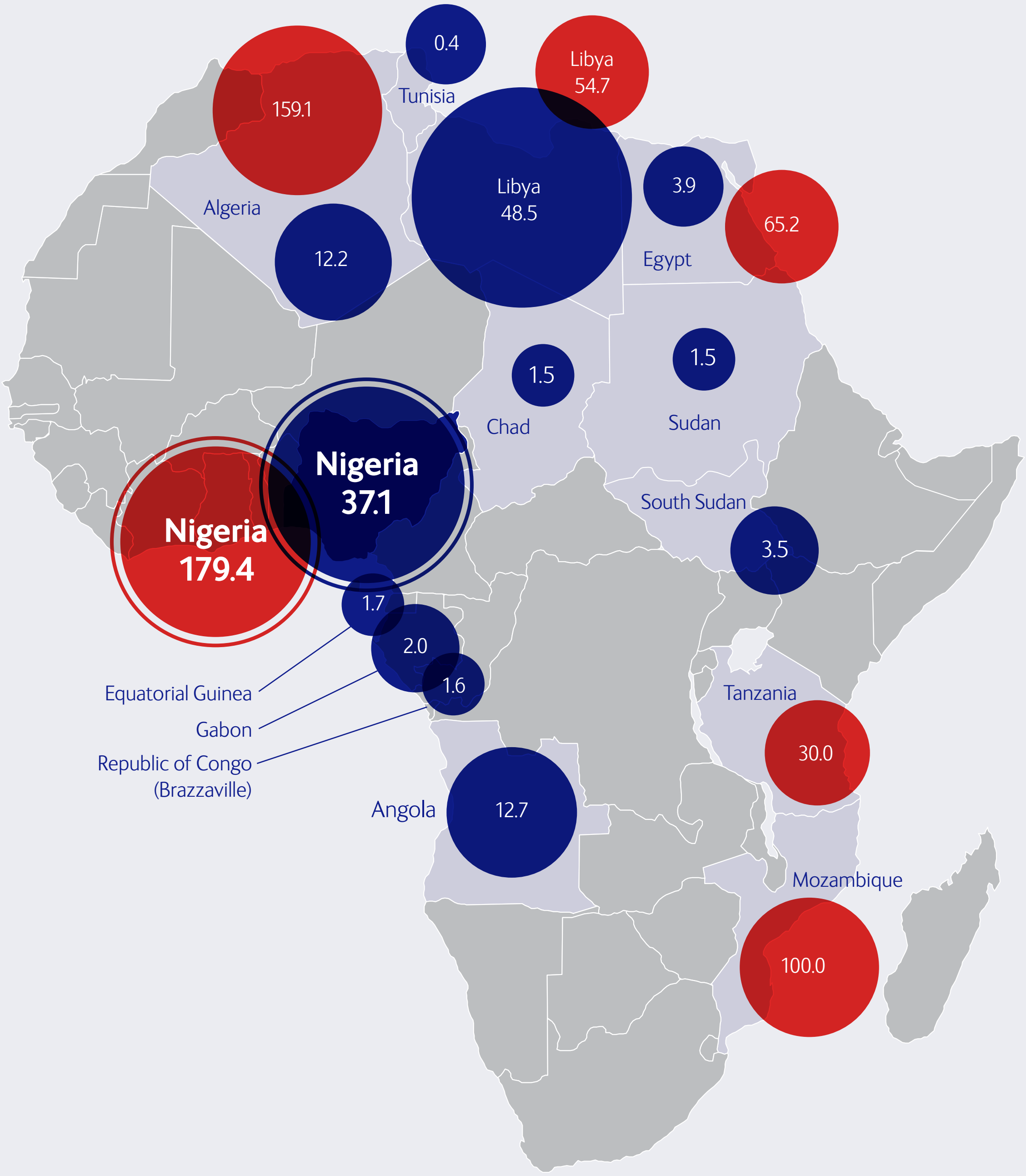


Source: BP Statistical Review of World Energy, June 2014

Africa's leading oil and gas countries

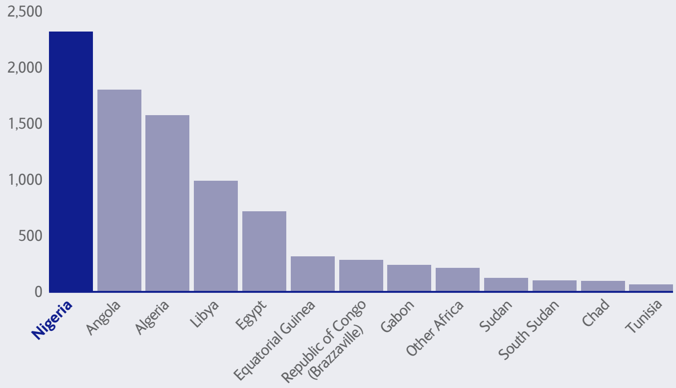
- **Oil reserves** (billion barrels)
- **Gas reserves** (Tscf)

Source: BP Statistical Review of World Energy, June 2014



Nigeria – the largest oil producer in Africa

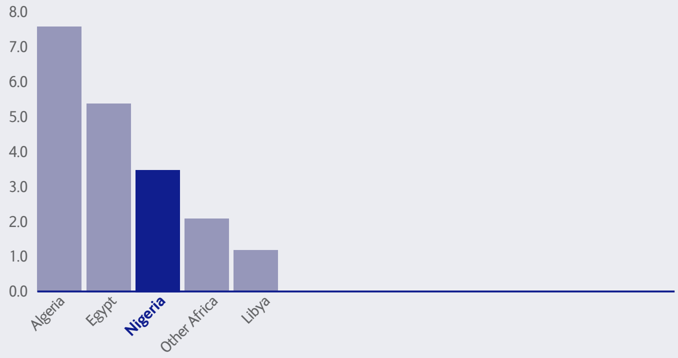
African oil producers ('000 bopd)



Source: BP Statistical Review of World Energy, June 2014

Nigeria – the third largest gas producer in Africa

African gas production (Bscf/d)



Source: BP Statistical Review of World Energy, June 2014

Country overview continued

Oil production challenges

2014 presented many challenges to the industry and Nigeria was no exception. The abrupt decline in oil prices witnessed in the second half of the year following a sustained period of prices over US$100/bbl combined with other exogenous factors, such as a slow-down in some major economies and US Dollar strength/Naira weakness, contributed to an overall contraction of Nigerian oil production throughout the year. According to data from the Nigeria National Bureau of Statistics, average crude oil production fell from 2.26 million barrels per day in the first quarter of 2014 to 2.15 million barrels per day in the third quarter before recovering slightly to 2.18 million barrels per day in the fourth quarter. Although the headline rates remain impressive, development of the Nigerian industry has persistently been hindered by disruption to key transmission infrastructure, oil theft, delays to new projects and limited exploration drilling in recent years, meaning that Nigeria's full oil production potential has not been realised.

Domestic gas monetisation opportunity and challenges

Nigeria presently has one of the lowest rates of electricity generation per capita in the world, with supply falling well short of demand. Historically, investments in gas processing have been dominated by export projects, with LNG accounting for the majority of gas monetised between 2010 and 2013. However, the Nigerian government is implementing an ambitious strategy to triple natural-gas production capacity to 11 billion cubic feet a day by 2020 to fulfil electricity and industrial development demand. The government has created a favourable policy environment for producers seeking to commercialise their gas reserves by increasing gas tariffs to help spur supplies domestically. This is reflected in the domestic service obligation price that has steadily increased from US$1.0/Mscf in 2010 to the current level of US$2.50/Mscf effective in 2015. The Nigerian upstream sector has an exciting opportunity set for those players also able to take advantage of improving domestic market conditions for monetising their gas reserves over and above domestic supply obligations, by selling to commercial ventures in Nigeria such as power plants and manufacturing plants, with gas prices in excess of US$3/Mscf now achievable and being realised under willing buyer/willing seller contracts.

Petroleum Industry Bill

The 2012 draft of the Petroleum Industry Bill ("PIB") remains in the Nigerian National Assembly, Nigeria's Federal legislature, under review. The PIB seeks to effect wide-reaching changes to the structure of the petroleum industry by creating new regulatory agencies, proposing the implementation of new licensing regimes for activities in both the upstream and downstream petroleum industry, as well as the introduction of a new tax regime in the upstream sector, which will supersede the current regime under the Petroleum Profits Tax Act. Whilst it is widely expected that, when passed, the PIB will provide incentives and business opportunities to Nigerian registered and owned oil and gas companies, such incentives and opportunities are yet to be confirmed.

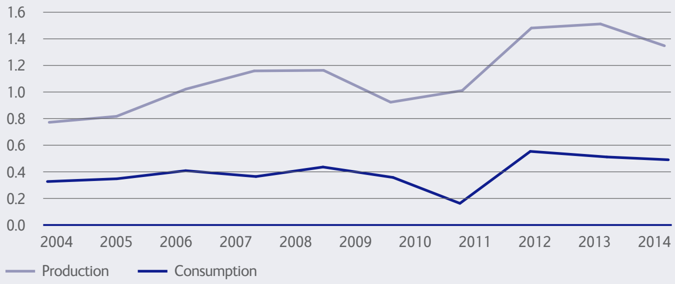
A vast natural gas resource

Nigeria is estimated to hold the largest natural gas reserves in Africa and, impressively, the ninth largest in the world. Despite this, Nigeria ranks as only the 23rd largest gas producer globally but is among the top five exporters of liquefied natural gas ("LNG").

These statistics reflect the comparatively limited opportunities to date for producers to monetise natural gas reserves in the domestic market. The main constraints have been a lack of gathering and transmission infrastructure and the pace at which investments have been made to increase generation and distribution capacity in high volume demand sectors such as gas fired power generation. A significant amount of gas produced in association with oil production has also been flared in Nigeria.

In recent years as much as 15% of gross produced gas volumes have been flared, or around 430 billion cubic feet per year. It has become a priority of the Nigerian government to implement a "flare-out" policy and impose fines where flaring is still taking place. Alongside this, the Gas Master Plan has been developed in order to promote investment in new gas pipeline infrastructure and gas fired power plants to allow Nigeria to derive far greater benefit from its own domestic sources of energy supply and provide much needed electricity generation to meet growing demand and displace the widespread burning of substantially more expensive fuels such as diesel.

Nigeria's dry natural gas production and consumption (trillion cubic feet)



Source: US Energy Information Administration, OPEC Annual Statistical Bulletin 2014

A burgeoning indigenous upstream E&P sector

The rising importance of Nigeria's indigenous oil companies has seen it become one of the fastest-growing segments of the global energy business. Over the past 50 years, Nigerian E&P acreage has been tightly controlled by a small number of Major IOCs and state ventures. Underinvestment in recent years due to local risks including oil theft and bunkering impacting IOC operations has caused underperformance and underdevelopment in the Delta. This presented an opportunity for established indigenous independents that have demonstrated impressive track records of optimising asset performance in the region to exploit the remaining potential and bid for those assets. Over the past five years, indigenous operators – including Seplat – have bought assets worth around US$5bn from the IOCs. It is estimated that indigenous operators presently account for around 11% of total Nigerian oil production and that this figure will increase substantially over the coming years as more assets are traded into indigenous ownership.

In light of the above-ground issues that have threatened the Nigerian oil and gas sector in recent years, the Government of Nigeria has taken significant steps to increase the level of indigenous participation in the oil and gas industry through the enactment of the Local Content Act. The Act not only presents advantages to the indigenous operators seeking to acquire oil licences in-country but also guarantees the creation of composite value to the Nigerian economy by a systematic development of capacity and capabilities through the deliberate utilisation of Nigerian human resources and services in the Nigerian oil and gas industry. This inclusive approach has re-engaged the disenfranchised local communities and militants that can threaten the performance of oil and gas operations.

Seplat's opportunity

With a reputation as a trusted partner for local stakeholders and with a successful track record in securing value accretive acquisitions from IOCs in the Niger Delta, Seplat's candidacy in government bid rounds and for securing further divested assets from the Majors – as they refocus their Nigerian portfolio towards deeper waters offshore in the Gulf of Guinea that are less heavily explored and offer prospectivity aligned to their materiality thresholds – is strong. The regulatory developments that prioritise indigenous oil and gas companies in Nigeria will also give rise to further acquisition, farm-in and partnership opportunities possibly allowing for increased liquidity in a secondary asset market with greater ownership by indigenous independents.

The domestic demand for gas and the favourable policy environment for developing Nigeria's gas reserves have allowed Seplat to prioritise the commercialisation and monetisation of its significant gas assets. The Company's working interest natural gas reserve and resource base is 827 bcf of gas (2P and 2C), which provides a platform for significant potential growth for the Company whilst simultaneously providing a solution to meet domestic gas demand. The fact that domestic gas prices are de-linked to the oil price is an attractive proposition and means that Seplat's gas strategy can also provide a natural hedge to the highly volatile oil price environment that faces the wider industry.

Market overview

Adapting to a new oil price environment

In the oil and gas sector, the significant advancement in shale oil production in the United States and recovering production in Iraq and Libya, combined with slower than expected economic growth across the globe, has created an excess supply situation prompting a marked decline in the oil price in recent months.

Oil price

2014 was a volatile year for the oil and gas industry as the oil price dropped in the second half to its lowest levels in six years, exiting the year at US$60.22 per barrel, a 42% decline year-on-year. The new oil price environment and abrupt nature of the drop was a reality that surprised economists and oil analysts alike whilst creating uncertainty for an industry that had committed billions of dollars in global upstream development projects.

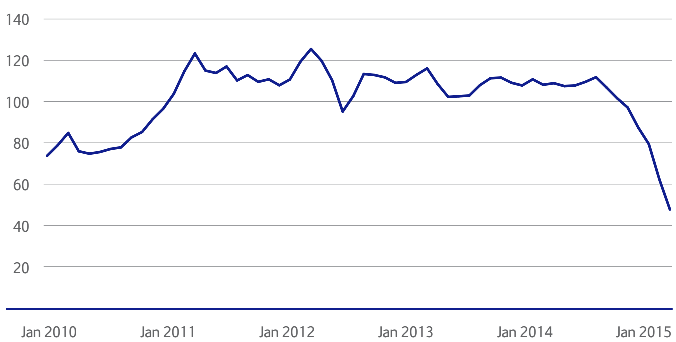
It is widely thought that a major contributor to the oil price decline was the rapid growth in fracking production in the United States that added about 4.5% to global supply, coinciding with a time when global oil demand was rising at a slower rate than in recent years. The glut of supply in the market did not provoke a cut in output by OPEC – reversing its traditional behaviour in periods of excess supply – but instead the organisation saw it as an opportunity to crowd out those expensive producers, notably those shale producers in the US, thus protecting their share of global production in the medium term. Another important catalyst to oil price markets remains the geopolitical situation across the Middle East and North Africa, most notably Libya and Iraq. Events in both these countries could produce significant swings in daily global production and the market will watch both countries with interest in the coming year.

The oil price instability witnessed in 2014 has impacted the oil and gas sector dramatically within a short space of time, with E&P companies large and small responding by adjusting costs and investment plans accordingly, especially those companies operating in more complex and higher cost locations such as deep-waters offshore.

Global economy

Economic and population growth are the principal drivers of global energy demand. In 2014, the world's population surpassed 7 billion, and is expected to reach 8.1 billion by 2025 and 9.6 billion in 2050, with levels of international economic growth likely to move in a similar upward trajectory. As such, the overall long-term trend for energy demand is likely to continue increasing despite the pace of output growth meaning we exited 2014 with a glut of supply in the market contributing to a near 50% fall in oil prices. Despite the slowdown of growth in Asia, the continued economic expansion in China and India will underpin growth in demand for energy over the next 20 years. According to BP's Annual Long-Term Energy Outlook Report, global energy demand is projected to rise 37% from 2013 to 2035, an average of 1.4% a year.

Brent oil price (Dollars per barrel)



Source: Thomson Reuters

Nigerian economy

2014 was a marked year for Nigeria as it overtook South Africa to become not only Africa's largest economy, but also the 26th largest in the world. This followed the publication of recalculated figures that almost doubled estimates for the country's GDP. Nigerian GDP for 2013 was US$509bn, 89% larger than previously recorded. Nigeria's oil industry remains the largest contributor to national GDP; however, the economy has diversified into consumer-focused industries such as financial services, telecommunications and consumer goods, demonstrating the growth of Nigeria's consumer base and the rise of a domestic market across all sectors and most notably energy.

However, the Nigerian economy's exposure to the oil sector will have an impact in the near and long term, with the oil price decline already devaluing the Naira significantly and provoking a rise in interest rates to record levels.

Equity markets

2014 was a challenging year for global equity markets with a divergence of index performance clearly visible across the major geographies. In Europe, demand for equities was particularly strong during Q1 and early Q2 2014, before tapering down primarily caused by economic uncertainty in the Eurozone. US markets represented the most consistent story of the year, performing strongly on the back of a continuous flow of positive economic data. The S&P 500 ended the year 11.4% higher.

In the UK, the FTSE 100 index fell 2.7% over 2014 and was outperformed by mid-cap stocks as the FTSE 250 rose 0.9%. The O&G sector saw a sharp decline in the second half of the year as the market witnessed a general commodity selloff, with the oil price also driven down by the decision by OPEC not to cut output, which left the FTSE O&G producing stocks on the back foot and ultimately closing the year 13.4% lower. The NSE also fell by 16.1% in 2014, as the index was hindered by concerns surrounding the negative impacts on an oil dependent economy caused by falling oil prices and pre-election uncertainty. Seplat's London line ended the year 31.4% lower at 144p whilst the Nigerian line closed down 35.6% at 371 Naira.

Chairman's statement

A bright future

The first company to complete a dual listing on the London and Nigerian Stock Exchanges.

I am delighted to welcome you to Seplat Petroleum and our first Annual Report following our dual listing in Lagos and London in 2014. As the first company to complete a Lagos-London dual listing, and the largest oil industry IPO in recent years, it is an honour to address all our shareholders internationally. We are one of the leading indigenous Nigerian oil and gas companies and we believe we offer compelling value for investors internationally to take advantage of both our long-term growth strategy and the extensive opportunities in the Nigerian oil and gas sector.

Our IPO marked a significant moment in the Company's history, and a milestone of which we are incredibly proud. The Board and management of Seplat are acutely aware of the trust that our shareholders have placed in us. With the US$500 million raised at the point of listing, combined with a strong prior balance sheet and the US$1 billion of debt financing secured after year end 2014, Seplat is financially well positioned to take advantage of the divestitures by various international oil companies (IOCs) and to pursue price-disciplined and value-driven acquisitions of both onshore and shallow offshore acreages, assets or joint venture farm-ins. However, we are not pursuing our growth strategy only from a position of financial strength but also through strong operational efficiency and effectiveness. As an operator, and the first Nigerian company to acquire and become operator of onshore oil and gas assets from IOCs in Nigeria, we have since demonstrated our strong operational track record by successfully increasing our oil production and reserves year-on-year since inception in 2010. Our prospects are truly exciting and we are proud of our highly-skilled Board of Directors and management team who I am confident will steward the Company through this phase of transformational growth.

I am delighted at the high calibre of our Board members and welcome those who have joined us in the past year, expanding our Board to 12 individuals of outstanding quality, with diverse experiences and skill sets from within Nigeria and internationally. As we are a publically listed company, the Board is accountable to shareholders for the delivery of strong and sustainable financial performance and creation of long-term shareholder value.

My Board colleagues and I are fully committed to protecting the interests of all our shareholders through compliance with all aspects of corporate best practice as set out in the UK Corporate Governance Code and the Nigerian Code of Corporate Governance. Our largely independent Board has established the following committees which monitor the Company's activities within a rigorous and robust framework of controls that are designed to effectively mitigate and manage risk: Audit Committee, Finance Committee, Nomination and Establishment Committee, Remuneration Committee, Risk Management Committee, HSSE Committee and CSR Committee.

> "As we are a publicly listed company, the Board is accountable to shareholders for the creation and delivery of strong and sustainable financial performance and long-term shareholder value."

In 2014, our confidence in our balance sheet and future revenue growth was reflected in the interim dividend of US$0.06 per share which was approved by the Board and paid in November 2014. The Board has also approved an additional dividend of US$0.09 per share to be paid in June 2015. This brings our full and final dividend for the year 2014 to US$0.15 per share. This is in keeping with our promise to pay dividend to shareholders. Going forward, we will develop a robust dividend policy which will be subject to our continued growth in cash flows and capital requirements for our current assets and our price-disciplined acquisition strategy.

It would be prudent to note at this point that the oil industry is facing a more challenging time than in recent years. The decline in the oil price presents many challenges for the Exploration and Production industry but also numerous opportunities. The combination of our high quality producing assets, the robustness of our revenue line and the aptitude of our colleagues to maximise the efficiency and profitability of our operations means we are well positioned to take advantage of the excellent value opportunities available to the profitable producers in the market. We are closely monitoring the oil price environment and continue to challenge ourselves to respond by redoubling efforts to optimise operations in our current portfolio.

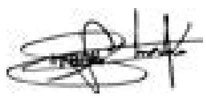
Nigeria is Africa's largest oil producer and a globally-significant oil exporter to some of the world's major economies. The country has proven geology, long established infrastructure, and conducive regulatory and fiscal regimes. Nigeria also possesses one of the largest gas reserves on the continent, which represents a significant growth opportunity for Seplat as a producer and supplier to the rapidly expanding domestic market for gas. The Nigerian government is committed to prioritising indigenous E&P operators in bidding and licensing rounds. This, coupled with divestments by the IOCs, continues to unlock enormous opportunities for leading Nigerian operators such as Seplat, and the development of the local supply chain to further nurture diversity and competitiveness in Nigeria's services sector.

We have made successful efforts in our gas development strategy by the expansion of our gas processing facility in Oben. This is against the back drop of the Nigerian gas to power transformation agenda which has occasioned increasing gas demand at good prices in the domestic market. Seplat will take advantage of this to boost revenue from gas in 2015 and in the coming years. In addition to the drive for revenue, our gas development strategy also includes a determination to completely eliminate gas flares in the near future as our commitment to environmental protection.

As we head into 2015 I would like to take this opportunity to thank all of Seplat's employees and stakeholders. The dedicated contribution of all our employees has been and will continue to be intrinsic to our historic and future success and, with them, we will continue to pursue Seplat's successful growth strategy. Additionally, our mutually-beneficial relationships with our local communities represent a considerable strategic advantage to the Company, as the above-ground risks continue to overshadow the below-the-ground risks in Nigeria's oil and gas landscape. Since inception, we have committed ourselves to building a culture of trust and confidence amongst our local stakeholders, embodied by the Global Memorandum of Understanding signed with the communities that host Seplat's operations. Without the support and cooperation of our local stakeholders our growth prospects would be challenging and I look forward to continuing to work with them in the year ahead.

Distinguished shareholders, the future for Seplat is bright and, with your continued confidence in us, we look forward to maintaining our position as one of the leading indigenous oil and gas operators in Nigeria in 2015.

May God bless you all,



Dr. Ambrosie Bryant Chukwueloka Orjiako
Chairman

Governance

Seplat's Board of Directors is committed to the highest standards of corporate governance and to implementing and monitoring effective good governance policies and practices.

The Board of Directors consists of 12 members with a strong and relevant combination of skills and experience that spans the local and international oil and gas industry.

Governance
more on page 54

Dr. Ambrosie Bryant Chukwueloka Orjiako
Chairman

Mr. Austin Ojunekwu Avuru
Chief Executive Officer

Mr. Roger Brown
Chief Financial Officer

Mr. Stuart Connal
Chief Operating Officer

Mr. Michael Alexander
Senior Independent Non-Executive Director

Mr. Damian D. Dodo S.A.N.
Independent Non-Executive Director

Mr. Michel Hochard
Non-Executive Director

Mrs. Ifueko Omoigui Okauru
Independent Non-Executive Director

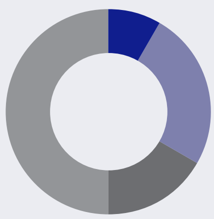
Lord Mark Malloch-Brown
Independent Non-Executive Director

Mr. Macaulay Agbada Ofurhie
Non-Executive Director

Dr. Charles Okeahalam
Independent Non-Executive Director

Mr. Basil Omiyi
Independent Non-Executive Director

Board composition



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

Our business model

Leveraging our core strengths and expertise

Our business model has been carefully designed to create long-term value and shared prosperity for our shareholders and other stakeholders, leveraging our core strengths and expertise to capitalise on growth opportunities available to us across the upstream value cycle.

Responsibility

Operational expertise

1. Acquire

- To date, we have acquired interests in four blocks in the Niger Delta onshore Nigeria (OMLs 4, 38, 41 and OPL 283) and at any point in time we have an active pipeline of new acquisition and farm-in targets to help us grow our reserves and production on an ongoing basis.
- In line with our strategy, we will maintain a price-disciplined approach and prioritise opportunities in the onshore and shallow water offshore areas of Nigeria that offer near-term production, cash flow and reserve replacement potential.
- Post-period end, Seplat acquired a 40% working interest in OML 53, onshore north eastern Niger Delta, and 22.5% working interest in OML 55, coastal zone of south eastern Niger Delta. These price-disciplined acquisitions further expand our footprint in the Niger Delta and further cement our position as a leading indigenous independent E&P in Nigeria.

2. Explore & appraise

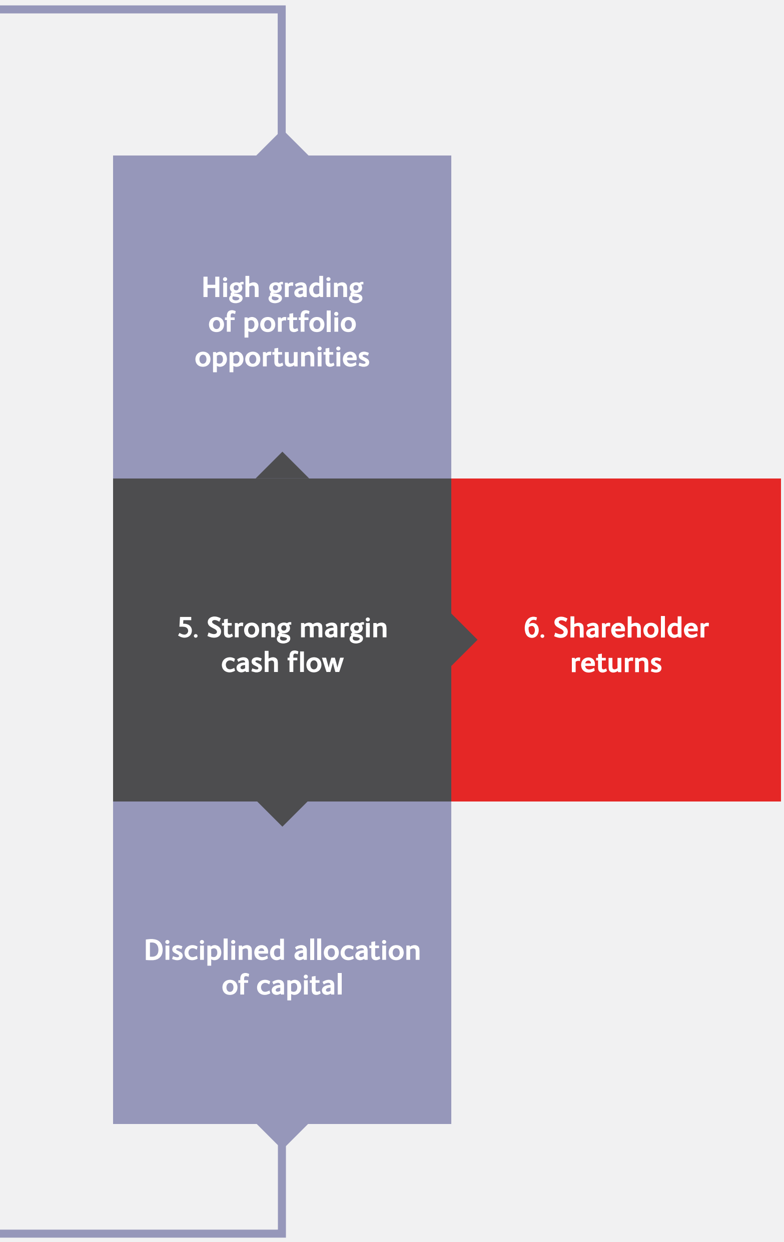
- In 2014, we drilled the Ogegere exploration prospect in OML 38. The well encountered oil bearing sands and indicated the potential for a new play, at greater depths than the primary target, which we plan to assess further on our acreage.
- We will continue to appraise and test upside at our producing fields and also have a number of discovered but undeveloped discoveries on our blocks, some of which may be considered as appraisal targets in the future.

3. Develop

- Since we acquired our interest in OMLs 4, 38 and 41 in July 2010, as operator we have drilled in excess of 37 new development wells, completed multiple workovers, reactivated production from pre-existing wells, constructed and installed a new liquid treatment facility, upgraded and significantly expanded the Oben gas plant, completed a new liquids pipeline linking our assets directly to the Warri refinery, installed additional storage capacity and implemented gas lift to aid our production with pressure support.
- Another indicator of how actively we are developing our portfolio is the number of rigs engaged. In 2014, we had seven rigs engaged over the course of the year, the most of any operator onshore in the Niger Delta.

4. Produce

- At OMLs 4, 38 and 41 we have increased liquids production over four-fold from an initial gross rate of 14,000 bopd at time of acquisition in 2010 to a 2014 peak rate of over 76,000 bopd. Similarly, we have seen our annualised average working interest production grow during this period, from 21,431 boepd in 2011 (our first full year of operations) to 30,823 boepd in 2014.
- In 2012, we became the first operator in the Niger Delta to install a Lease Automated Custody Transfer unit, greatly improving our metering of input to the Trans Forcados Pipeline. As a result we have seen reconciliation losses allocated to Seplat reduce to current levels of around 10% compared to an average of around 18% pre installation.



High grading of portfolio opportunities and disciplined allocation of capital

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

Strong margin cash flow

- It is important to maintain the financial strength and financial flexibility to fund our work programme at our existing portfolio and also the range of growth opportunities available to us. We aim to operate in the E&P "sweet-spot" whereby cash flow generation from our current base more than covers investments there too.
- We also seek to utilise appropriate external funding sources, including debt, in support of new business opportunities where up-front acquisition costs and early capital investments may be required to bring them to self-funding status over the long term.

Shareholder returns

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

Chief Executive Officer's statement

A Q&A with Mr. Austin Ojunekwu Avuru

Austin Ojunekwu Avuru
Chief Executive Officer

Seplat made good progress towards its long-term strategic aims having materially grown its reserves base, delivered full year average daily production in line with guidance and exceeded peak rate objectives. Expansion plans for the gas business gathered pace and the new Oben gas processing plant will enable Seplat to increase supply to the domestic market.

In 2015, given the lower oil price environment, Seplat will take a prudent approach and seek to align spend with cash flow, allocate capital selectively and prioritise investments that offer the highest returns for our shareholders.

Q

How do you see the business has performed since IPO?

A

We have made good progress against our key objectives since the IPO in April 2014. We have:

- Grown our 2P reserves and contingent resource base
- Significantly increased production capacity at OMLs 4, 38 and 41, hitting 2014 guidance and setting a new daily output record
- Accelerated development of our gas business to increase availability of supply to the domestic market
- Acquired interests in two new blocks, taking our overall portfolio to six blocks in the Niger Delta
- Accessed the domestic and international debt markets and ensured the business is on a sound financial footing

However, 2014 was not without its challenges. We saw headwinds to growth in the form of an abrupt decline in oil price during the second half of the year and a total of 75 days downtime on the third party operated Trans Forcados System that materially averaged down our annualised production rate.

Q

What have reserves and resources grown to and what have been the main drivers?

A

Our working interest 2P reserves at 31 December 2014 stood at 281 MMboe, comprising 139 MMbbls of oil and condensate and 827 Bscf of natural gas. This represents an overall increase of +24% year-on-year. The main drivers of these additions are the recognition for the first time of reserves at the Orogho field following production start-up in the year, drilling results at Sapele Shallow and the submission of a field development plan for the Okwefe field. Impressively, in 2014 we achieved a 4x replacement ratio of produced oil and condensate volumes and an 8x replacement ratio of produced gas volumes.

Since inception the majority of our reserves growth has been driven by moving 2C resources into reserves categories as a result of detailed technical work and our development activities. Since 2010 we have converted around 149 MMboe from 2C to 2P against production of around 34 MMboe on a working interest basis. Together with volumes acquired at the OPL 283 Marginal field area we have delivered a compound annual growth rate of around 19% for 2P reserves growth over this time.

Q

To what extent have you managed to grow production during the year?

A

Our full year average working interest production in 2014 was only slightly up on the previous year at 30,823 boepd, comprising 24,252 bopd of oil and condensate and 39.4 Mmscfd of gas. However, just looking at the headline figures does not tell the whole story. We experienced a total of 75 days downtime on third party operated parts of the Trans Forcados System, 40 of which were un-budgeted. Excluding the un-budgeted days, our production would have averaged approximately 34,600 boepd over the year. Offsetting the higher than budgeted levels of downtime was more reliable gas offtake by our customers, increased oil and gas production capacity through the drilling of several new wells and the recognition of production at the Pillar assets in OPL 283. An indicator of the velocity at which we developed our core blocks in 2014 and grew production capacity is the fact that we set a new daily production record at OMls 4, 38 and 41 when oil production exceeded 76,000 bopd for the first time ever in December.

Q

Producers onshore the Niger Delta are typically subject to reconciliation losses when using third party export systems. What losses have you been subject to and are you taking steps to try and mitigate this?

A

During 2014 approximately 98.5% of liquids production from OMLs 4, 38 and 41 was transported through the Trans Forcados System (TFS). Overall reconciliation losses arising from use of the TFS were 10.6%. Whilst this is higher than we would like, we have taken steps in recent years to bring our reconciliation losses down to this level. In 2012 we were the first operator in the Niger Delta to install a lease automated custody transfer (LCAT) unit that allows for accurate metering of total liquid volumes we inject into the TFS. Prior to this we were subject to reconciliation losses averaging around 18%. The new 100,000 bopd pipeline that we completed and commissioned in 2014, linking our fields directly to the Warri refinery, is intended to mitigate sole reliance on one specific export system and allow for improved uptime and operational efficiency. Whilst we delivered modest volumes via this new pipeline in 2014, it is a focus of ours to build a long-term relationship with the Warri refinery with the aim of establishing a regular and mutually beneficial offtake arrangement. Another way that we will look to mitigate this type of risk is through diversifying and expanding our portfolio of producing blocks, with a focus on the onshore and shallow water offshore areas of the Niger Delta.

Q

At your own operated field and associated infrastructure though, Seplat has managed to avoid any significant disruption despite the problems other operators have faced. How have you achieved this?

A

Central to Seplat's business strategy is our commitment to creating shared value for our local stakeholders. Through proactive engagement and collaboration with them we aim to create a long term contribution to the economic and social development within the communities where we operate. Beyond direct revenue and royalty payments to the government, Seplat seeks to maximise the impact of every dollar spent for the benefit of its local communities – from capacity and skills building to ensure we can hire locally to a highly inclusive local content policy which stimulates the growth of our local supply chain. We are committed to building a sustainable legacy within our communities. In this way, we believe our track record of building strong ties with the local communities through this unique approach will enable us to successfully integrate any newly acquired assets and reduce or eradicate incidences of theft and vandalism. The E&P industry has to view local stakeholders as partners in the process that requires engagement and consultation to create shared value for all.

Similarly, Seplat takes its approach to the health and safety of its employees and the protection of the surrounding environment very seriously. This is illustrated by our strong performance in HSSE management over the year – our LTIFR rates were reduced to a score of 0.4 with zero fatalities. As operator at key projects, we can implement rigorous HSSE systems and processes with an aim to surpassing best practice industry standards.

Strategic pillars

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

Strategy
more on page 20

Chief Executive Officer's statement continued

Q

How is Seplat progressing with its gas commercialisation strategy?

A

At Seplat we were quick to seize upon the attraction of gaining a foothold in Nigeria's rapidly evolving natural gas sector. Far from seeing gas as a waste by-product of oil production, or feedstock for LNG export projects, we see supplying Nigeria's domestic need as a commercial opportunity in its own right and one which we prioritise. As such we believe we are well positioned to capitalise on our early mover advantage in this area.

In 2014 we produced 39.4 MMscfd of gas (87.6 MMscfd on a gross basis), all of which was supplied to the domestic market where we have continued to see strong demand from power projects and other commercial enterprises. Going forward, we plan to further increase our gas production and processing capacity to help meet this growing demand, particularly in the gas to power sector. A major step forward in this respect is the modular build-up of processing capacity at the Oben facility to create a strategic gas hub ideally located to aggregate and supply gas to Nigeria's main demand centres. The new 150 MMscfd Oben gas processing facility will take overall gross production capacity at the Company's assets up to 300 MMscfd in 2015 and the Company intends to grow this further to at least 450 MMscfd by end 2017.

Underpinning our ambitious production capacity growth plans we have a sizeable pool of gas reserves and resources. Our working interest 2P gas reserves at end 2014 stood at 827 Bscf, with a further 854 Bscf in contingent resources or subject to classification following detailed technical work. This equates to an overall volume of 1,681 Bscf on a working interest basis and 4,020 Bscf on a gross basis that is earmarked to supply the Nigerian domestic market in the coming years.

To get all these volumes to market will of course require significant further investments, against which corresponding returns must be generated, and a stable fiscal and regulatory environment that continues to encourage and stimulate long-term investment in the sector. Importantly, we have seen gas pricing increase in recent years to commercial levels. In 2014 the domestic service obligation was priced at US$2.0/Mcf and in 2015 we have seen this step up to US$2.50/Mcf. We have also put in place new gas contracts to supply the power sector, including the Azura IPP, at pricing of US$3.0/Mscf plus and will look to place more gas into higher priced contracts where we can.

Q

How active were you with the drill bit in 2015 and what other work did you undertake at your fields in 2014?

A

During the year we had up to seven rigs in operation at any one time, completing 23 new wells and workovers at OMLs 4, 38 and 41. This comprised 12 development wells, four appraisal wells, five workovers, one water injector and one water producer. This makes us one of the most active drillers anywhere in the Niger Delta. Over the course of the year we drilled a mix of oil and gas wells to deliver our production objectives for both streams. We also installed smart well completions on the Okporhuru field, reducing the need for additional drainage wells in the future and two wells on Sapele Shallow gave us important data with which to plan the development of the heavier oil there. We brought the Orogho field onstream, adding around 3,200 bopd gross production, and also completed the Amukpe - Ovhor gas lift project adding around 3,500 bopd gross production initially which we are targeting to increase up to 5,000 bopd gross.

> "Seplat seeks to maximise the impact of every dollar spent for the benefit of its local communities – from capacity and skills building to ensure we can hire locally, to a highly inclusive local content policy which stimulates the growth of our local supply chain."

The Oben associated gas compression project, designed to eliminate flare gas and process gas to sales quality, was 75% mechanically complete at year end and entailed the installation of three 10 MMscfd compressor units. The installation of two additional crude oil storage tanks at the Amukpe field was around 90% complete at year end meaning the additional storage will become available to us over the course of 2015. Further to this, we have of course installed the new Oben gas processing facility as previously discussed.

Q

Did Seplat undertake any exploration activity in 2014?

A

In 2014 we drilled one exploration well on the Ogegere prospect in OML 38. Although it was a marginal discovery by itself, what it has done is open up new play potential at a deeper level to existing reservoirs on OMLs 4, 38 and 41. In particular we believe there could be potential at deeper levels below current well penetrations in the nearby Orogho and Okporhuru fields and a portfolio review following the Ogegere well result has indicated credible prospects for inclusion into the short to medium-term drilling sequence. We are also in the process of evaluating the exploration potential at our newly acquired blocks OML 55 and OML 53.

Q

One of the strategic reasons for raising money at the IPO was to accelerate growth through acquisitions. Can you update us on new venture developments?

A

Since our IPO we have actively continued to pursue a number of selective acquisition opportunities, some successfully so, others not, but that is the process we go through and we remain true to our technically driven and value disciplined approach. We prioritise acquisition opportunities that offer near-term production, cash flow and reserve replacement potential. Whilst we have been active in the onshore parts of the Niger Delta to date, we have ambitions to grow the portfolio into the offshore shallow water areas too, where we see our production and field development expertise can also be leveraged to great effect.

We recently completed the acquisition on a 40% working interest in OML 53 and effective 22.5% working interest in OML 55 onshore the Niger Delta from Chevron Nigeria Limited. The OML 53 transaction fits neatly with our strategy of securing, commercialising and monetising natural gas in the Niger Delta with a view to supplying the rapidly growing and evolving domestic market. In addition to the large scale discovered, but undeveloped, gas and condensate resources there are near-term opportunities to increase and optimise oil production significantly above current levels of around 2,000 bopd gross. The OML 55 acquisition offers us an opportunity to redevelop existing oil fields, much in the same way we have done elsewhere, taking advantage of significant infrastructure already in place and aiming to maximise economic oil recovery from the reservoirs. Additionally there is a significant gas resource that we will also assess options to commercialise in the future. Both blocks have been relatively lightly explored and we will seek to implement modern technologies and our understanding of the subsurface to identify further E&A drilling upside opportunities.

We continue to pursue a number of other acquisition and farm-in opportunities and inorganic growth will continue to remain a central component of our growth strategy.

Q

How has the new lower oil price environment impacted on your plans for 2015?

A

Following the abrupt decline in oil prices during the second half of 2014 and continued weakness in 2015 year-to-date, Seplat will prioritise the allocation of capital to production and development opportunities that offer the most robust economic returns. The Company anticipates modest exploration and appraisal expenditure under current conditions, and aims to align spend with cash flow. Seplat is the designated operator at its key projects, and as such is able to influence the magnitude and timing of expenditures. The Company constantly reviews its cost structures, and will take every opportunity to apply downward pressure to its overall cost base. By also investing in its natural gas business and growing gas production the Company is able to partially offset its exposure to oil price volatility, benefitting from a revenue stream derived from gas prices that are not linked to the oil price.

Strategy

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

Strategic pillar | **Description**

1 Maximise production and cash flows from operated assets

The development stage of the upstream value chain is where the majority of capital investments are usually made. It is imperative that we do this well, maintaining strict cost control, implementing the most appropriate technical solutions and organising ourselves and our service providers so that we deliver projects on time. This enables us to generate strong

2 Move up 2C resources into 2P reserves category

We have an active drilling programme that, in addition to development wells, has an appraisal component built in so that we are constantly testing upside potential at our assets, gathering new information to allow us to maximise hydrocarbon recovery from the reservoirs and capitalise on low risk reserve addition opportunities. We also recognise the importance of exploration as a means of growing

3 Commercialise and produce gas reserves

Nigeria has a vast natural gas resource that, to date, has barely been developed. We see the commercialisation and monetisation of Nigeria's natural gas resource as an attractive long-term opportunity and have strategically positioned ourselves by developing the Oben facility as a core gas hub through which Nigeria's greatest demand centres can be accessed and supplied.

4 Pursue a focused acquisition and farm-in strategy

We see a rich opportunity set and a wide range of growth opportunities in Nigeria including further asset divestments from the Major IOCs, asset farm-in and acquisition opportunities as liquidity in the secondary asset market within the indigenous E&P sector inevitably increases and future licensing awards.

5 Be a highly responsible corporate citizen

Being a highly responsible and accountable corporate citizen is a key priority of ours. We recognise that minimising the effects of our activities on the environment, understanding local issues, positively contributing to our local communities, being a first-rate employer and providing our staff with a safe working environment and career development

Strategy in action
more on page 22

	Measuring our performance	Risk
margin and predictable cash flow from our production, which in turn underpins our ability to fund our work programme. At the same time, we seek to improve operational efficiency by maximising uptime, reducing reconciliation losses and mitigating sole reliance on third party export infrastructure.	• Working interest production; • Earnings before interest and tax ('EBIT'); • Opex per boe.	Oil and gas production operations have a number of risks attached, above and below the ground. The Company has a skilled technical team with a detailed knowledge of the geology and reservoir dynamics to allow optimal production solutions to be implemented. Above the ground, the Company has clear systems and procedures in place to ensure the safe and secure operation of its oil and gas production, processing and transportation facilities.
reserves. It is our intention that we will drill at least one exploration well per year, with a focus on prospects that if successful can offer rapid monetisation, utilising our existing infrastructure where possible.	• Reserves replacement ratio.	Exploration activities are focused on determining the presence of hydrocarbons whilst appraisal activities are focused on better defining and assessing the commerciality of a hydrocarbon discovery. Both activities by definition carry significant geological risk, so the technical maturity of an E&A target is key to narrowing the range of risk and uncertainty. Seplat seeks to use available technologies including seismic analysis to minimise pre-drill risks and maximise chances of a successful drilling outcome.
	• Gas reserves, production and revenues.	Despite the abundance of resources in the ground, the natural gas sector in Nigeria is at a nascent stage of development and requires significant ongoing investment to grow capacity. The pace at which the sector grows and scale of investment will to a large extent dictate the timing and magnitude of opportunities for producers such as Seplat.
	• Portfolio expansion; • 2P reserves and 2C resources; • Working interest production.	Competition for upstream oil and gas blocks in Nigeria is intense and there are an increasing number of industry participants seeking to grow their presence in or gain access to the sector. High levels of competitive tension can drive acquisition prices higher. Oil price volatility also presents increased uncertainty when evaluating opportunities and access to capital can also constrain ability to successfully execute transactions.
opportunities are essential enablers that allow us to achieve our goals. Underpinning all of this is a strict adherence to strong corporate governance and business integrity throughout our organisation.	• Lost time incident rate ('LTIR'); • Corporate responsibility initiatives.	Failure to adhere to the highest standards of corporate responsibility can severely impede the Company's ability to efficiently operate its current portfolio, access new business opportunities, secure capital and ultimately deliver value accretion to its shareholders.

Key performance indicators more on page 28

Additional performance metrics more on page 30

Risk management more on page 42

Strategy in action

1

Maximise production and cash flows from operated assets

- Target year-on-year production growth and improvements in operational efficiency
- Adhere to strict cost control to maximise profitability

76,000
bopd

New production record at OMLs 4, 38 and 41.

The development stage of the upstream value chain is where the majority of capital investments are usually made. Over the past year we grew our production base through an emphasis on high levels of drilling activity to accelerate oil and gas production from existing reservoirs, bring new fields onstream and gain information to aid future development planning. At the same time we expanded the surface facilities to accommodate increased production rates and improve production efficiency at our operated blocks. Net working interest production for 2014 averaged 30,823 boepd. Normalising for 40 days un-budgeted downtime of the Trans Forcados System (out of a total of 75 days) average working interest production was approximately 34,600 boepd. A new production record was set when gross daily liquids production at OMLs 4, 38 and 41 exceeded 76,000 bopd for the first time in December.

We have continued to allocate capital effectively, implementing the most appropriate technical solutions and organising ourselves and our service providers so that we deliver projects on time and to budget. This enables us to generate good margins and predictable cash flow from our producing assets, which in turn underpins our ability to fund our work programme. In 2014 cash flow from operations before movements in working capital stood at US$379 million, ahead of capital investments attributed to oil and gas assets of US$311 million.

Move up 2C resources into 2P reserves category

- Grow the reserves base through technical maturation and commercialisation of discovered but undeveloped resources
- Focused exploration campaign – targeting quick to monetise opportunities

281
MMboe

Seplat's working interest contingent resource base.

Seplat has a strong track record of converting contingent resources to reserves to achieve its goal of consistently recording year-on-year growth in booked reserves. Several of the wells that were drilled in 2014 had an appraisal component, aimed at de-risking contingent volumes and accessing previously undeveloped resources. Working interest 2P reserves at 31 December 2014 stood at 281 MMboe, comprising 139 Mbbls of oil and condensate and 827 Bscf of natural gas. This represents an increase in overall 2P reserves of 24% year-on-year. The key drivers of the upwards revision is the recognition of reserves at Orogho, Sapele Shallow and Okwefe following review of 2014 well performance data and the conversion from 2C to 2P as a result of 2014 development activities. With a 2C resource base estimated to be 281 MMboe the Company has significant depth to its portfolio and good potential to deliver long-term reserves growth.

We also recognise the importance of exploration as a means of growing reserves. Our intention is to drill at least one exploration well per year, and focus on prospects that if successful can offer rapid monetisation, utilising our existing infrastructure where possible. The Ogegere-1 well, drilled in 2014, was a marginal discovery but has opened up new play potential at deeper levels on OML 38, indicating credible prospects for inclusion in future drilling plans.

Strategy in action continued

3

Commercialise and produce gas reserves

- Prioritise gas developments to supply the rapidly growing domestic market
- Continue to grow gas sales capacity to support power projects and other commercial ventures

182 Tscf

Estimated amount of proven natural gas reserves in Nigeria.

Nigeria has a vast natural gas resource that, to date, has barely been developed. We see the commercialisation and monetisation of Nigeria's natural gas resource as an attractive long-term opportunity as we seek to go beyond our domestic supply obligations by selling to commercial ventures in Nigeria, such as power generation plants. Pursuant to the Nigerian Gas Master Plan 2008, Nigeria is currently undergoing significant changes in the domestic gas pricing environment which has resulted in increased gas demand and improving pricing dynamics.

The Company's working interest natural gas reserve and resource base is estimated to be 1,682 Bscf of gas (around 4,000 Bscf on a gross basis) all of which is earmarked for monetisation in the domestic market. We have strategically positioned ourselves by developing the Oben facility as a core gas hub through which Nigeria's main demand centres can be supplied, and in 2014 made good progress with the installation of an additional 150 MMscfd processing facility that will double existing processing capacity and keep us on track to grow capacity to at least 450 MMscfd by end 2017. The acquisition of a 40% working interest in OML 53 post period-end also fits neatly with our strategy of securing, commercialising and monetising natural gas in the Niger Delta with a view to supplying what is a rapidly growing and evolving domestic market.

4

Pursue a focused acquisition and farm-in strategy

- Pursue value accretive acquisitions and exercise price discipline
- Target onshore and shallow water offshore opportunities that offer production, cash flow and reserve replacement potential

6
blocks

Seplat's footprint in the Niger Delta following the acquisition of interests in OML 53 and OML 55.

We see a rich opportunity set and a wide range of growth opportunities in Nigeria. This includes further asset divestments from the Major IOCs and also asset farm-in, acquisition and partnership opportunities as liquidity in the secondary asset market within the indigenous E&P sector is anticipated to increase as ownership diversifies. We will remain focused on maintaining a balanced portfolio of assets in the onshore and shallow-water offshore areas of Nigeria with particular emphasis on opportunities that offer production and cash flow growth in addition to reserve replacement potential whilst remaining true to our price-disciplined approach underpinned by rigorous technical and commercial analysis.

Post-period end, we acquired a 40% working interest in OML 53 and an effective 22.5% working interest in OML 55 from Chevron. The addition of these two OMLs to our portfolio further increases our footprint to six blocks in the Niger Delta and cements our position as a leading indigenous independent E&P. Both acquisitions present us with a number of attractive opportunities to boost oil and gas output, and are consistent with our strategy of prioritising those assets that offer near-term production growth, cash flow and reserve potential in the onshore and shallow water offshore areas of Nigeria.

With the combination of a strong balance sheet and access to capital, indigenous status and proven operational expertise Seplat is well positioned to capitalise on new growth opportunities and differentiated as an acquiror and partner of choice.

Strategy in action continued

5

Be a highly responsible corporate citizen

- Integrate and maintain excellent relations with communities based on trust and integrity
- Conducting our business to the highest HSSE & CSR standards

917

Secondary schools in Delta and Edo States involved in PEARLS Quiz Programme.

Being a highly responsible and accountable corporate citizen is a key priority of ours. We recognise that minimising the effects of our activities on the environment, understanding local issues, positively contributing to our local communities, being a first-rate employer and providing our staff with a safe working environment and career development opportunities are essential enablers that allow us to achieve our goals. Underpinning all of this is a strict adherence to strong corporate governance and business integrity throughout our organisation.

Understanding local issues and positively contributing to our local communities

We believe that our local ties and Nigerian management team present a strategic advantage in understanding the operational landscape in-country. The Nigerian oil and gas landscape is a complex one, and we believe our strong community relations have allowed Seplat to mitigate those above-ground risks that have plagued other operators in the region and consequently reduced production interruptions. For further information on our relationships with our local communities and broader CSR strategy please refer to the CSR section on pages 48 to 53 of this Annual Report.

Being a first-rate employer and providing career development opportunities

Our people are central to delivering our business goals, of which achieving shared value for all stakeholders is central. As such, we are committed to building mutually-beneficial and sustainable relationships with all of our employees. We offer a variety of career opportunities that provide exciting and challenging new experiences that are designed to allow our employees to both enhance their professional development and ensure that no competence gap in the business is left unfilled. Further information on career opportunities at Seplat Petroleum can be found on the Company website: www.seplatpetroleum.com

Strict adherence to strong corporate governance and business integrity

Our Board of Directors is committed to achieving the highest standards of corporate governance and to upholding sound and effective corporate governance practices, behaviours and policies. It remains a strategic priority for the Company and as a listed business in both London and Lagos, we seek to comply with best practice approaches such as those set out in the UK Corporate Governance Code.

Our Code of Business Conduct which is applied across all areas of the business covers key risk areas, including anti-corruption and bribery, community relations, share dealing, whistleblowing, conflicts of interest and related party transactions.

Corporate social responsibility
more on page 48

Key performance indicators

Measuring our progress

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

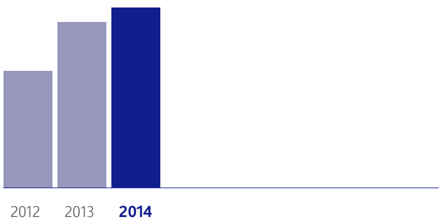
Strategic pillars

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

Strategy
more on page 20

Net working interest production (boepd)

30,823



Delivering on our strategic pillars:

1 3 4 5

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

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

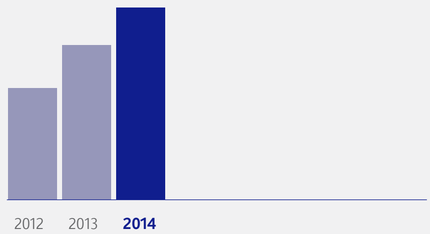
Progress
The Company has sustained an active drilling campaign at OMLs 4, 38 and 41 that has seen daily output capacity steadily increase year-on-year. The average annual production rate is also influenced by the number of days downtime experienced on third party export infrastructure. In 2014, this amounted to 75 days.

Outlook
The Company expects net average daily working interest production of 32,000 boepd to 36,000 boepd in 2015.

Risk management
In depth understanding of the subsurface and constant monitoring of well performance assists in optimising drawdown rate on each well.

2P reserves movement

+24%



Delivering on our strategic pillars:

2 3 4

Definition
The number of barrels of oil equivalent added to the 2P reserves base during the year.

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

Progress
Working interest 2P reserves at end 2014 stood at 281 MMboe, an increase of +24% year-on-year. This represents a 4x replacement ratio of liquids production and 8x replacement ratio of gas production.

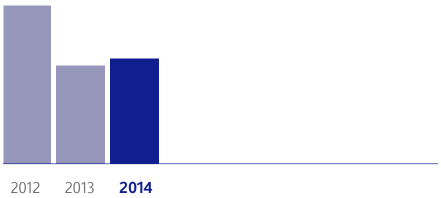
Outlook
The Company has a significant contingent resource base of 281 MMboe that offers good long-term reserves growth potential. The Company will also continue to evaluate acquisition opportunities and undertake a focused E&A drilling programme.

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

Risk management
more on page 42

Production Opex (US$/boe)

10.3



Delivering on our strategic pillars:

1 3 4

Definition
The production operating costs net to the Company divided by the Company's working interest barrels of oil and equivalent produced in the period.

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

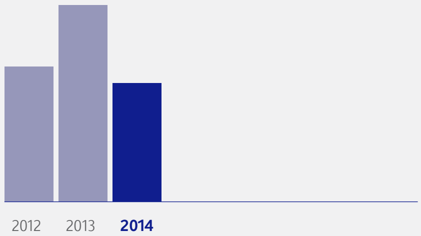
Progress
Production Opex per unit of production has remained substantially flat year-on-year and reduced over the past three years as a result of increased volume output and operational efficiencies implemented over that period.

Outlook
The Company is focused on cost control and constantly seeks to identify areas where downwards pressure can be applied to the cost base.

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

EBIT (US$ million)

289.6



Delivering on our strategic pillars:

1 3 4

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

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

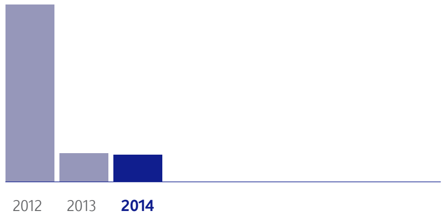
Progress
EBIT in 2014 reflects the lower oil price realisations year-on-year and has also been impacted by a number of non-recurring G&A charges, in particular those related to the IPO, regulatory fees and financing activities.

Outlook
Strong current oil production levels, tight cost control and anticipated growth in gas production at OMLs 4, 38 and 41 will ensure robust earnings potential in the future. Development of the recently acquired OML 53 and OML 55 will also enhance the future earnings profile.

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

LTIR

0.4



Delivering on our strategic pillars:

1 2 3 5

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

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

Progress
2014 was a very busy year operationally. The Company had up to seven rigs operating at any one time, drilled 23 wells/workovers and undertook a number of significant capital projects. The Company maintained the LTIR at a constant rate year-on-year.

Outlook
In 2015 efforts will continue to minimise the frequency of lost time incidents in all areas of operations. The Company will continue to ensure high HSSE standards are met and assess opportunities to constantly improve its HSSE systems and protocols.

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

Additional performance metrics

Tracking our performance

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

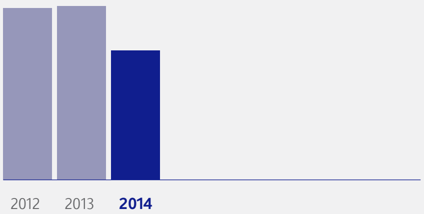
Strategic pillars

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

Strategy
more on page 20

Operating cash flow (US$ million)

379



Delivering on our strategic pillars:

1 2 3 4

Definition
The Company's operating cash flow in the year before taking into account movements in working capital.

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

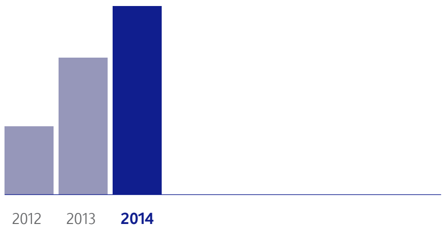
Progress
The Company's operating cash flow was mainly driven by production growth at OMLs 4, 38 and 41 during the year, although this was offset by lower realised oil prices.

Outlook
Strong current oil production levels and anticipated growth in gas production at OMLs 4, 38 and 41 will ensure robust cash flow generation in the future. Development of the recently acquired OML 53 and OML 55 will also augment future cash flow potential.

Risk management
Careful financial management and high levels of operating efficiency allow the Company to ensure positive cash generation from its operating activities.

Capital expenditure (US$ million)

321



Delivering on our strategic pillars:

1 2 3 4

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

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

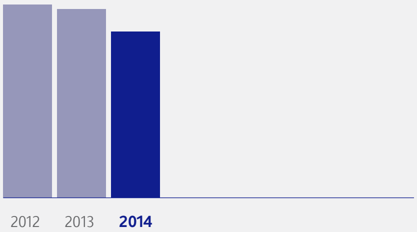
Progress
The Company has continued to invest in the development of its portfolio of blocks onshore the Niger Delta and in particular has prioritised acceleration of gas capacity development to supply the domestic market.

Outlook
The Company will continue to invest in the development of its portfolio, allocating capital to the opportunities that offer the best returns and volume growth potential.

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

Realised oil price (US$/bbl)

97.2



Delivering on our strategic pillars:

1 3

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

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

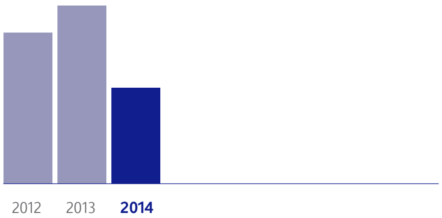
Progress
The Company did not have any hedges in place during 2014.

Outlook
The Company presently sells the majority of its produced oil under the Forcados blend that has historically received a premium to a Brent marker price. Oil prices are expected to remain subject to macro economic volatility.

Risk management
The Company is assessing hedging strategies that could be implemented to help mitigate exposure to future oil price volatility.

Staff turnover (%)

1.4



Delivering on our strategic pillars:

1 2 3 4 5

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

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

Progress
The Company has continued to develop its employment policies with the aim of attracting and retaining high calibre industry talent.

Outlook
The industry is expected to continue top face skills shortages in key areas with competition for high performing individuals amongst competitors being intense.

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

Risk management
more on page 42

Performance review

Performance review

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Operational overview

Asset overview

Stuart Connal
Chief Operating Officer

Since inception, Seplat has acquired an attractive portfolio of assets in the prolific Niger Delta region and consistently grown reserves and production year-on-year. We have done this through good reservoir management, production optimisation, the efficient development of new reservoirs and the expansion of our surface facilities.

Overview

Since inception, Seplat has acquired an attractive portfolio of assets in the prolific Niger Delta region. The Company's portfolio provides a robust platform of oil and natural gas reserves and production together with material upside opportunities through 2C to 2P conversion and exploration and appraisal drilling. Seplat's initial focus has been on securing assets in the onshore regions of the Niger Delta, but the Company also views the shallow water offshore areas of the Niger Delta as an appealing opportunity set and one it aims to access in the future.

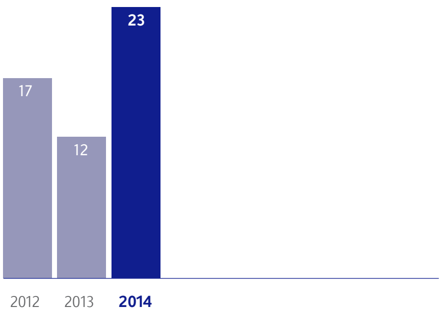
In 2014, Seplat achieved full year average working interest production as measured at the LACT unit of 24,25 bopd and 39.4 MMscfd (total 30,822 boepd), in line with full year 2014 guidance of 29,000 - 33,000 boepd. The Company achieved a new production record when gross daily liquids production at OMLs 4, 38 and 41 exceeded 76,000 bopd in December 2014. At its capital projects, the Company made good progress on fabrication and installation of new 150 MMscfd gas processing plant at the Oben field to allow commissioning work to take place during the first quarter of 2015, making additional gas volumes available to the domestic market. The gas lift project at Amukpe, targeting the Ovhor field, was completed and became operational around year end. High levels of rig based activity continued throughout 2014 at OMLs 4, 38 and 41 where up to seven rigs were operating at any one time. During the year we drilled and completed 23 wells and workovers.

Working interest 2P reserves as assessed independently by DeGolyer and MacNaughton were 281 MMboe at 31 December 2014, split equally between oil and gas. This represents an overall increase of 24% year on year and since 2010 a compound annual growth rate of 18% for oil and 19% for gas.

In 2014 Seplat also completed its first exploration well, the results of which have provided encouraging indications of additional potential in a new deeper play on OML 38 that is considered to be prospective beneath current well locations in surrounding fields. The exploration potential of the newly acquired OML 53 and OML 55 is also being assessed.

In 2015 we will continue to actively develop our portfolio, high grading our inventory of opportunities and maximising value by focusing on those that offer the best cash returns. We have entered an exciting phase in Seplat's journey, and remain on track to further establish ourselves as a leading indigenous independent E&P operator in Nigeria over the coming years, underpinned by a substantial and high quality reserves and production base from which we can go from strength to strength.

High levels of rig based activity
(Number of wells)



Block summary and production overview

Block	Seplat %	Operator	Major fields	Average gross 2014 production boepd	Average net 2014 production boepd
OML 4	45%	Seplat	Oben	21,871	9,842
OML 38	45%	Seplat	Ovhor, Amukpe Okporhuru	34,522	15,535
OML 41	45%	Seplat	Sapele, Ovhor	10,665	4,799
OPL 283	40%	Pillar	Umuseti, Igbuku	1,617	647
OML 53*	40%	Seplat	Jisike, Ohaji South	n/a	n/a
OML 55*	22.5%	Seplat	Robertkiri, Idama, Inda	n/a	n/a
Total				68,675	30,823

* The acquisition of an interest in OML 53 and OML 55 was completed post period end.

Operational overview continued

OMLs 4, 38 and 41

OMLs 4, 38 and 41

Seplat has a 45% working interest in OMLs 4, 38 and 41 which are located in Edo (OML 4) and Delta (OMLs 38 and 41) States onshore Nigeria. Seplat is operator of the three blocks on behalf of the NPDC/Seplat Joint Venture and, to date, is the only company that has secured NPDC approval for operatorship over blocks acquired as part of recent divestment programmes by the major IOCs. As operator, Seplat is empowered with running the day-to-day operations activities and is able to set production and operational improvement goals and lead exploration activities, subject to the approval of its partner. Production is predominantly from six fields, namely Amukpe, Oben, Okporhuru, Ovhor, Orogho and Sapele, and the partners aim to bring additional fields onstream in the future.

Since acquiring the blocks in July 2010, the Company has consistently grown oil production, primarily through the drilling of new wells and employing advanced and proven technologies to increase production in mature fields. The Company also became the first operator in the Niger Delta to install a LACT unit, enabling significantly improved measurement of produced oil prior to injection into the Trans Forcados Pipeline system. This has greatly reduced the reconciliation losses applied to the Company's oil production to a level of approximately 10%, compared to an average of approximately 18% prior to installation of the LACT unit. The installation and commissioning of a new liquids pipeline in 2014, linking the Company's fields directly to the Warri Refinery, will mitigate sole reliance on one export pipeline system and offer scope to further reduce losses in the future.

Alongside the oil business, the Company has also prioritised the commercialisation and development of the substantial gas reserves and resources identified at OMLs 4, 38 and 41 and is today a leading supplier of gas to the domestic market in Nigeria. Going forward, Seplat plans to further increase its gas production and processing capacity to help meet Nigeria's growing demand, particularly in the gas to power sector. A major step forward in this respect is the modular build-up of processing capacity at the Oben facility to create a strategic gas hub ideally located to aggregate and supply gas to Nigeria's main demand centres.

OML 4

Operator	Seplat
Working interest	45.0%
Partner	NPDC
Main fields	Oben (producing)
2014 gross liquids production (bopd)	10,105
2014 gross gas production (MMscfd)	70.6
Gross remaining 2P oil reserves	61 MMbbls
Gross remaining 2P gas reserves	1,240 Bscf
2015 activities	Production and development

"Seplat's development of its gas business will help meet the growing domestic demand and diversify the Company's revenue streams."

Background

OML 4 covers an area of 267km^2 and is located 78km north east of Warri, Delta State. The Oben field is located in OML 4 and is the main producing field on the block. Facilities on the block include a 60,000 bpd capacity flow station and a 90 MMscfd capacity non-associated gas plant. The gas plant exports gas to the Nigerian gas network via the ELPS. The Company expects to complete installation and commissioning of a new 150 MMscfd gas processing plant in Oben by early 2015. Oil exports from the Oben flow station are routed via the Oben – Amukpe pipeline to the Amukpe facilities and onwards to either the Forcados terminal or Warri Refinery. Also expected for installation and commissioning in the first quarter of 2015 is a new 30 MMscfd associated MMscfd gas processing and compressor station to eliminate and monetise currently flared associated gas from the Oben flow station. Production operations and facilities are supported by the Oben Field Logistics Base. The Oben field in particular is central to the Company's future gas expansion plans and is strategically located as an important gas hub with access to Nigeria's main gas demand centres. The licence was renewed in 1989 for a further 30 years and is due to expire on 30 June 2019.

2014 activity

In 2014, fabrication work was completed and the Company took delivery of the new 150 MMscfd gas processing facility and commenced installation work at the Oben field location. This represents the first phase of a programme designed to expand gas processing capacity, at the Oben field to 300 MMscfd in 2015 and at least 450 MMscfd by 2017. Installation work was ongoing at year end with commissioning work underway in the first quarter of 2015 that will make additional gas volumes available to the domestic market. Also in 2014, three units of 10 MMscfd capacity associated gas compressors and ancillary equipment were delivered to the Oben field in the fourth quarter for the purpose of building the new compressor station that will provide an associated gas solution for the Oben flow station. Installation is ongoing and commissioning is planned to begin at the end of the first quarter of 2015. During the year, the partners drilled two appraisal wells, eight development wells and two workover wells on the block.

OML 38

Operator	Seplat
Working interest	45.0%
Partner	NPDC
Main fields	Amukpe, Ovhor, Okporhuru (producing); Mosogar, Orogho, Jesse (discoveries)
2014 gross liquids production (bopd)	34,522
2014 gross gas production (MMscfd)	n/a
Gross remaining 2P oil reserves	104 MMbbls
Gross remaining 2P gas reserves	129 Bscf
2015 activities	Production, development, appraisal and exploration

Background

OML 38 covers an area of 2,094 km^2 and is located 48km north of Warri, Delta State. The Amukpe field is one of the three producing fields in the block. The second producing field, Ovhor, straddles OML 38 and OML 41. The Company commenced production from the third producing field, Okporhuru, in May 2013. There are three further discoveries on OML 38 that have not been brought into production, the Mosogar, Orogho and Jesse discoveries. Facilities on the block include a 45,000 bpd capacity flow station located at Amukpe. The licence was renewed in 1989 for a further 30 years expiring on 30 June 2019.

2014 activity

In 2014, the Company commissioned a new liquid treatment facility ('LTF') which is located adjacent to the flow station and has a 100,000 bpd capacity. The LTF has been designed and located to receive and de-water liquids production for the Oben, Amukpe and Sapele flow stations. The produced oil is then exported via the existing Amukpe – Rapele pipeline and onwards to either the Forcados terminal or Warri Refinery. Modification work is ongoing to address issues with the composition of separated water to enable full continuous injection.

During the year, the partners drilled two appraisal wells and three development wells on the block and one exploration well on the Ogegere prospect. The Ogegere-1 exploration well encountered oil bearing sands at depths below the primary target, indicating potential for a new exploration play on the block. The well was suspended for further evaluation. Work also commenced and good progress was made on the construction and installation of two new 50,000 barrel oil storage tanks at the Amukpe field, the completion and commissioning of which will occur in 2015. The integrated Amukpe Associated gas flare-out and Ovhor gas-lift project became operational towards the end of the period. The project will provide artificial lift in the Ovhor field for improved oil recovery by re-injecting the associated gas produced at Amukpe.

OML 41

Operator	Seplat
Working interest	45.0%
Partner	NPDC
Main fields	Sapele, Ovhor (producing); Sapele Shallow, Ubaleme, Okoporo (discoveries)
2014 gross liquids production (bopd)	7,830
2014 gross gas production (MMscfd)	17.0
Gross remaining 2P oil reserves	118 MMbbls
Gross remaining 2P gas reserves	272 Bscf
2015 activities	Production, development, appraisal

Background

OML 41 covers an area of 291 km^2 and is located 50 km from Warri, Delta State. The block contains two producing fields, Sapele and Ovhor (which straddles OML 41 and OML 38), and two discoveries with contingent resources, Ubaleme and Okoporo. Overlying the main productive reservoirs in the Sapele field is the Sapele Shallow discovery, a significant accumulation of oil that has remained largely undeveloped due to the heavier nature of the oil (21° API) relative to that in neighbouring blocks. The Company believes that full development of Sapele Shallow represents a material upside opportunity and intends to pursue this in the near term. Facilities on the block include a flow station with 60,000 bpd capacity, a 60 MMscfd capacity non associated gas plant and a 26 MMscfd NGC owned compressor station. Produced oil is exported via the Sapele – Amukpe delivery line to the Amukpe facilities and onwards to either the Forcados terminal or Warri Refinery. The condensate stream is combined with the oil for export and produced gas is exported via the NGC owned Oben-Sapele pipeline system which feeds into the Sapele power plant. The licence was renewed in 1989 for a further 30 years expiring on 30 June 2019.

2014 activity

The integrated Amukpe Associated gas flare-out and Ovhor gas-lift project became operational towards the end of the period. The project will provide artificial lift in the Ovhor field, which straddles OMLs 41 and 38, for improved oil recovery by re-injecting the associated gas produced at Amukpe. During the year, the partners drilled two appraisal wells, three development wells and three workover wells on the block.

Operational overview continued

OPL 283 Marginal Field Area (Pillar)

OPL 283

Operator	Pillar Oil/OPGC
Working interest	40.0%
Partner	Pillar Oil
Main fields	Umuseti and Igbuku
2014 gross liquids production (bopd)	1,617
2014 gross gas production (MMscfd)	n/a
Gross remaining 2P oil reserves	23 MMbbls
Gross remaining 2P gas reserves	199 Bscf
2015 activities	Production

Background

Seplat has a 40% non-operated working interest in OPL 283 Marginal Field Area. The block is located in the northern onshore depo-belt of the Niger Delta and contains the Umuseti and Igbuku fields. The block is operated by Pillar Oil. The Umuseti field came onstream in May 2012 and is currently producing from three development wells. There are 14 identified oil bearing reservoirs in Umuseti with an average sand thickness of 30 feet. Production currently comes from four of these reservoirs and more wells will be needed to drain the remaining reservoirs. The Igbuku field that contains predominantly gas and condensate is currently undergoing appraisal prior to development. The block also contains two satellite exploration leads, Igbuku North and Umuseti East, that the operating partners intend to further evaluate. Facilities on the block include a 5,000 bopd Early Production Facility ("EPF") and Crude Storage Tanks. The operator plans to install additional production handling facilities and increase storage capacity as new wells are drilled and additional production is brought onstream. Umuseti production is evacuated to a Group Gathering Facility ("GGF") where it is metered and thereafter exported via Agip's Kwale facilities to Brass terminal and NPDC's pipeline to Forcados.

2014 activity

Activity in 2014 focused on running production operations at the existing oil wells in the Umuseti field and ongoing studies to define the optimal development strategy to access additional oil reservoirs in the Umuseti field and monetisation of the Igbuku gas reserves. During the year the partners completed one development well that was spudded in 2013 and drilled one new development well. The completion and commissioning of two new 20,000 bbls crude storage tanks in the last quarter of the year brought about a significant reduction in down-time. As a result of this, the daily oil production rate was optimised, averaging 3,000 bopd in December.

Acquisition of new blocks post period-end

In February 2015, the Company announced that it had acquired a 40% working interest in OML 53 and an effective 22.5% working interest in OML 55.

OML 53

Operator	Seplat
Working interest	40.0%
Partner	NNPC
Main fields	Jisike (Producing); Ohaji South (discovery)

OML 53 covers an area of approximately 1,585km^2 and is located onshore in the north eastern Niger Delta. The Jisike oil field, located in the north western area of the block, is currently the only producing field on OML 53. Gross production from Jisike at the time of acquisition was approximately 2,000 bopd (approximately 800 bopd on a working interest basis). Existing infrastructure on OML 53 at Jisike comprises flow-lines, phase one separation facilities and a flow station with a design capacity of 12,000 bopd and 8 MMscfd. Oil production is then sent for further processing at the nearby Izombe facilities on OML 124 from where it is exported via pipeline to the Brass oil terminal. The block also contains the large undeveloped Ohaji South gas and condensate field, the development of which will be coordinated with the SPDC operated Assa North field on adjacent OML 21, together referred to as the ANOS project. The expectation is that future gas production from the ANOS project will supply the domestic market, for which significant work on commercialisation terms and development concepts has been undertaken. There is also shallow oil development potential at Ohaji South that could be pursued as a separate standalone project in the near term. Prior to initiating development of the ANOS project, Seplat expects to focus efforts on increasing oil production at the Jisike field and development of the shallow oil reservoirs in Ohaji South.

The Company estimates net recoverable hydrocarbon volumes attributable to its 40.0% working interest to be approximately 51 MMbbls of oil and condensate and 611 Bscf of gas (total 151 MMboe).

Seplat is designated operator of OML 53. Seplat's partner on the block is NNPC (60%).

OML 55

Operator	Seplat
Working interest	22.5%
Partners	NNPC , Belemaoil
Main fields	Robertkiri, Idama, Inda (producing)

OML 55 covers an area of approximately 840km^2 and is located in the swamp to shallow water offshore areas in the south eastern Niger Delta. The block contains five producing fields (Robertkiri, Inda, Belema North, Idama and Jokka). Gross production at the time of acquisition was approximately 8,000 bopd (1,800 bopd on a working interest basis). The majority of production on the block is from the Robertkiri, Idama and Inda fields. The Robertkiri field is located in swamp at a water depth of five metres and has a production platform and utility platform installed. Production capacity at the Robertkiri facilities is 20,000 bpd and 10 MMscfd. Production facilities at the Idama field comprise a jack-up mobile offshore production unit ('MOPU') and riser platform that have a capacity of 30,000 bpd of total fluids and 34 MMscfd. The Jokka field is produced through a manifold tied-back to the Idama facilities. Production facilities at the Inda field comprise a MOPU with a capacity of 30,000 bpd of total liquids and 34 MMscfd.

Overall, the infrastructure on OML 55 comprises four flow stations, a network of flow-lines and two eight-inch pipelines that connect to third party operated infrastructure. The Belema field is unitised with OML 25 and is produced via a flow station on that block. All produced liquids from OML 55 are delivered via third-party infrastructure to the Bonny terminal for processing and shipping. In addition to the oil potential on the block there is also an opportunity to develop the significant gas resources that have also been identified.

The Company estimates net recoverable hydrocarbon volumes attributable to its 22.5% working interest to be approximately 20 MMbbls of oil and condensate and 156 Bscf of gas (total 46 MMboe).

Seplat is designated operator of OML 55. Seplat's partners on the block are NNPC (60%) and Belemaoil (17.5%).

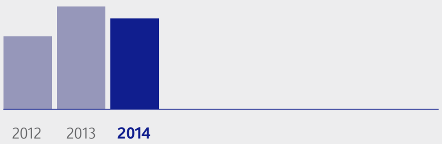
Financial review

Investing in our future

The Group has invested significantly in new wells and surface facilities during the year to increase oil and gas production, and processing capacity. In 2015, we will continue to invest in our portfolio, allocating our capital to the opportunities that offer the greatest returns to deliver shareholder value.

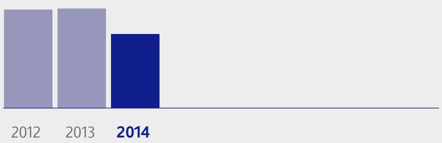
Revenue

US$775m



Cash from operations before working capital

US$379m



Realised oil price

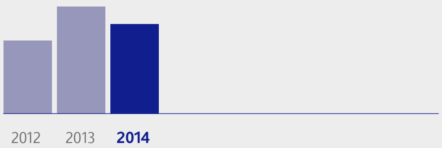
US$97bbl

Capital expenditure

US$321m

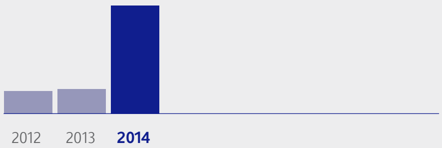
Gross profit

US$459m



Cash position including refundable deposits

US$739m

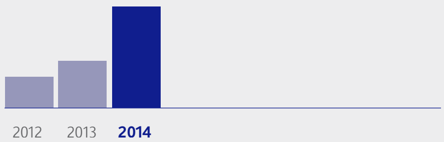


Underlying net profit adjusted for one-off items

US$322m

Net debt (excluding refundable deposits)

US$304m



Financial statements (USD) more on page 105

Financial statements (NGN) more on page 150

Revenue

Despite reaching record levels of peak oil production on OMLs 4, 38 & 41 in December 2014 of over 76,000 bopd, the full effect has not been reflected in the revenues due to significant downtime on the third party operated Trans Forcados System. In addition, revenues have declined as a result of the impact of the reduction of the global oil price in the second half of 2014. Revenue for 2014 was US$775 million, a decrease of 12% from 2013 (2013: US$880 million).

Oil revenues (after stock movements) of US$748 million continued to account for the majority of revenues in 2014 (2013: US$862 million). Average working interest production for the year was 32,295 boepd compared to 31,219 boepd in 2013. In 2013, barrels sold includes the 0.7 million barrels returned under the Memorandum of Understanding relating to prior year volumes of oil delivered to the Forcados Terminal but not recognised by Shell. The one off payment was US$82 million, which did not reoccur in 2014.

The global oil price decline has negatively impacted the Group's realised oil price with an achieved average price of US$97.2/bbl (2013: US$110.2/bbl) before royalties. The average premium to Brent achieved in 2014 was US$2.4/bbl (2013: US$3.9/bbl). In order to reduce the impact of volatility of oil prices in the future, the Board is considering various possible hedging strategies that could be employed in the coming years.

The closure of the Trans Forcados System resulted in production down time of 75 days (2013: 29 days). This shutdown, together with the associated time required to re-establish full production levels, resulted in deferred liquids production of approximately 1.7 million barrels assuming all other factors constant. To assist in minimising the impact of future pipeline shut downs, the Group installed and commissioned an alternative export route to the Warri Refinery in 2014.

Gas revenues increased by 51% to US$27.4 million (2013: US$18.1 million) due to both a 15% increase in the average gas price to US$1.90/MMscf (2013: 1.70/MMscf) and an increase in volumes produced. Working interest production for the year was 14.4 Bscf compared to 10.7 Bscf in 2013. The Group took delivery of a new 150 MMscfd gas processing facility in 2014. Installation is ongoing and commissioning is planned to begin at the end of the first quarter of 2015. Management remains in active negotiations with new gas offtake customers.

Gross profit

Gross profit for the year was US$459 million, a decrease of 16% on the prior year (2013: US$549 million). This principally reflects the decline in revenue, primarily attributed to the oil price and also the increased field activity together with the increase in the rate of DD&A. Direct operating costs, being crude handling fees, rig related costs and other field expenses, increased to US$9.67/boe in 2014 (2013: US$8.60/boe), principally reflecting the increased levels of field expenditures and well workovers, offset slightly by lower crude handling fees. Management is aware of the need to operate as efficiently as possible in the current low oil price environment whilst maximising the production and cash flows from existing assets. The DD&A charge for oil and gas assets has increased during 2014 to US$41 million (2013: US$28 million) reflecting the increased levels of field investment, forecast levels of production and estimates of future capital commitments. These increases were partly offset by the reduction in the level of royalties in 2014 which, despite the increased level of production to US$150 million (2013: US$192 million), declined due to the fall in realised oil prices.

Financial review continued

> Underlying profit for the year adjusting for a number of one-off items was US$322 million (2013: US$375 million).

Operating profit

Operating profit for the year was US$290 million, a decrease of 39% on the prior year (2013: US$479 million). Having undertaken an Initial Public Offering as well as refinancing the business during the year, the Group incurred several expenses of approximately US$70 million that are not expected to reoccur going forward. They include costs for the IPO, bank commitments and arrangements, regulatory obligations, new accounting and procurement systems and other costs for new venture prospects.

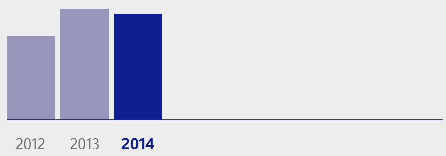
The increase in recurring G&A expenses of 62% from US$45 million in 2013 to US$72 million in 2014 is primarily driven by the growth in staff costs and investment in office spaces as Seplat strengthened its team.

Tax

The Group continued to benefit from pioneer tax status in 2014 which resulted in the effective tax rate remaining consistent with 2013 (2014 and 2013: nil%). There was a tax credit in the prior year relating to the reversal of the deferred tax balance as a result of being granted pioneer tax status. Post period end the Nigeria Investment Promotion Council (NIPC) notified oil and gas companies that are in receipt of the pioneer tax incentive of its intention to test compliance with the conditions under which the pioneer tax status was awarded to all companies, including Seplat, in order that the final two out of five years of the incentive be received. The Group is currently in its third year of the scheme and considers that it has met or exceeded these requirements, as evidenced by the investments it has made to develop its blocks and in particular accelerate the expansion of its gas business to supply the domestic market.

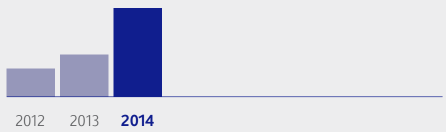
Cost of sales

US$315.6m



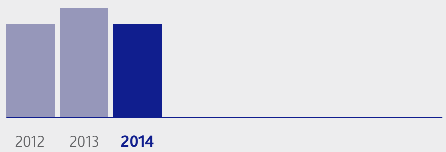
G&A

US$151.6m

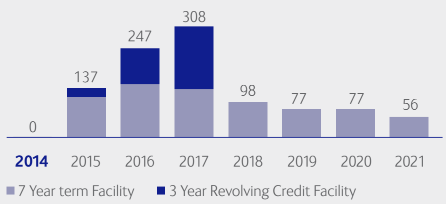


Gearing (total debt/total assets)

24%



Debt Maturity Profile



Profit for the year

Profit for the year was US$252 million, a decrease of 54% on the prior year (2013: US$550 million). The resultant EPS for 2014 was US$0.5 (2013: US$1.37). The Group's results include a number of one-off items which by their nature would not be expected to reoccur. After adjusting for these items, underlying profit from the year was US$322 million (2013: US$375 million). In 2014, adjustments have been made in respect of IPO costs of US$11 million, including one off bonus payments to staff of approximately US$8 million, regulatory payments of US$14 million, payments made for the Group's new debt facilities of US$12 million and other costs of US$7 million which include new accounting and procurement systems and business development costs for new venture prospects. In addition, aborted acquisition costs of US$26 million have been adjusted to arrive at our underlying profit. In 2013, adjustments have been made in respect of Shell MoU revenues and the release of deferred tax in relation to pioneer tax status.

US$ million	2014	2013
IFRS Profit	252	550
Shell MoU	–	82
IPO costs	(11)	–
Debt refinancing	(12)	–
BD costs for new prospects & new accounting and procurement systems	(7)	–
Regulatory payments	(14)	–
Aborted acquisition costs	(26)	–
Prior year tax adjustment	–	93
Underlying profit	322	375

Dividends

The Board has decided to recommend a final dividend of US$0.09 per share (2013: N/A) bringing total dividends for the year to US$0.15 per share (2013: N/A).

Cash flows and liquidity

Cash flows from operating activities

Operating cash flow before movements in working capital was US$379 million (2013: US$509 million). The outstanding NPDC receivable at the year end was US$463 million (2013: US$283 million). Receipts from NPDC amounted to US$362 million as against agreed payments of US$542 million which has led to an increase in the receivable of US$180 million during the year. There continues to be constructive dialogue with NPDC and management are confident that this will not become an inhibitor to future investment. The Group are investigating possible strategies and commercial arrangements with NPDC to return the cash to Seplat in a mutually agreeable time frame. Due to increased drilling activities in Q4 and indeed at year end, accruals and other payables increased by US$158 million over 2013.

Cash flows from investing activities

Total cash flows from investing activities were US$780 million (2013: US$220 million), including deposits and advances made against investments of US$497 million. Post the year end, the Group will no longer proceed with its US$453 million deposit for investment and is in the process of cancelling the option agreement and recovering its deposit and refundable costs.

Subsequent to the year end, in February 2015, Seplat acquired a 40% interest in OML 53 from Chevron Nigeria Limited for an upfront consideration of US$259 million, less the US$69 million deposit paid previously. At the same time the Company also acquired a 56.25% stake in Belemaoil Producing Limited ("Belemaoil") for US$132.2 million. Belemaoil holds a 40% interest in OML 55.

Capital expenditure (capex) attributed to oil and gas assets amounted to US$ 311million (2013: US$229 million). These expenditures include drilling costs in relation to 21 development and appraisal wells, one pilot, and one exploration and one water disposal well; and facility costs, which included the new natural gas facilities, new flow lines, and alternative crude storage facilities. Other non drilling and facility related capex of US$10 million (2013: US$4.5 million) includes expenditures for crude oil pumps, generators, motor vehicles, office and IT equipment and other leasehold improvements.

Cash flows from financing activities

Net debt at the year end was US$303 million, compared to US$141 million at December 2013. Total cash inflows from financing activities were US$671 million (2013: US$42 million). These principally reflect the refinancing of the business during the year through both equity and debt markets. In January 2015, the Group successfully refinanced its existing debt facilities with a new US$700 million seven year secured term facility and US$300 million three year secured revolving credit facility. The seven year facility also includes an option for the Group to upsize the facility by up to an additional US$700 million for qualifying acquisition opportunities.

Outlook

Having secured appropriate funding through our equity and debt refinancing, our financial strategy continues to be to maintain the flexibility required to realise the value of our growing asset base. The Group will continue to use the cash generated from its growing production base to support the significant appraisal and development activities in Nigeria.

Roger Brown
Chief Financial Officer

Risk management

Protecting our business

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

Introduction

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

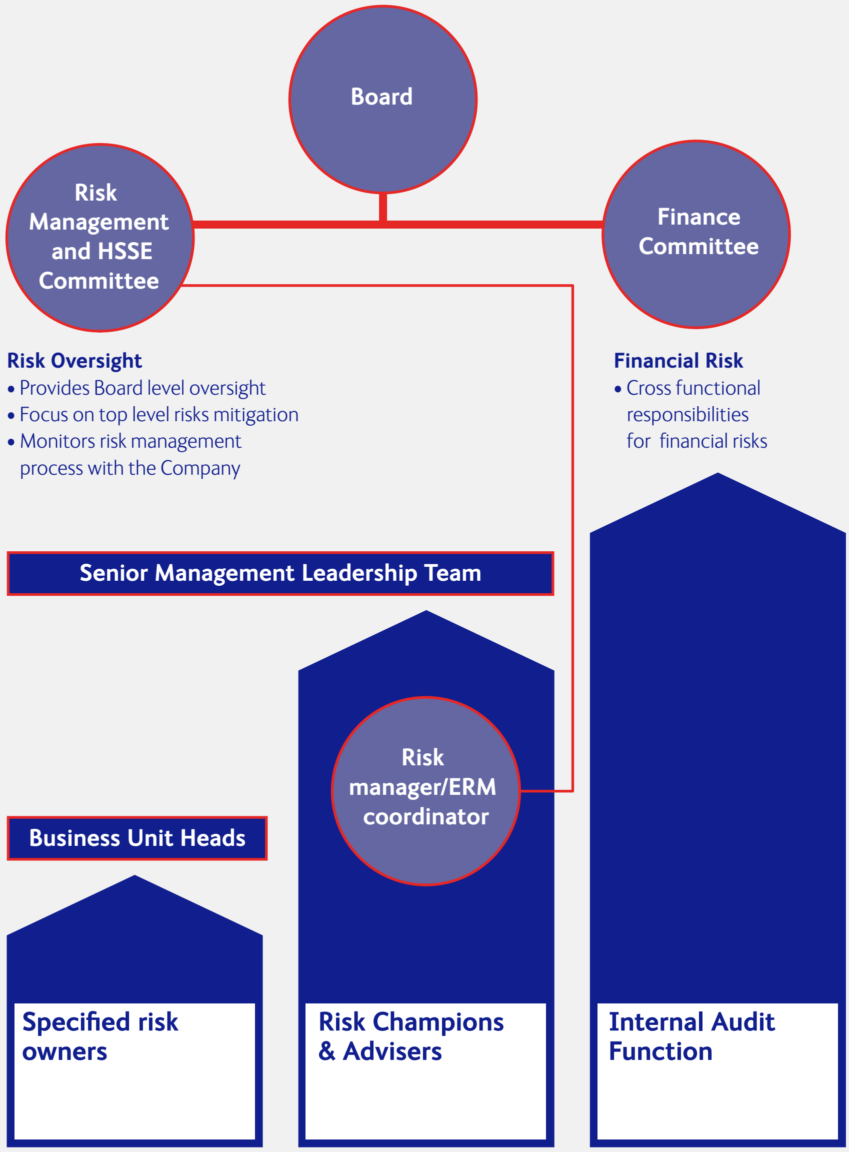
Roles and responsibilities

The Board of Directors is responsible for setting the overall risk management strategy of the Company and the determination of what level of risk is acceptable for Seplat to bear. The HSSE and Risk Committee assists the Board of Directors and has oversight of the Company's risk management framework, profile and the risk/reward strategy as determined by the Board. The Risk Management and HSSE Committee includes two Independent Non-Executive Directors and the Chairman of the Committee, with the CEO, COO and CFO in attendance. The head of the Company's internal audit unit may attend the meetings of the Committee. Specialists with appropriate technical expertise may also be invited to attend meetings of the Committee when necessary. The Committee meets at least four times each year when it analyses and evaluates Seplat's total risk exposure and ways to streamline processes throughout the business to promote a unified and standardised approach to risk management.

Reports on the Company's risk exposure and reviews of its risk management are compiled and presented to the Company's senior management and Board of Directors. The main risk factors identified in this risk review and reporting process then become the main focus of the Committee over the coming year. For internal control purposes the Company has policies and procedures in place that aim to improve internal business processes and strengthen control systems across the Company. The Company has an internal audit unit that undertakes periodic audits of the various business units including the Company's corporate governance systems and risk management processes.

Cross functional dependencies exist with the Finance Committee, which also monitors the controls and activities to mitigate identified financial risks. The Board also focuses on risk management in discharging its role over strategic matters and oversight over key business activities. These include approving the Company's annual budget and five year business plan and potential risk to the achievement of the plan and defining key operational and non-operational targets in monitoring business performance and growth.

Risk management framework



Risk Oversight
- Provides Board level oversight
- Focus on top level risks mitigation
- Monitors risk management process with the Company

Financial Risk
- Cross functional responsibilities for financial risks

Primary Responsibility
- Manage individual risks
- Implementing mitigating actions
- Maintaining effective day-to-day internal control procedures

Oversight
- Provide central coordination
- Facilitate risk management and monitor mitigation
- Maintain operational risk registers
- Risk reporting to ERM coordinator

Independent Assurance
- Provide independent assurance of the effectiveness of controls and risk management

Key principles that underpin risk management within Seplat:

- Strong focus on safety throughout the organisation
- Close oversight by senior management in day to day business operations
- “Risk owners” throughout business
- Accountability of staff and/or key personnel
- Regular and timely reporting
- Independent reviews of risk management processes
- Clear system of delegation of authority

Main initiatives in 2014

Our 2014 focus centred on developing an improved risk culture based on Enterprise Risk Management. We focused on:

- Developing risk management capabilities and appointed Risk Advisers and Risk Champions across the organisation
- Risk reporting and evaluation – improvement in assessment models and risk dashboard
- HSSE initiatives and field staff training
- Bribery and corruption and mitigation against fraud within the Company’s processes and procedures
- Scenario risk evaluation and responses for social/geo-political risks

Basil Omiyi
Chairman, Risk Management and HSSE Committee

Strategic report
Performance review
Governance
Financial statements

Principal risks and uncertainties

Monitoring and mitigating risks to the business

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

Key risk	Description
Operational risks	
Field operations and well deliverability	Failure to manage operational activities in line with budgeted expectations can lead to production misses, project delays and cost over-runs, high production costs and earlier than expected field decommissioning.
Third party infrastructure downtime	An over-reliance on third party operated transportation infrastructure can expose the Company to extended period of production being shut-in.
HSSE risks	As activity levels continue to increase there is a strong focus on preventing major environmental, health and safety incidents.
Sustained E&A programme failure	Exploration and appraisal activities carry significant levels of subsurface risk. Sustained E&A drilling failure will impact the Company's ability to organically replace reserves and production.
External risks	
Security incidents	The Company operates in a region where security incidents such as kidnappings and criminal attacks can occur.
Failure to manage stakeholder relationships	The Company prioritises the effective management of relationships with all stakeholders including government, host communities, regulatory bodies and shareholders.
Geo-political risk	Nigeria has at times in its history faced political uncertainties and threats such as terrorism aimed at de-stabilising and undermining the orderly and effective rule of central government.

Strategic pillars

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

Strategy
more on page 20

Risk Management and HSSE Committee report
more on page 75

Mitigation	KPI/Performance metric	Strategic pillars
Drilling Smart wells to improve recovery. Manage contracting process and improved JV partner and regulatory authority engagement to mitigate protracted rig start-up. Improved rig performance monitoring and spares management. Better integration of oil and gas development plans to allocate capital spend.	Net working interest production; operating costs per boe.	1 2 3
Develop alternative routes for crude evacuation to reduce dependency on major export route. Explore alternative arrangements for direct supply for in-country consumption versus exportation.	Net working interest production; EBIT; Days downtime.	1 3
Monitoring and reporting of HSSE Scorecard at management leadership level at Board level. Focus on HSSE training and deployment of new initiatives for HSSE prevention. Emergency Response plan set for any eventuality.	HSSE scorecards. Focus on LTIR; TRIR.	1 2 5
Strict compliance with reservoir management guidelines. Building internal capacity with skilled sub-surface expertise.	Reserve replacement ratio.	1 2 3
Continuous security monitoring and intelligence. Quick mechanism for security advisory to staff and movement restriction for high alert situations.	LTIR; TRIR; Net working interest production.	1 2 5
Identified 'Seplat way' in host communities engagement with periodic feedback forums. Tailored CSR programmes and community partnerships to foster working relationship. Organisational focus and clear strategy to deliver shareholder value pursued by the Board and management.	Net working interest production; LTIR; TRIR.	1 3 5
Scenarios and response options plan set. Crisis management team over the high alert political periods. Business continuity plans actioned in light of current geo-political situation.	Occurrences of civil unrest and terrorism.	1 3 5

Principal risks and uncertainties continued

Key risk	Description
Financial risks	
Oil price volatility	Oil prices have exhibited a history of volatility and can move sharply up or down.
Changes to tax status and legislation	If the tax regime and legislation under which the Company operates its assets were to change profitability may be impacted, either positively in the event of tax incentives or negatively in the event of tax increases or removal of incentives.
Availability of capital	The oil and gas industry is highly capital intensive. Significant amounts of capital may be required to continue the development of existing and new fields and fund the cost of acquiring and farming-in to new blocks.
Ineffective cost control	Increasing operating cost and ineffective capital cost control reducing operating cash flows and profitability.
Strategic risks	
Portfolio concentration risk	High dependency on a concentrated portfolio of producing blocks, limited number of wells or single transportation system can leave the Company more susceptible to interruptions or field under-performance.
Bribery and corruption risk	Bribery and corruption presents a risk throughout the global oil and gas industry and represents an ongoing risk to any oil and gas company.
Loss of key employees	The oil and gas industry is very specialised in certain areas and there is a requirement for highly skilled and experienced personnel in core areas to ensure effective delivery of projects and financial and commercial management. There is also increasing competition within the industry to secure talent.
Fraudulent activity risk	Fraudulent activity presents a risk throughout the global oil and gas industry and represents an ongoing risk to any oil and gas company.
Information security risk	Potential cyber attacks, database corruption and information security breaches could result in loss of sensitive proprietary information, communication disruption across operations and business continuity disruption.

Strategic pillars

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

Strategy
more on page 20

Risk Management and HSSE Committee report
more on page 75

Mitigation	KPI/Performance metric	Strategic pillars
Price sensitisation on business plan and project economics used for capital projects sanctioning with increased focus on cost reduction. Hedging strategies under consideration for future price volatility management.	Realised oil price; EBIT; Operating cash flow.	1
Evaluation of business plan and performance metrics exclusive of any tax benefits. Project economics determined exclusive of tax impact to mitigate impact of any potential tax status change. Impact assessment of potential tax legislature monitored at Board level.	Net working interest production; Operating cash flow.	1 3
Board review and approval of financial strategy and debt refinancing arrangements with strong banking relationships.	Capital expenditures; Net working interest production; Reserves replacement ratio; New acquisitions and farm-ins.	1 3 4
Comprehensive budgeting process approved by the Joint Venture partner and the Board. Clear cost management targets. Grading of portfolio opportunities and project ranking for capital allocation. Lower well cost campaign. Focus on effective contracting strategies for cost reduction.	Operating cost per boe; EBIT; Capital expenditure; Well costs.	1 3 5
Focus on acquisition strategy from the Board level to diversify current portfolio. Integrated long-term planning on crude oil and gas business.	Portfolio expansion through the successful execution of new acquisition and farm-in opportunities.	1 3
Extensive training on anti-bribery and corruption. Embedding corporate governance principles with key focus on all stages of the contracting and procurement process with supplier due diligence.	Whistleblowing reports; Number of disciplinary cases.	1 2 3 4 5
Annual benchmark reviews to ensure competitiveness in reward and recruitment. Succession planning in place as part of business continuity. Focus on training as a key differentiating factor in the operating environment.	Staff turnover.	1 3 4
Extensive whistleblowing campaign. Continuous monitoring of internal controls systems by all lines of defence with strong internal audit activity.	Number of reported cases.	1 2 3 4 5
Ongoing monitoring and regular upgrading of the Company's information technology and security systems. A clearly defined employee user policy and control of access rights.	Cyber attack identification and containment reports.	5

Corporate social responsibility

Empowering our communities

Seplat's commitment to being a best practice operator as well as a responsible and accountable corporate citizen is reflected in our above-ground approach to our operations. This is illustrated by the strong relationships we have built with our local stakeholders to create both a stable operating environment and positive social and economic outcomes for our host communities.

Our approach

Our Corporate Social Responsibility strategy extends across all aspects of the business from our own operations and subsidiaries to our supply chain. The Company's commitment to its strong social and environmental values is reflected in its rigorous approach to performance assessment, measurement and evaluation across its four core CSR pillars: local stakeholder engagement, health, safety and environmental rigour, employee effectiveness, and our business and ethics conduct.

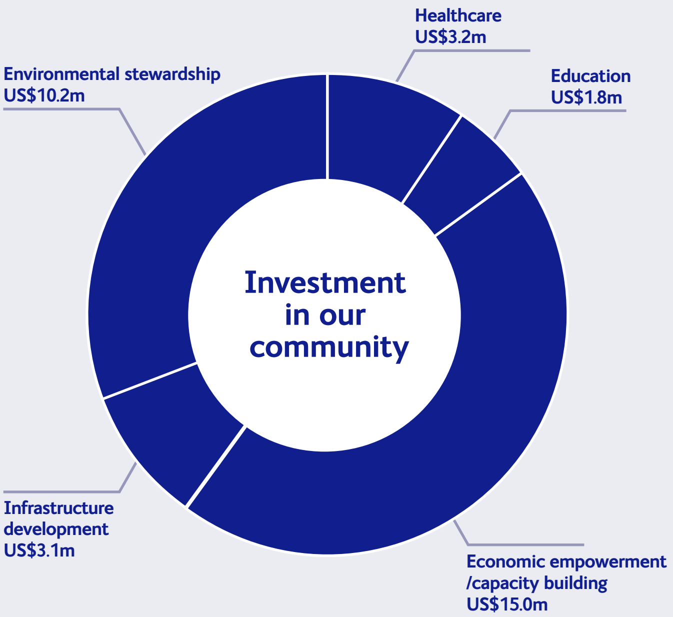
Skills acquisition training: 2013/14 graduates

PEARLS quiz secondary schools competition – Edo and Delta States

Corporate social responsibility continued

Social investment programmes

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



Strong relationships with local stakeholders

Our strong local ties and commitment to the Company's host communities have been intrinsically important to our success as one of Nigeria's leading indigenous oil and gas companies. Since inception, we have prioritised sustainable community development through creating shared value for our local communities which has been critical in not only achieving operational success but also protecting the Company's social licence to operate. Without such inclusion there could have been operational disruptions, increased costs and reduced value for our shareholders.

The Global Memorandum of Understanding ("GMoU") Seplat entered into with the local communities that host its operations within OMLs 4, 38 and 41 was the Company's first community development agreement signed between the Company and its local stakeholders. This set the standard for all of Seplat's subsequent engagements with local stakeholders as the Company has grown and acquired additional licences. The GMoU provides a framework within which the Company and its host communities can work together to support wider sustainable community development.

Under the terms of the GMoU, a Community Development Committee ("CDC"), also referred to as the Host Communities Forum ("HCF"), has been established and is comprised of representatives from each host community. The CDC/HCF is responsible for coordinating the implementation of the social investment programmes funded by Seplat and identified by the CDC/HCF, with a view to invest in areas that align Seplat's business objectives with local priorities whilst addressing broader development objectives. This process involves transparent communication with all local stakeholders and ensures multi-party engagement between the Company, community, civil-society groups and government.

Local content policy

Seplat's commitment to creating shared value and achieving positive social and economic outcomes for its host communities is further embodied in the Company's comprehensive local content policy. Seplat seeks to ensure there is a positive multiplier effect on the local economy through significant local content spend, enhancing the Company's local supply chain and contributing to a thriving and competitive local market. Seeking to use local business partners can simultaneously reduce operating costs and project risks by developing a mutually-beneficial relationship with the Company's local partners.

Seplat remains committed to Nigeria's economic and social development and will continue to work collaboratively with local partners to ensure a competitive local services market to stimulate local employment opportunities within a diversified market.

Health, safety, security and environment

If managed carelessly, the oil and gas industry can pose significant environmental and safety risks to all its stakeholders. As such, upstream oil and gas companies now operate within the context of increasing regulatory and legislative pressure, highlighting the importance of effective risk oversight and management to safeguard a company's operations. Health, safety, security and environment ("HSSE") is a vital component of our CSR and broader sustainability strategy which ensures a safe and secure working environment for all of our employees, whilst simultaneously minimising the environmental impact of our operations.

Capacity building

In partnership with NPDC, Seplat has been running a training scheme since its inception within its host communities to promote the development of vocational skills where there is a significant skills gaps relating to the oil and gas industry as well as other industries. In line with Seplat's commitment to create positive social and economic outcomes for its local communities, the Company has provided skills training in building and construction, fashion design and clothes manufacturing as well as media and communications.

917

Secondary schools in Delta and Edo States involved in PEARLS Quiz Programme

Corporate social responsibility continued

The health and safety of our employees remains a top priority. We have continued to raise our performance in safety awareness with the implementation of new health and safety measures, to go beyond best practice standards to ensure as a company that we are optimising our operations on all fronts. At Seplat, all employees are committed to conducting operations beyond international best practice standards and the Company works to manage and mitigate HSSE risks through the implementation of the Company's HSSE Policy.

Employee effectiveness

Our people are at the centre of delivering our business goals, which is why we are committed to building a mutually beneficial, sustainable relationship with all of our employees. The success of our employees translates into the success of our business, and as such Seplat prides itself on creating a conducive environment for employee development and growth.

2014 Performance Review

Environmental Performance Metrics

Flaring – million tonnes of oil equivalent (mmboes)	9,465.33 MMscf
Volume of oil spilled through own operations (thousand tonnes)	2.7 bbls
Volume of oil spilled through sabotage (thousand tonnes)	10 bbls
Groundwater contamination	Nil
Freshwater consumption	1,18 MMbbls

Health and Safety Performance Metrics

Fatality	0
LTIF (per million man-hours)	0.4
TRIR (per million man-hours)	0.67
Occupational health/safety training for employees	Safe Systems of Work, First Aid at Work, Radiation Safety, BOSIET, etc
Fines or sanctions	Nil

2015 Performance Targets

Environmental Performance Targets

Flaring – million tonnes of oil equivalent	6,000 MMscf
Volume of oil spilled through own operations (thousand tonnes)	0
Volume of oil spilled through sabotage (thousand tonnes)	0
Groundwater contamination	Nil
Freshwater consumption	1.48 MMbbls

Health and Safety Performance Targets

Fatality	0
LTIF (per million man-hours)	0.2
TRIR (per million man-hours)	0.3
Fines or sanctions	Nil

Four strategic principles of the HSSE policy:

1 Safety & security of stakeholders

- Implementation of safety procedure systems
- Incident reporting and investigation procedure (to track performance and share lessons learned)
- Periodic health screening/survey of staff and contractor employees
- HSSE induction and awareness programme as well as competency training

2 Environmental safe-guarding and conservation

- Environmental stewardship through the implementation of an approved Environmental Management Plan (EMP)
- Conduct weekly monitoring of the quality of effluents, emissions and groundwater against statutory/ international guidelines
- Implementation of rigorous waste management plan
- For projects, conduct applicable Environmental Impact Assessment (EIA) studies and thereafter ensure periodic Environmental Evaluation Studies (EES) to monitor impact of our operations and implement mitigation measures as appropriate

3 Ensuring mutual respect with host communities and local stakeholders

- Promoting proactive engagement with host communities and other stakeholders for peaceful co-existence in order to create an enabling environment for the Company's operations

4 Compliance with applicable statutory regulations and industry codes of practice

- Ensure compliance with applicable laws, regulations and permits to ensure violations are avoided
- Collaborate on the development of new or revised regulatory requirements via appropriate industry bodies to ensure performance as a best practice operator

Local employment generation

Sourcing skills locally and investing in capacity building programmes to enhance the local talent pool are focal to Seplat's CSR strategy. Generating shared value with our local communities through job creation and skills enhancement has been our intent since inception, and as such, the number of employees recruited from our local communities has grown year-on-year and remains a key KPI to measure Company performance annually. Local content obligations were introduced by the Nigerian government to guarantee a minimum of 98% employment domestically. As an indigenous Nigerian operator, we are committed to surpassing legislative requirements and are delighted to announce that at the end of 2014, over 99% of our employees were Nigerian.

Talent retention

Recruiting and nurturing talent are two key performance metrics, supplemented by talent retention measurement. In 2014, our staff retention rate increased to 95.5%, a number which we plan to further improve upon in the coming year. Retaining high performing staff is a key strategic objective for any business, but is critical in highly technical and complex industries such as oil and gas. Following Seplat's listing on the London and Nigerian Stock Exchanges in 2014, the Board has approved long-term incentive programmes to ensure that high individual performance is matched with proportionate rewards.

Business principles and ethics

Our business principles determine how we operate and seek to nurture a transparent working environment with zero tolerance of corruption. Seplat's code of business conduct was developed in 2012 and has been widely distributed and communicated to all Seplat employees to ensure a culture of awareness and accountability within the organisation. The code encompasses Seplat's approach to anti-corruption and bribery protocol, transparent engagement with stakeholders, and Seplat's whistleblowing policy and procedures. The code offers a point of reference for all employees in how to conduct themselves within the workplace in a manner that does not conflict with Seplat's values as a transparent and ethical business.

Skills development

In 2014, we continued to invest in the training and development of our own employees. Through investment in internal skills development, Seplat can further optimise its delivery of operational goals to create further value for all stakeholders. Creating new capabilities internally allows our employees to gain access to roles and opportunities in the oil and gas sector which previously may have been inaccessible due to an insufficient skills-set.

Chukwuemeka Kerry

Business Performance Analyst and Reporting Officer, Corporate Production and Maintenance Department

Since 2012, Seplat has run its Graduate Trainee Programme which offers opportunities to students from its local communities to undergo skills and development training to equip those trainees with the relevant skills to be part of Seplat's growth story.

Chukwuemeka Kerry was a member of the inaugural Graduate Trainee Programme. The initial induction programme ensured Chukwuemeka was provided with the relevant HSSE awareness and training to operate within an E&P environment. Following the rigorous induction process, he was assigned to the Production and Field Operations Department, under the management of Mr Ganiyu Bolaji, Head of Production and Field Operations. A key responsibility whilst in this role was institutionalising a tracker system for field facility equipment performance against oil and gas production trends. Whilst his core training was provided by members of the Production and Field Operations Department, Chukwuemeka was also given training in soft skills development to complement his operational exposure.

At the end of the Graduate Trainee Programme graduates are given the opportunity to voice their preference in working unit within their trainee Department. Chukwuemeka selected the Production Measurement and Reporting Unit, a key division to Seplat given its responsibility for reviewing and optimising operational performance. After three years with the Company, Chukwuemeka is now the Business Performance Analyst and Reporting Officer within the Corporate Production and Maintenance Department, where his key responsibility is to collate and analyse production data from Seplat's fields in order to track Company performance in achieving production targets for the year. The diversity and breadth of skills training provided on the Graduate Trainee Programme provides skills and capacity building opportunities to individuals from Seplat's local communities ensuring shared value with local stakeholders in the development of the oil and gas industry in Nigeria.

Governance

Governance

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Chairman's overview

A culture of integrity

In the run-up to our IPO, we made strong progress in achieving international standards in our governance.

Dear Shareholders,

As a listed company on both the Nigerian and London Stock Exchanges, Seplat is committed to compliance with the requirements of the Nigerian and UK corporate governance regulations, including without limitation the Companies and Allied Matters Act ("CAMA"), Securities and Exchange Commission's Code of Corporate Governance for Public Companies in Nigeria ("the Nigerian Code") and UK Corporate Governance Code ("the UK Code"). To uphold this commitment, we have increased our Board composition with notable experts in the Nigerian and international oil and gas industry in order to leverage our organisational structure and governance policies against international standards. Our Board is better strategically positioned to ensure that we have the right people, culture and structures in place to make the right decisions for our business and for our shareholders.

Board performance and evaluation

The core role of the Board is to set clear strategic direction, policies and practices for the Company to deliver long-term sustainable value to all its stakeholders, while the role of management is to meet the strategic goals of the Company in line with the policies and practices set by the Board. The Board works with management to ensure that the Company's business is well governed and financially strong, that identified risks are mitigated, and that an appropriate balance is maintained between promoting long-term growth and achieving short-term objectives. For optimum functionality, the Board undergoes an independent evaluation of its performance and the performance of the Chairman, Board Committees and individual Directors that is facilitated by external consultants. The Board appraisal process consists of questionnaires on Board and Committee effectiveness and peer review, one-on-one interviews with each Director and key management personnel. At the end of the appraisal process, the external consultant prepares a final appraisal report that is used to identify areas for improvement to ensure continuous development of the Board, its Committees and individual Directors.

Corporate governance

We have formalised our focus on high ethical standards in our Code of Conduct, which is in place across the business and sets out our ethical framework for doing business. Our Code of Conduct policy has zero tolerance for any form of corrupt practice by any staff or our business partners. This commitment is documented in our corporate governance policies regarding anti-bribery and corruption, conflicts of interest, related party transactions, share dealing, whistleblowing, etc. We continue to keep our corporate governance policies and practices under review to ensure up-to-date compliance with the law and best international governance practices.

After almost a year since our IPO, we have made strong progress in achieving international standards in our governance. In our IPO Prospectus, last April, we stated that although not required to do so, we would measure ourselves against the UK Code as applicable to a company outside the FTSE 350, on a voluntary basis, with the exception of the following four areas:

1) The Chairman, upon appointment, did not meet the independence criteria set out in provision A.3.1 of the UK Code;
2) The Executive Directors or any Director appointed by any of the founder shareholders will not be subject to retirement by rotation or taken into account in determining the number of Directors to retire each year (provision B.7.1 of the UK Code);
3) Remuneration for certain Non-Executive Directors may include performance-related elements (provision D.1.3 of the UK Code); and
4) Certain Executive Directors' service contracts may include an initial fixed term of more than one year (provision D.1.5 of the UK Code).

This section of the Annual Report describes how the Company has complied with Nigerian and UK corporate governance regulations throughout the year. We have outlined key activities of the Board and its Committees during the year. The Board remains committed to upholding sound and effective corporate governance policies and practices.

I am proud of Seplat's commitment to delivering premium value to our shareholders, our staff, the community and other stakeholders, and of the efforts made by our Directors and staff during 2014 to uphold the spirit of good corporate governance.

A.B.C. Orjiako
Chairman

Chairman's overview continued

Key points:

- Strong, experienced, diverse Board with six skilled and experienced Independent Non-Executive Directors.
- Diverse management team with extensive local and international oil and gas knowledge and experience.
- Relationship agreement with founding shareholders to regulate their degree of control over the Company, protect minority shareholders, and maintain Board independence.

Board membership

The Board is made up of a group of individuals from diverse academic and professional backgrounds with significant experience in the oil and gas sector and key associated disciplines.

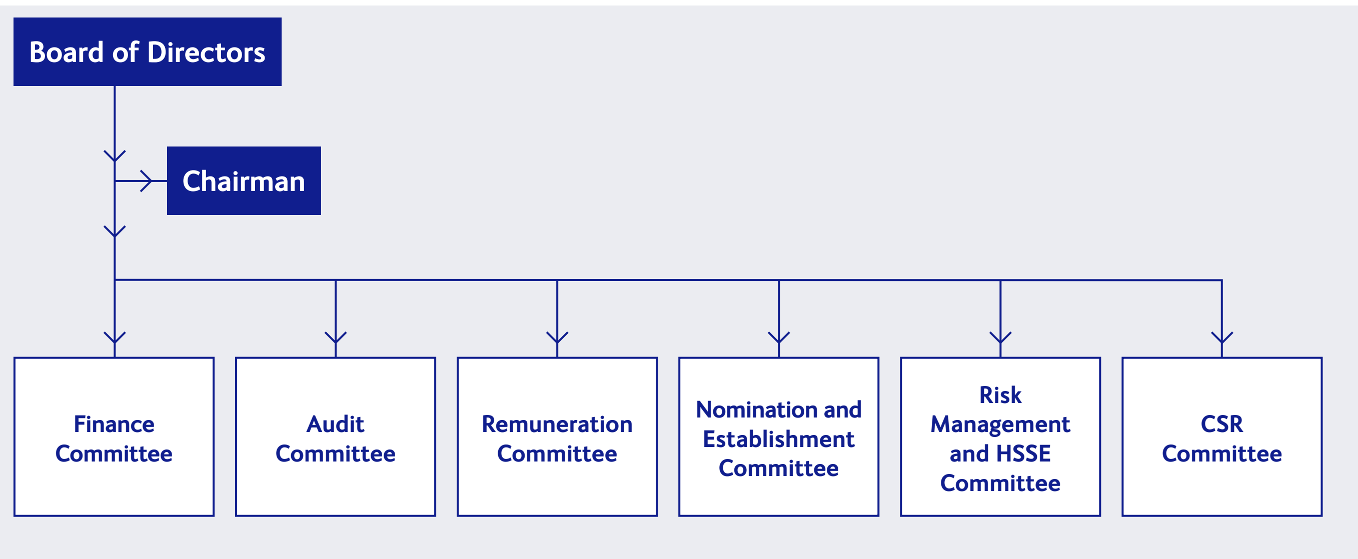
The positions of the Chairman and CEO are vested in different individuals in accordance with best governance practice. A.B.C. Orjiako (Chairman) and Austin Avuru (CEO) were the founders of the Company in 2009, and have extensive experience of the oil and gas business in Nigeria. Their respective roles are detailed in their letters of appointment as approved by the Remuneration Committee. The Chairman was not independent on appointment as defined by the UK Code (having previously been Executive Chairman), this being one of the exceptions to our compliance with the UK Code (provision A.3.1) which was disclosed at the time of the IPO. The Board determined that A.B.C. Orjiako's contribution to, expertise and recognition in the oil and gas industry are of major value to the Company, and therefore decided that keeping A.B.C. Orjiako as Chairman following the IPO would be in the best interests of the Company, albeit A.B.C. Orjiako now plays a non-executive role as Chairman in compliance with the Nigerian and UK Codes. Austin Avuru is now the CEO, having previously been Managing Director.

In addition to the above changes, Seplat has entered into a relationship agreement with its founding shareholders to regulate their degree of control over the Company, protect the rights of minority shareholders, and maintain the independence of the Board.

Changes to the Board

In 2014, the composition of the Board was strengthened with the addition of Damian Dodo, S.A.N. (Independent Non-Executive Director) with expertise in the legal field in Nigeria.

Damian Dodo is a partner in one of the leading law firms in Nigeria, which presently represents Seplat in the Brittania-U litigation at the Supreme Court of Nigeria. The Brittania-U case arose after Mr. Dodo's nomination to the Board and, following due consideration and due diligence by the Nomination and Establishment Committee along with external advisors, the Board decided that engaging the expertise of D. D. Dodo & Co. to represent Seplat in the Brittania-U case was in the Company's best interests. As a leading S.A.N. in Nigeria, the Board determined that Mr. Dodo's independence would not be compromised by his role as an Independent Non-Executive Director. In accordance with good corporate governance practices, all dealings with D. D. Dodo & Co. are conducted in compliance with the Company's related party transactions policy and arm's length principles.



Board composition

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

Apart from the Chairman and CEO, earlier discussed, the remainder of the Board comprises the Executive Directors (CFO Roger Brown and COO Stuart Connal), two Non-Executive Directors (Michel Hochard and Macaulay Ofurhie) who represent certain major shareholders and are thus not regarded as being independent, and five other Independent Non-Executive Directors (Michael Alexander (Senior Independent Director ("S.I.D.")), Basil Omiyi, Charles Okeahalam, Ifueko Omoigui Okauru, and Lord Mark Malloch-Brown). It was decided and disclosed at the time of the IPO that the two Non-Executive Directors should not, as required by provision B.7.1 of the UK Code, be included in the consideration of Directors to retire by rotation at the relevant Annual General Meeting ("AGM"). However, the exclusion of these two Non-Executive Directors from retirement by rotation is permitted under the Company's Articles of Association as required by Section 259(1) of CAMA. As of the date of this Annual Report, all the other Non-Executive Directors are appointed for a fixed term of two years, with renewal at the AGM held in the corresponding year of retirement.

In compliance with the Nigerian Code and UK Code, the Board therefore comprises a majority of Non-Executive Directors, most of whom are independent.

Board composition

As at the date of this Annual Report, Seplat has a Board of 12 Directors:

A.B.C. Orjiako
Chairman

Austin Avuru
Chief Executive Officer

Stuart Connal
Chief Operating Officer

Roger Brown
Chief Financial Officer

Michel Hochard
Non-Executive Director

Macauley Agbada Ofurhie
Non-Executive Director

Michael Alexander
Senior Independent Director

Lord Mark Malloch-Brown
Independent Non-Executive Director

Charles Okeahalam
Independent Non-Executive Director

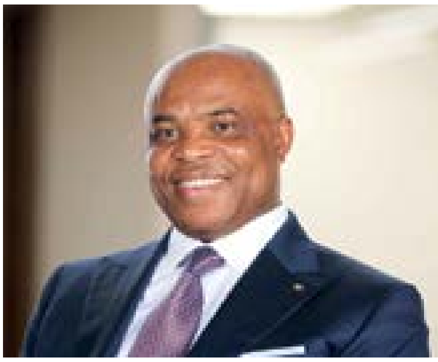
Basil Omiyi
Independent Non-Executive Director

Ifueko Omoigui Okauru
Independent Non-Executive Director

Damian Dodo
Independent Non-Executive Director

Board of Directors

Committed to sound corporate governance



Ambroise Bryant Chukwueloka ("A.B.C.") Orjiako
Non-Executive Chairman

Biography
A.B.C. Orjiako co-founded Seplat in 2009. He is also the Chairman of Neimeth Pharmaceutical International Plc, which is listed on the NSE, and a Director of MPI, which is listed on NYSE Euronext Paris.

Dr. Orjiako trained as a General Surgeon at the Lagos University Teaching Hospital and later sub-specialised in orthopaedic and trauma surgery before going into business where he has established and managed various companies in the Nigerian oil and gas industry.

In recognition of his dedicated services to humanity and the Roman Catholic church, Pope John Paul II in 2003 bestowed on Dr. Orjiako a Knighthood of the Order of St. Gregory the Great.

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

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

Board meetings attended
- 5/5.

Committee membership
- Nomination and Establishment Committee (Chairman).

Independent
- Not applicable.

Ojunekwu Augustine Avuru
Chief Executive Officer; Executive Director

Biography
Mr. Avuru is a co-founder of Seplat and became CEO on 1 May 2010. He is also a Director of MPI, which is listed on NYSE Euronext Paris.

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

Experience
Through his extensive experience of working in the Nigerian upstream oil and gas sector in increasingly senior technical and management roles, Mr. Avuru brings a highly relevant skill set and knowledge of operating oil and gas blocks in the Niger Delta. Through his background in geoscience Mr. Avuru has a detailed understanding of the hydrocarbon plays in the Niger Delta combined with a strong understanding of above the ground commercial, operational and safety aspects that are central to operating successfully.

Date of appointment
1 May 2010.

Board meetings attended
- 5/5.

Committee membership
- Not applicable.

Independent
- Not applicable.

William Stuart Connal
Chief Operating Officer; Executive Director

Biography
Mr. Connal joined Seplat as Chief Operating Officer on 1 August 2010. He is a Chartered Engineer with over 30 years' experience in major oil and gas companies in the United Kingdom and Nigeria.

Prior to joining Seplat, he spent ten years at Centrica Energy where he held various positions including, between 2006 and 2010, the position of Managing Director of Centrica Resources Nigeria.

Experience
Over the course of his career Mr. Connal has gained a wealth of experience in project managing and safely running significant and complex oil and gas operations in a number of different onshore and offshore settings, successfully leading multi-disciplinary teams, managing service providers, key stakeholder relationships and controlling significant budgets.

Date of appointment
1 March 2013.

Board meetings attended
- 4/5.

Committee membership
- Not applicable.

Independent
- Not applicable.

Roger Thompson Brown
Chief Financial Officer; Executive Director

Biography
Mr. Brown joined Seplat as Chief Financial Officer in 2013. With a background in finance he is a qualified Chartered Accountant with the Institute of Chartered Accountants in Scotland.

Mr. Brown has over 18 years' experience in the financial sector, primarily focused on emerging markets with extensive experience in structuring energy and infrastructure transactions on the African continent. Prior to joining the Company he held the position of Managing Director of Oil and Gas EMEA for Standard Bank Group.

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

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

Board meetings attended
- 5/5.

Committee membership
- Not applicable.

Independent
- Not applicable.

Michael Richard Alexander
Senior Independent
Non-Executive Director

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

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

Date of appointment
1 June 2013.

Board meetings attended
- 5/5.

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

Independent
- Yes.

Michel Hochard
Non-Executive Director

Biography
Mr. Hochard was appointed to the Board of Seplat as a nominee of MPI. Mr. Hochard is presently the Chief Executive Officer of MPI.

Mr. Hochard is a Chartered Accountant whose experience includes serving as Internal Auditor for the Department of Finance of ELF Aquitaine, Head of the Finance Division for Africa and the Middle East, and Director of Finance of the SNEAP, then of ELF Aquitaine production.

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

Date of appointment
14 December 2009.

Board meetings attended
- 5/5.

Committee membership
- Audit Committee (Member).

Independent
- Not applicable.

Board of Directors continued

Macaulay Agbada Ofurhie
Non-Executive Director

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

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

Date of appointment
14 December 2009.

Board meetings attended
- 5/5.

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

Independent
- Not applicable.

Lord Mark Malloch-Brown
Non-Executive Director

Biography
Lord Malloch-Brown served as a Minister of the UK government from 2007 to 2009 where he had particular responsibility for strengthening relationships with Africa and Asia. He served as the Chief of Staff of the United Nations and then as the Deputy Secretary General under Kofi Annan from 2005 to 2006. Prior to that, he was an Administrator of the United Nations Development Programme and Vice-President for External Affairs at the World Bank.

Lord Malloch-Brown serves as Chair of the Royal Africa Society. He is a member of the House of Lords.

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

Date of appointment
1 February 2014.

Board meetings attended
- 5/5.

Committee membership:
- CSR Committee (Chairman) and Finance Committee (Member).

Independent
- Yes.

Charles Okeahalam
Non-Executive Director

Biography
Dr. Okeahalam is the co-founder of AGH Capital Group, a private equity and diversified investment holding company based in Johannesburg, with assets in several African countries.

Dr. Okeahalam has previously served as the Project Director for a major review of the operations of the African Development Bank and as Chairman of the steering committee establishing the Pan-African Infrastructure Development Bank. His other roles include advising a number of African central banks and government ministries, the World Bank and the United Nations.

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

Date of appointment
1 March 2013.

Board meetings attended
- 4/5.

Committee membership
- Finance Committee (Chairman), Remuneration Committee (Member) and Audit Committee (Member).

Independent
- Yes.

Basil Omiyi
Non-Executive Director

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

Mr. Omiyi has held a number of board memberships and in 2011 was awarded the National Honour of Commander of the Order of the Niger by the President of Nigeria for pioneering Nigerian leadership in the oil and gas sector.

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

Date of appointment
1 March 2013.

Board meetings attended
- 5/5.

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

Independent
- Yes.

Ifueko Omoigui Okauru
Non-Executive Director

Biography
Mrs. Omoigui Okauru is the Managing Partner of Compliance Professionals Plc., a management consulting firm. Previously she spent 12 years at Arthur Andersen & Co. where she became National Partner of the firm's strategy practice. Mrs. Omoigui Okauru has also served as a part-time member of the United Nations Committee of Experts on International Cooperation in Tax Matters and has held several positions within the Nigerian Federal Inland Revenue Service. She is a founding member of the Board of Trustees of DAGOMO Foundation Nigeria, a family-based non-governmental organisation geared towards community development.

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

Date of appointment
1 March 2013.

Board meetings attended
- 5/5.

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

Independent
- Yes.

Damian Dodo (S.A.N.)
Non-Executive Director

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

In 2001 Mr. Dodo was awarded Nigeria's highest legal practice rank of Senior Advocate of Nigeria (S.A.N.). In 2011 he was awarded the National Honour of Officer of the Order of the Federal Republic of Nigeria by the President of Nigeria. Mr. Dodo has also recently been awarded fellowship by the Nigerian Institute for Advanced Legal Studies. He is also an associate of the Chartered Institute of Arbitrators in London.

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

Date of appointment
30 June 2014.

Board meetings attended
- 3/3.

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

Independent:
- Yes.

Corporate governance report

The Board meets at least once every quarter to perform its oversight function and to monitor the performance of management. Special Board meetings are scheduled whenever business exigencies arise which require the urgent attention of the Board.

Board processes

Board meetings are supported by the General Counsel and the Company Secretariat team based in Lagos, Nigeria, who in turn are supported by key members of the Management Team when required. All Board and Board Committee papers are distributed to each Director in advance of meetings using the BoardPad software that is designed for that purpose. This enables Directors to contribute effectively to Board meetings and make informed decisions. Formal minutes are taken of all Board and Board Committee meetings and are approved at the following meeting of each. Each Board Committee presents a formal written report of its proceedings to the next meeting of the Board, which is reviewed and discussed by the Board. The minutes of the Board and Committee meetings aim to present a balanced report of the discussion held and decisions taken at meetings. In addition to supporting Board and Committee meetings, the General Counsel and Company Secretariat team also advise Directors in carrying out their duties.

During the year, the Chairman and the Senior Independent Non-Executive Director ("S.I.D.") each met with the Non-Executive Directors in the absence of Executive Directors to discuss matters pertaining to the Remuneration Committee and the Nomination and Establishment Committee. In compliance with the Nigerian and UK Codes, no Director is involved in any deliberation pertaining to his/her remuneration.

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

The Board has adopted a Board Charter which sets out the matters exclusively reserved for approval by the Board. Under the Board Charter, the Board has exclusive responsibility for:

- the overall strategy, objectives and management of the Company;
- the corporate structure;
- capital structure;
- corporate governance;
- risk management and HSSE policy framework;
- financial reporting and controls;
- material contracts, related party transactions and conflicts of interest;
- communication to shareholders and investors;
- Board membership and other appointments;
- remuneration;
- corporate social responsibility;
- approval of overall levels of insurance for the Company;
- major changes to the rules of any Seplat pension or other benefit scheme;
- changes to the Board Charter;
- prosecution, defence or settlement of litigation involving above $10 million or being otherwise material to the interests of the Company;
- appointment of Seplat's banks and approval of bank mandates; and
- establishing and maintaining the Company's system of internal control procedures and reviewing its effectiveness.

These procedures, which include amongst other things, financial, operational, risk management and compliance matters, are reviewed on an ongoing basis.

The Company has also established guidelines requiring Board approvals for material acquisitions or disposals.

In order to carry out its responsibilities, the Board has established the following Board Committees, details of which are contained in the individual Committee reports later in this corporate governance section:

1) Finance Committee
2) Audit Committee
3) Remuneration Committee
4) Nomination and Establishment Committee
5) Risk Management and HSSE Committee
6) Corporate Social Responsibility ("CSR") Committee

All the Committees have terms of reference that guide Committee members in the execution of their duties. The terms of reference of all the Committees are available for review by the public. The Committees report to the Board and provide recommendations to the Board on matters reserved for Board approval.

Board meetings

During 2014, the Board held five meetings, the dates and attendance at which are summarised as follows:

Dates of 2014 Board meetings:

- 30 January 2014
- 12 March 2014
- 22 May 2014
- 24 July 2014
- 29 October 2014

Director	Meetings attended
A.B.C. Orjiako	5/5
Austin Avuru	5/5
Michael Alexander	5/5
Stuart Connal	4/5
Roger Brown	5/5
Lord Mark Malloch-Brown	5/5
Michel Hochard	5/5
Macaulay Ofurhie	5/5
Charles Okeahalam	4/5
Basil Omiyi	5/5
Ifueko Omoigui Okauru	5/5
Damian Dodo*	3/3

* Damian Dodo was eligible to attend only three Board meetings in 2014 in view of his appointment after the 12 March 2014 Board meeting.

During 2014, highlights of the Board's activities included:

- The establishment of corporate governance and other internal policies and procedures;
- Preparations for the IPO in Lagos and London in April 2014;
- The Company's strategy and proposals for key asset acquisitions;
- The development of the gas business;
- Consideration and approval of strategy in major law suits;
- Re-financing proposals;
- Review of reports received from Board Committees;
- Approval of prospective candidate, Damian Dodo, as Independent Non-Executive Director;
- Approval of financial results announcements;
- Approval of training programmes for Directors;
- Approval of engagement of external consultant to conduct 2015 Board appraisal;
- Approval of dividend payments; and
- Approval of budgets, business plans, etc.

Board policies

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

The Board has also decided to adopt the Model Code for Directors' dealings contained in the UKLA Listing Rules (the "Model Code"). The Board is responsible for taking appropriate steps to ensure compliance with the Model Code by the Directors. As compliance with the Model Code is being undertaken on a voluntary basis, the UK Financial Conduct Authority does not have the authority to monitor the Company's compliance with the Model Code or to impose sanctions in respect of any breaches. The Company nevertheless is committed to compliance with the Model Code to demonstrate its commitment to good corporate governance practices.

Appointment, development and evaluation of Directors

The Board has adopted a Board Appointment Process to guide the appointment of its Directors in accordance with corporate laws, corporate governance regulations and international best practices. The Nomination and Establishment Committee, chaired by A.B.C. Orjiako, has overall responsibility for the appointment process and changes to the Company Secretary subject to approval by the Board. The fundamental principles of the appointment process include: evaluation of the balance of skills, knowledge and experience on the Board, leadership needs of the Company and ability of the candidate to fulfil his/her duties and obligations as a Director.

Seplat has a mandatory induction programme for new Directors on the Company's business and other information that will assist them in discharging their duties effectively. The Company believes in and provides continuous training and professional education to its Directors. The Remuneration Committee, chaired by Michael Alexander (S.I.D.), has been involved in the development of the Chairman's and CEO's role specifications and their contracts.

Each Director has reviewed their training requirements with the Chairman. The training programme during the year included:

- High Performing Boards at the IMD, Lausanne, Switzerland;
- Finance Programme for Senior Executives at the Said Business School, Oxford University, England; and
- Overview of the International Upstream Oil and Gas Company at the Energy Institute, London, England.

Having established the Board membership, and meeting the individual training and development needs, the next step during 2015 will be to carry out another evaluation of the performance of the Board, its Committees and individual Directors. This is a key area for focus in the development of the Company's governance and compliance with the Nigerian Code and UK Code provisions in this area. Already, the Company has engaged an external consultant to conduct an independent evaluation of the ongoing effectiveness of the Board's processes, culture and alignment with the Company's strategy and some wider corporate governance review in order to set a progressive agenda for development of the Board. The Board evaluation includes a

Corporate governance report continued

performance review of the Board, Chairman, individual Directors and Board Committees, and involves participation of key members of management, who give management's perspective on performance of the Board. At the end of the evaluation, the external consultant will prepare a final report, which will be discussed first with the Chairman and S.I.D. then between the Chairman and each Director, followed by a general discussion with the Board. The Company will provide training and development to strengthen areas for improvement identified by the external consultant.

As mentioned above, Seplat has stated that it would not be in compliance with provision B.7.1 of the UK Code, although being in compliance with the provisions of CAMA, regarding the re-election of all Directors each year at the Annual General Meeting ("AGM"). However, during the 2015 AGM, the two Independent Non-Executive Directors who have stayed longest in office will retire and stand for re-election. The Notice of the 2015 AGM, which is being sent to shareholders together with this Annual Report, lists the Independent Non-Executive Directors who will be presented for re-election at the AGM.

Accountability

Details of the Directors' responsibility for preparing the Company's financial statements and accounts, and a statement that they consider the financial statements and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, are given on page 104 of this report. Seplat's business model and strategy for delivering the objectives of the Company, and the assumptions underlying the Directors' assessment of the business as a going concern are given on pages 14 to 15 and pages 20 to 21 of this Report respectively.

The Board has assessed the Company's risk management and material internal controls, including financial, operational and compliance controls, and has carried out a review of their effectiveness, details of which are given on pages 42 to 47 of this Report.

In compliance with CAMA, the Board has established an Audit Committee comprising not more than six members with an equal number of shareholder representatives and Independent Non-Executive Directors, and in compliance with the UK Code's requirement for an Audit Committee the Board has also established a Finance Committee comprising four Independent Non-Executive Directors. Details of the Finance and Audit Committees' membership and activities are given in their respective reports, on pages 68 and 71. The Board has also established the Risk Management and HSSE Committee, which is responsible for reviewing on behalf of the Board operational risk, health and safety and environment matters. Details of the Committee's membership and activities are given in its report on page 75.

Remuneration

In compliance with the Nigerian Code and UK Code, the Board has established a Remuneration Committee solely comprising Independent Non-Executive Directors, under the chairmanship of Michael Alexander (S.I.D.). Details of the Committee's membership and activities are given in its report on page 72. Details of how Seplat's remuneration policy links remuneration to the achievement of the Company's strategy and the level of remuneration paid to each of the Directors during the year are outlined on pages 77 to 99.

It was stated at the time of the IPO that Seplat would not be in compliance with two of the UK Code's provisions relating to remuneration as follows:

- Remuneration for certain Non-Executive Directors may include performance-related elements (Provision D.1.3 of UK Code); and
- Certain Executive Directors' service contracts may include an initial fixed term of more than one year (Provision D.1.5 of UK Code).

In compliance with both the Nigerian and UK Codes, no Executive Director is a member of the Remuneration Committee and no Director is involved in any deliberation pertaining to his/her remuneration.

Communication with shareholders

Seplat values effective communication with its shareholders. The Company reports formally to shareholders four times a year, with the announcement of quarterly and full year results. Shareholders are issued with the full year Annual Report and financial statements. These reports are posted on the Company's website. Results presentations are also made available on the Company's website together with replays of webcasts.

Seplat's first AGM was held on 30 June 2014 in Lagos, Nigeria, and was attended by some 364 shareholders. The business transacted at the meeting was based on CAMA requirements and as such diverged in some respects from that common to UK companies. The AGM afforded attending shareholders the opportunity to discuss matters regarding the business with the Chairman, Committee Chairmen and individual Directors and also for shareholder representatives to be elected to sit on the Audit Committee, as required by CAMA.

The notice of the 2015 AGM is being sent to shareholders with this Annual Report and it is intended that the best practice for AGMs as detailed in the Nigerian and UK Codes will be followed.

The Board maintains a dialogue with investors outside the AGM with the intention of ensuring a mutual understanding of objectives to gain a balanced view of key issues and concerns of shareholders. The primary contact is through the Executive Directors. The Non-Executive Directors, and in particular the Chairman and S.I.D., are available to attend meetings if requested specifically by shareholders.

Communications with existing and potential shareholders regarding business strategy and performance are coordinated by the Investor Relations function. The Head of Investor Relations reports directly to the CFO. Communications regarding the general administration of shareholdings are co-ordinated by the Company Secretary.

The Company conducts an active investor relations programme with institutional investors and analysts. This includes participation at conferences, both in Nigeria and internationally, where a number of one-on-one meetings and group presentations are made, and the undertaking of investor roadshows in key financial centres.

Regular analysis of its shareholder register and major movements, together with market feedback and trading analysis, are communicated to the Board via the CFO.

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

Disclosure of information

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

Corporate governance policies adopted by the Board

In order to provide guidance on corporate governance issues, the Board approved and implemented the following internal policies and practices which are reviewed periodically to ensure continued compliance with law and good governance practices:

1) Code of Conduct
2) Anti-Bribery and Corruption Policy and Anti-Fraud Policy
3) Conflicts of Interest and Related Party Transactions Policy
4) Share Dealing Policy
5) Risk Management Policy
6) Electronic Information & Communication Systems Policy
7) Community Relations Policy
8) Whistleblowing Policy

During 2014, the Company conducted training for employees on compliance with its corporate governance policies. In 2015, following the creation of a dedicated Governance and Integrity unit, advanced face-to-face and e-learning training and other training, monitoring and compliance initiatives will be conducted for employees and business partners to increase awareness and compliance. In 2015, the Board will also conduct an extensive review of all corporate governance policies to ensure their continued relevance and compliance with current governance regulations and practices.

1) Code of Conduct

The Company's Code of Conduct was adopted by the Board on 13 December 2012. The Code of Conduct applies to all Directors, senior management, employees and business partners of Seplat and its subsidiaries. The Code of Conduct sets out the ethical framework under which Seplat conducts business; that is, with the highest standards of ethics, accountability and transparency.

2) Anti-Bribery and Corruption Policy and Anti-Fraud Policy

The Anti-Bribery and Corruption Policy and Anti-Fraud Policy (the "ABC Policy") were adopted by the Board on 13 December 2012 and 29 August 2013, respectively.

The ABC Policy demonstrates Seplat's zero tolerance commitment to the eradication of bribery and corruption. The Policy prohibits facilitation payments, misappropriation, 'kickbacks' and blackmail/extortion, and sets the parameters under which Directors and employees may give or receive gifts and hospitality, deal with public officials, and make political and charitable donations. The ABC Policy includes reporting, documentation and whistleblowing provisions as well as provisions regarding zero tolerance disciplinary action for any breach of the Policy.

Due diligence process

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

3) Conflicts of Interest and Related Party Transactions Policy

The Conflicts of Interest and Related Party Transactions Policy was adopted by the Board on 13 December 2012. The Policy conjunctively demonstrates Seplat's commitment to avoiding and managing conflicts of interest and related party transactions in accordance with the law and good governance practices. The Policy applies to Directors and employees in their dealings on behalf of the Company and in the exercise of their roles within the Company. In compliance with Section 280 of CAMA, the Policy emphasises the special duty of Directors to refrain from activities that conflict with their responsibilities to the Company and to avoid making secret profits or receiving unnecessary gifts.

All ongoing and new conflicts of interest and related party transactions are required to be reported to the specified reporting unit for approval and documentation. In 2015, the Company intends to initiate processes aimed at reducing its related party transactions.

In order to fully embed an ethical culture in Seplat, all Directors and employees are required to complete and submit a Conflicts of Interest and Related Party Transactions Declaration Form, whether or not they are involved in a conflict or related party transaction, for review and approval by the General Counsel. To ensure compliance, submission of this Declaration Form is tied to receipt of financial incentives by Directors and employees.

Corporate governance report continued

Disclosure of Directors' interests in transactions

Directors with interests in transactions that were effected by Seplat during 2014 are summarised as follows:

S/n	Name of company	Notes
1.	FTI Consulting	Lord Mark Malloch-Brown is a special adviser (and formerly Chairman of EMEA) for FTI Consulting. FTI Consulting is a London based financial communications specialist firm that advises Seplat on matters relating to communication with investors and analysts in the UK. During consideration of his appointment and after conducting its due diligence through external advisors, the Board found that Lord Mark Malloch-Brown has not personally provided any consultancy services to Seplat or its subsidiaries, and was not involved in the supervision or provision of services to Seplat or its subsidiaries in his capacity as then Chairman of EMEA for FTI Consulting. The Board also found that whilst the relationship between FTI Consulting and Seplat is meaningful, it cannot be reasonably considered a material relationship in the context of either company's operations and consequently the relationship was not likely to compromise the judgement of Lord Mark Malloch-Brown as an Independent Non-Executive Director of Seplat.
2.	D. D. Dodo & Co.	Damian Dodo is a Partner at this law firm. The firm currently represents Seplat in the ongoing Brittania-U litigation at the Supreme Court of Nigeria. The Brittania-U litigation arose after Damian Dodo was nominated to the Board of Directors. In view of Mr. Dodo's renowned legal expertise in Nigeria, the Board determined that it was in the Company's best interest to engage D.D. Dodo & Co. to represent Seplat in the matter. After conducting its due diligence to ensure Mr. Dodo's capabilities and ability to maintain independent judgement as a director, the Board approved the nomination by the Nomination and Establishment Committee of Damian Dodo as Independent Non-Executive Director. Mr. Dodo's appointment was also presented to and ratified by the Company's shareholders at its 2014 AGM. D.D. Dodo & Co.'s representation of Seplat in the Brittania-U case continues to be managed in accordance with arm's length principles and good corporate governance practices.

Disclosure of related party transactions:

During 2014, Seplat entered into related party transactions, which are summarised as follows:

S/n	Name of company	Notes
1.	Abbeycourt Petroleum Company Limited	The Chairman of Seplat is a director and shareholder. The company provides consultancy services to Seplat in relation to business development opportunities and new acquisitions.
2.	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.
3.	Keco Nigeria Enterprises	The CEO's sister is a director and shareholder. The company provides diesel supplies to Seplat in respect of its rig operations.
4.	Ndosumili Ventures Limited	A subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.
5.	Oriental Catering Services Limited	The CEO's wife is a director and shareholder. The company provides catering services to Seplat at the staff canteen.
6.	ResourcePro Inter Solutions Limited	The CEO's sister in-law is its UK representative. The company supplies furniture to Seplat.
7.	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.
8.	Montego Upstream Services Limited	The Chairman's nephew is a shareholder and director. The company provides drilling and engineering services to Seplat.
9.	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.

10.	Helko Nigeria Limited	The Chairman of Seplat is a shareholder and director. The company owns the lease to Seplat's main office at 25A Lugard Avenue, Lagos, Nigeria.
11.	Nerine Support Services Limited	Nerine Support Services Limited is a company under common control. The company provides agency and contract workers to Seplat.
12.	Nabila Resources Investment Limited	The Chairman's in-law is a shareholder and director. The company provides lubricants to Seplat.
13.	Platform Petroleum Limited	The CEO of Seplat is a director and shareholder. Platform seconds certain personnel to Seplat.
14.	Cardinal Drilling Services Limited	Cardinal Drilling Services Limited is a company under common control. The company provides drilling rigs and drilling services to Seplat.

Seplat is committed to conducting all related party transactions in accordance with arm's length principles and good corporate governance practices.

4) Share Dealing Policy

The Share Dealing Policy was adopted by the Board on 22 March 2013. The Policy demonstrates Seplat's commitment to trading securities in compliance with the requirements of the Nigerian Stock Exchange ("NSE") Amended Listing Rules ("ALR"), the Nigerian Code and the UK Listing Authority. The Share Dealing Policy acknowledges the Company's dual participation in the Nigerian and UK Stock Exchanges, and its conjunctive obligations under both Nigerian and UK listing regulations. The Policy therefore sets the parameters under which Directors and employees of Seplat and its subsidiaries, and their connected persons, must deal with the Company's shares, securities and inside information.

Declaration of Compliance

In compliance with Section 14.4(b) of the NSE ALR, following specific enquiry, all Directors acted in compliance with the NSE ALR and Seplat's Share Dealing Policy in respect of their securities transactions during the financial year ending 31 December 2014.

5) Risk Management Policy

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

6) Electronic Information & Communications Systems Policy

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

7) Community Relations Policy

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

8) Whistleblowing Policy

The Whistleblowing Policy was adopted on 22 March 2013. A dedicated whistleblowing hotline was subsequently set up as an avenue for employees and other stakeholders to confidentially report unlawful and unethical conduct involving the Company, employees or Directors.

The Business Integrity function, reporting directly to the Chief Executive Officer, currently manages the whistleblowing hotline and ensures that all reports are kept confidential and appropriately investigated and resolved. However, in 2015 the Company is making efforts to outsource the investigation of reported cases to an external party, who will escalate reports to the Chairman of the Board's Finance Committee.

Directors' declarations

None of the Directors have:

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

Board Committee reports

Finance Committee report

Members of the 2014 Finance Committee	Attendance
Dr. Charles Okeahalam*, Chairman	7/7
Michael Alexander*, Member	7/7
Lord Mark Malloch-Brown*, Member	6/7
Ifueko Omoigui Okauru*, Member	5/7

* Independent Non-Executive Director.

Dates of 2014 Finance Committee meetings:

- 28 January 2014
- 19 February 2014
- 11 March 2014
- 20 May 2014
- 22 July 2014
- 21 October 2014
- 8 December 2014

Attendance for each meeting can be seen in the table above.

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

The Finance Committee was constituted in 2013 in compliance with the UK Code's requirement for an audit committee, and consists wholly of Independent Non-Executive Directors as listed in this report. You will see below details of the terms of reference for the Finance Committee and a summary of the activities carried out during the year. I shall be available at the AGM of the Company to be held on 2 June 2015 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Dr. Charles Okeahalam*
Chairman of the Finance Committee

* Independent Non-Executive Director

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

The Finance Committee assists the Board in:

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

- overseeing and evaluating the Company's corporate governance policies, conflicts of interest and related-party transactions and compliance, including whistleblowing policy arrangements and the independent investigation of such matters and follow-up action.

The Committee's activities during 2014

The Committee met seven times during 2014. In compliance with the Committee's terms of reference, it considered the following:

- Financial Statements – the Committee reviewed the report from the external auditors and management on the interim and annual financial statements and public releases. In doing so, it reviewed:
  - the oil and gas reserve estimates;
  - revenue recognition;
  - areas that require significant estimation, judgement or uncertainty;
  - compliance with financial reporting and governance standards;
  - the basis for the going concern assessment;
  - related party transactions and fraud and management override.
- Dividend Policy – a paper was considered on the most appropriate dividend policy to be implemented based on the nature of the business and by reference to various peers;
- Initial Public Offering – the Committee reviewed the various disclosures relating to the IPO to ensure that the disclosure in the IPO Prospectus was appropriate;
- An appropriate oil hedging strategy for the business to ensure that appropriate levels of revenue protection was considered at the same time as ensuring that the risk and costs of hedging were manageable;
- Internal audit – a review of the work done by internal audit and how the results of the findings were remediated by management in terms of extent and timing of tightening of controls. The Committee also interviewed and appointed the new head of internal audit and reviewed the formation of the internal audit team;
- Review of business risks – the Committee reviewed the business risks including the management and mitigation of risks and the timeline for remediation;
- Corporate Governance Compliance – the Committee reviewed the corporate governance framework including the implementation and effectiveness of the Company's anti-bribery and corruption policies and procedures. The Committee also reviewed the impact and attendance at training sessions and constantly monitored the findings of the whistle blowing procedure;
- Funding Strategy – the Committee considered a paper by management on the near-term and longer-term funding strategy for the Company including the appropriate mix of capital to finance the planned expansion of the business through organic reserve growth to growth by acquisitions;
- Budgets – the Committee reviewed the annual budget and the five year plan in detail to ensure the assumptions were consistent with the business environment and appropriate growth targets. Oil price sensitivities, cost reductions and impact of new acquisitions were considered as a part of the process;

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

- Revenue Recognition – the Committee considered the uplift in revenues in 2013 as a result of the payment received for recovered volumes from prior period lost production and ensured the disclosure identified this as a one off item;
- Taxation – the Committee considered the award during the year of Pioneer Tax awarded by the Nigerian Investment Promotional Counsel (NIPC) and acknowledged by Federal Inland Revenue Service (FIRS). The review included an investigation of the conditions for the award as well as its accounting treatment. The Committee was satisfied with the treatment and judgements supported by advice from senior management and external advisors and independent legal counsel. The Committee concluded that it would continue to review the conditions for the award to ensure onward compliance;
- Related Party Transactions – the Committee undertook a thorough review as to the number and extent of related party transactions. It was decided that the Committee would continue to monitor these closely with a goal of reducing the number and value of related party transactions through introduction of other service providers;
- Impairment – the Committee reviewed the impairment tests performed by management which was also an area of focus for the external auditor. In assessing the impact of impairment, oil price assumptions were compared with a number of external reference points and compared to ensure that the management estimates were appropriate.

Board Committee reports continued

Internal Audit

During 2014, the Finance Committee on behalf of the Board together with management reviewed the internal audit charter and formed the internal audit department which had previously been outsourced to PwC. PwC continues to assist the team in delivering the internal audit plan under a co-sourcing arrangement with a gradual phasing out strategy to a full internal unit.

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

- Evaluating the adequacy, reliability and effectiveness of governance, risk management and internal controls systems;
- Setting the internal audit strategy and plan and delivering assurance and compliance monitoring;
- Evaluating the integrity of information and the means to identify and report on such information;
- Evaluating the means of safeguarding assets and verifying existence of such assets, as appropriate;
- Performing consulting and advisory services on new initiatives as appropriate for the organisation;
- Assisting business integrity in monitoring and evaluating areas of the business susceptible to fraud.

In 2014, internal audit focused on risk areas in performing both process audits and detailed testing of transactions related to contracting and procurement procedures, financial accounting processes, legal and regulatory compliance and embedding of corporate governance. The results of the internal audit findings were considered by the Committee at the majority of the meetings and the remedial plan was discussed with management. Control findings led to further testing on contract performance and corporate services to address specific control gaps and assertions.

External Audit

The objectiveness and independence of the external auditor are taken seriously by the Company and this is reviewed each year prior to commencement of the audit process. The Committee has a policy of ensuring that the external auditor's independence is maintained by minimising the provision of non-audit services. This is monitored closely throughout the year and the non-audit services are generally limited to services related to the audit such as review of the quarterly financial statements which the Company is required to publish. During 2014, the main non-audit services were related to work done in connection with the Initial Public Offering and review of Quarterly Financial Statements.

An analysis of the fees earned by the external auditors for the audit and non-audit services can be found in note 6 to the financial statements.

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

The Committee has reviewed the external auditor's performance and independence taking into account input from management as well as having met with them at every Finance Committee meeting during 2014, including interaction with the external auditor without management present. In making its assessment, the Committee focused on the robustness of the audit, the extent of investigation into the business and the quality and objectiveness of the audit team. Based on this information, the Committee concluded that the audit process is operating effectively and has thus recommended to the Board that the current auditors, Ernst & Young ("E&Y"), be reappointed as external auditors. E&Y was first appointed on 20 December 2010. The Company complies with the Code of Corporate Governance for Public Companies in Nigeria and the UK Corporate Governance Code and generally adopts the most stringent conditions under both codes. This results in the audit partner being rotated every five years and the audit being put out to tender at least every ten years.

Audit Committee report

Members of the 2014 Audit Committee	Attendance
Chief Anthony Idigbe S.A.N., Chairman and Shareholder Member	3/3
Dr. Faruk Umar, Shareholder Member	3/3
Obuchi Limited, Shareholder Member	3/3
Dr. Charles Okeahalam*, Director Member	3/3
Ifueko Omoigui Okauru*, Director Member	3/3
Michel Hochard, Director Member	3/3

* Independent Non-Executive Director.

In the financial year ended 31 December 2014, the Audit Committee held three meetings due to its inauguration in the middle of the year at the Company's 30 June 2014 AGM. The Audit Committee meeting dates are as follows:

- 24 July 2014
- 27 October 2014
- 9 December 2014

Attendance for each meeting can be seen in the table above.

The Audit Committee was formed following the election of three shareholder representatives to sit on the Committee at the AGM of the Company held on 30 June 2014. In compliance with Sections 359(3) and (4) of CAMA, the Audit Committee comprises of not more than six members, with an equal number of Independent Non-Executive Directors and Shareholder representatives, under the chairmanship of a Shareholder representative. Below are details of the responsibilities of the Audit Committee and a summary of the activities carried out during the year.

I shall be available at the AGM of the Company to be held on 2 June 2015 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Chief Anthony Idigbe, S.A.N.
Chairman of the Audit Committee

The Audit Committee meets at least four times a year at appropriate times in the reporting and audit cycle, and the meetings are attended by appropriate senior management of the Company (such as: the Chief Financial Officer and the Head of Internal Audit and Internal Controls), and the external auditors of the Company.

The Audit Committee assists the Board in:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to its financial performance by reviewing significant financial reports and the auditor's report;
- assessing the Company's compliance with legal and other regulatory requirements;
- reviewing and overseeing assessment of qualifications and independence of external auditors and ensuring that where non-audit services are provided by external auditors, there is no conflict;
- reviewing and overseeing performance of the Company's internal audit and internal controls function and external auditors;
- overseeing management's process for the identification of significant fraud risks across the Company and ensuring that adequate prevention, detection and reporting mechanisms are in place;
- discussing policies and strategies with respect to risk assessment and management;
- meeting separately and periodically with management, internal auditors and external auditors;
- reviewing and ensuring that adequate whistleblowing procedures are in place, with a summary of issues reported highlighted to the Chairman of the Audit Committee;
- preserving auditor independence by setting clear hiring policies for employees or former employees of independent auditors;
- reviewing all related party transactions that arise within the Company or the Group and, in instances required by law, giving prior approval before presentation to the Board; and
- reviewing the annual audited financial statements, half yearly and quarterly unaudited statements of the Company.

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

- Review of financial statements up to Q3;
- Review of the effectiveness and efficiency of the Company's internal control systems with recommendations for improvement to ensure adequate protection, detection and reporting mechanisms are in place;
- Review and approval of risk-based internal audit plan in line with the Company's risk-based internal audit methodology
- Assessment of corporate governance compliance;
- Review of the internal audit report on the adequacy and effectiveness of management's governance, risk and control environment, and any deficiencies observed together with mitigation plans by management;
- Review and assessment of the Company's related party transactions;
- Review of the proposal for engagement of external auditor and review of the independence of the external auditor; and
- Review and adoption of the terms of reference for the Audit Committee.

Board Committee reports continued

Remuneration Committee report

Members of the 2014 Remuneration Committee	Attendance
Michael Alexander*, Chairman	6/6
Charles Okeahalam**, Member	6/6
Basil Omiyi**, Member	6/6
Damian Dodo**, Member	2/2

* Independent Non-Executive Director. Damian Dodo attended the two meetings of the Committee that were held following his appointment as Director.

** Senior Independent Non-Executive Director.

In the financial year ended 31 December 2014, the Remuneration Committee held six meetings, the dates of which are as follows:

- 28 January 2014
- 18 February 2014
- 11 March 2014
- 21 May 2014
- 22 July 2014
- 27 October 2014

Attendance for each meeting can be seen in the table above.

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

The Remuneration Committee is established to ensure that remuneration arrangements for Seplat's Chairman, Executive Directors, Non-Executive Directors, and Senior Management support the strategic aims of the business and enable the recruitment, motivation and retention of relevant skilled personnel while satisfying the expectations of shareholders. Details of the Company's remuneration policy are outlined on pages 82 to 90 of this Annual Report. In the interest of transparency, no Director by reason of being a member of the Committee is involved in any decisions relating to his/her own remuneration.

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

Michael Alexander (S.I.D.)
Chairman of Remuneration Committee

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

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

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

The Remuneration Committee assists the Board in:

- determining the framework for the remuneration of the Chairman, Chief Executive Officer, Executive Directors, Non-Executive Directors, and members of Senior Management, including without limitation the schemes of performance-based incentives (including share incentive plans), awards, and pension arrangements and benefits for the Executive Directors and Senior Management;
- ensuring that contractual terms and payments in respect of dismissal, loss of office or termination (whether for misconduct or otherwise) are fair and not excessive to the individual;
- providing appropriate input on Directors' remuneration for the Company's Annual Report;
- preparing necessary remuneration procedures and policies in compliance with the Nigerian Code, UK Code and other applicable laws, and in consideration of remuneration trends in the oil and gas industry in the area where Seplat operates;
- reviewing up-to-date information about remuneration in other companies in the oil and gas sector with the aid of qualified consultants;
- overseeing any major changes in employee benefits structures throughout Seplat;
- designing the policy for authorising claims for expenses from Executive and Non-Executive Directors; and
- regularly reviewing the ongoing appropriateness and relevance of the Company's remuneration policy.

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

- Approval of Committee's terms of reference;
- Formulation of the Company Remuneration Policy as a listed business;
- Implementing and making awards under the Company's new Long-Term Incentive Plan;
- Determining the level of bonus payments in respect of the financial year;
- Review of the employment contract for Executive Directors; and
- Drafting the Company's first Directors' Remuneration Report as a listed company.

Nomination and Establishment Committee report

Members of the 2014 Nomination and Establishment Committee	Attendance
A.B.C. Orjiako, Chairman	6/6
Michael Alexander*, Member	6/6
Basil Omiyi, Member	6/6
Damian Dodo*, Member	3/3

* Independent Non-Executive Director.

Dates of 2014 Nomination and Establishment Committee meetings:

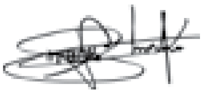
- 29 January 2014
- 18 February 2014
- 20 February 2014
- 20 May 2014
- 23 July 2014
- 27 October 2014

Attendance for each meeting can be seen in the table above.

The Nomination and Establishment Committee has been active during the year. Following the decision of the Board to appoint additional Independent Non-Executive Directors, the Nomination and Establishment Committee initiated an extensive selection process to identify suitable candidates to join the Board. At the recommendation of the Nomination and Establishment Committee, the Board appointed a new Independent Non-Executive Director, Damian Dodo (S.A.N.), which was ratified by shareholders at the Company's 30 June 2014 AGM.

The Nomination and Establishment Committee also reviewed the grade and structure of the Company's senior management, which has given Seplat a structure that enables it to meet international best practice in Board structure to leverage future growth of the business.

I shall be available at the AGM of the Company to be held on 2 June 2015 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.



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

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

The Nomination and Establishment Committee assists the Board in:

- reviewing and making recommendations on the size, composition and balance of the Board and its Committees;
- evaluating the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment and ascertaining that nominees are fit and proper to carry out the duties of a Director;
- evaluating the performance of Directors and making recommendations on the addition or replacement of Executive and Non-Executive Directors and the Chairman of the Board;
- overseeing Management's implementation of the Company's human capital development policies and procedures;
- recruiting, promoting, developing, succession planning or disciplinary measures affecting Executive Directors and Senior Management; and
- overseeing the implementation of Seplat's Code of Conduct as it relates to the functions undertaken or overseen by the Committee and reporting any lapses and recommending remedial action to the Board.

In the financial year ended 31 December 2014, the Nomination and Establishment Committee held six meetings, the dates of which are listed in this report.

Board Committee reports continued

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

- Consideration of short-listed new independent non-executive directors;
- Strategy on talent management and succession planning;
- Review of employee manual;
- Review of the Nigerian and UK Codes and Board Charter;
- Approval of Board appraisal and training;
- Assignment of job group levels to the Company's new organisational structure;
- Review of the Committee's terms of reference;
- Review of the framework for implementation of Board responsibilities in human resources policies; and
- Consideration and approval of strategic recruitment of senior management roles.

The Board appointment process

The Nomination and Establishment Committee leads the process for identifying and recommending the appointment of new directors. Heidrick & Struggles, an external search company, conducts an external search for prospective candidates with appropriate skills and qualifications for specified directorship. Heidrick & Struggles is an independent consultancy firm that also conducts the Company's Board appraisal.

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

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

Diversity at Seplat

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

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

The Board also promotes diversity throughout the business. Seplat's Senior Management Team consists of men and women from different cultures in Nigeria and internationally, who have varying skills and experience in the different sub-sectors of the oil and gas industry. The Board is proud of the increasing number of women amongst the Senior Management Team. Overall, the Company's full-time workforce comprises 26.68% women and four different nationalities.

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

Risk Management and HSSE Committee report

Members of the 2014 Risk Management and HSSE Committee

Members of the 2014 Risk Management and HSSE Committee	Attendance
Basil Omiyi*, Chairman	4/4
Macaulay Ofurhie, Member	4/4
Ifueko Omoigui Okauru*, Member	4/4

*Independent Non-Executive Director

Dates of 2014 Risk Management and HSSE Committee meetings:

- 29 January 2014
- 21 May 2014
- 22 July 2014
- 21 October 2014

Attendance for each meeting can be seen in the table above.

Due to the nature of the oil and gas business as well as the operating environment in Nigeria, the Board has established the Risk Management and HSSE Committee. Its purpose is to regularly review business risk associated with the operations, the health, safety, security and environmental matters in the Company and to propose risk mitigation and value protecting strategies to the Board.

The Risk Management and HSSE Committee receives reports from operational and support management as well as internal and external auditors. The Committee also monitors key risks arising from the territories in which the Company operates.

The Committee's activities are coordinated with those of other Board Committees where their roles overlap. For example, the Risk Management and HSSE Committee will collaborate with the Remuneration Committee on the risk-reward strategy, and with the Finance Committee on the compilation of an overall risk framework for the Company.

The activities of the Risk Management and HSSE Committee during the year are summarised below, and I believe show the breadth of the activities carried out.

I shall be available at the AGM of the Company to be held on 2 June 2015 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Basil Omiyi*
Chairman of Risk Management and HSSE Committee

* Independent Non-Executive Director.

The Risk Management and HSSE Committee consists of three members – two Independent Non-Executive Directors (one of whom is the Committee's Chairman), and one Non-Executive Director. The Risk Management and HSSE Committee meets at least four times a year, and when required, the meetings are attended by appropriate Senior Management of the Company, such as the Chief Executive Officer, Chief Financial Officer, General Manager of HSSE and Community Relations and Head of Internal Audit and Internal Controls. External auditors and specialists with appropriate technical expertise are invited to attend and present to meetings of the Committee.

The Risk Management and HSSE Committee assists the Board in:

- overseeing Seplat's risk management framework, profile and risk-reward strategy determined by the Board, including the significant policies and practices used in managing credit, market, operational and certain other risks, such as health and safety and environmental risks;
- developing a mechanism for monitoring and reporting risk factors or risk related issues for and to the Board;
- receiving and evaluating information from the CFO, Business Risk and Controls Unit, General Counsel, other members of Senior Management, and Seplat's independent auditors, regulators and outside experts as appropriate regarding matters related to risk management;
- in consultation with the Audit Committee, reviewing and discussing with Senior Management, at least annually, the key guidelines and policies governing Seplat's significant processes for risk assessment and risk management; and Seplat's major financial risk exposures and the steps taken by Senior Management to monitor and control such exposures;
- evaluating the effectiveness of Seplat's policies and systems for identifying and managing environmental, health and safety risks within its operations; and
- reviewing the results of any independent audits of Seplat's performance in regard to environmental, health, safety and community relations matters, reviewing any strategies and action plans developed by Management in response to issues raised and, where appropriate, making recommendations to the Board concerning the same.

In the financial year ended 31 December 2014, the Risk Management and HSSE Committee held four meetings, the dates of which are listed in this report.

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

- Review of the risk matrix chart and associated risk responses;
- Review of highlights of high level technical, operational and financial business activities;
- Review of report on HSSE and Community Relations operations; and
- Review of report on risk framework and policy deployment in the Company.

Board Committee reports continued

CSR Committee report

Members of the 2014 CSR Committee	Attendance
Lord Mark Malloch-Brown*, Chairman	3/3
Macaulay Agbada Ofurhie, Member	3/3
Ifueko Omoigui Okauru*, Member	3/3

* Independent Non-Executive Director.

In the financial year ended 31 December 2014, the CSR Committee held three meetings, the dates of which are as follows:

- 21 May 2014
- 23 July 2014
- 27 October 2014

Attendance at each meeting can be seen in the table above.

Seplat is committed to contributing to economic development while improving the quality of life of our workforce, their families and the community at large. The Company recognises the community as one of its key stakeholders and conducts its business with future generations in mind so as to create and sustain an environment that enables a better standard of living. Our commitment to CSR is demonstrated in our annual Sustainability Report, most recently published in 2014.

Although the Company's CSR activities began when the Company commenced operations in 2010, the CSR Committee was constituted in 2014 to strengthen the Company's CSR commitment and initiatives. You will see below details of the terms of reference for the CSR Committee and a summary of the activities they carried out during the year. Further details of the Company's CSR activities during 2014 are contained on pages 48 to 53.

I shall be available at the AGM of the Company to be held on 2 June 2015 in Lagos, Nigeria to talk with shareholders, or if you are not able to meet me there, I can be contacted via the Company Secretary.

Lord Mark Malloch-Brown*
Chairman of CSR Committee

The CSR Committee comprises three Non-Executive Directors, two of whom are Independent. The Committee meets at least four times a year, and when required, the meetings are attended by appropriate Senior Management of the Company (such as the Chief Executive Officer, General Manager of HSSE and Community Relations, and General Manager of External Affairs & Communication), and external advisors upon invitation.

The CSR Committee assists the Board in:

- overseeing the development of strategy and implementation of Seplat's Community Relations Policy and CSR programmes while ensuring that Seplat maintains a cooperative relationship with relevant environmental, health and safety agencies (public and private), as well as community representatives;
- developing a comprehensive Environmental Sustainability policy/strategy and monitoring its total compliance by all parties with respect to protecting the sanctity of the environment;
- overseeing and monitoring implementation of the Global Memorandum of Understanding (GMoU) between Seplat and its host communities, and ensuring due regard in allocation of CSR initiatives is given to other communities impacted by Seplat's operations though not necessarily designated as "host communities";
- evaluating and overseeing the quality and integrity of any reporting to shareholders and external stakeholders concerning community relations issues, and approving the annual CSR report for submission to the Board for ratification and publication; and
- reviewing the results of any independent audits of Seplat's performance in regard to community relations matters, reviewing any strategies and action plans developed by Management in response to issues raised and, where appropriate, making recommendations to the Board concerning the same.

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

- Review of the Committee's Terms of Reference;
- Review of background and highlights of the Company's CSR Policy and previous CSR programmes initiated by the Company before establishment of the Committee;
- Review of Community Relations Projects for 2014 and the GMOU; and
- Consideration of engagement of an external consultant to conduct a review of the Company's CSR activities and benchmark against industry peers.

Directors' remuneration report

Remuneration Committee Chairman's Annual Statement

Despite significant external challenge, the Company again performed strongly overall – increasing production (total and rate) and reserves, as well as materially advancing the strategic gas operation to enhance domestic supply. The 2014 bonuses reflect these achievements, but are reduced due to the scorecard impact of the below target financial performance.

Dear Shareholder,

As the Chairman of the Remuneration Committee, I am pleased to present the report of the Board covering the remuneration policy and practice for the first time as a listed company. In the prospectus we set out some of our core principles for implementation of the different remuneration components of our Executive Directors' packages. These have been further developed and are set out in detail in the Policy Report.

As a dual listed Company, we have applied compliance with the levels of pay disclosure and corporate governance required in both Nigeria and the UK. We aspire to best practice levels of corporate governance and take pride in maintaining the transparency of our remuneration arrangements for shareholders. As a result, we have adopted the regulations together with the attached voting requirements, which builds on the 92% shareholder support we received for our remuneration policy at the 2014 AGM. It is worth noting that our approach to executive compensation has not changed since that vote.

The Chairman's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM on 2 June 2015. The Remuneration Policy will be subject to a binding vote and will become formally effective at the AGM, applying for a period of three years from the date of approval.

Company highlights for the 2014 financial year

In April 2014, Seplat became the first indigenous Nigerian company to obtain a dual listing on both the London and Nigerian Stock Exchanges. Throughout the listing process and for the remainder of the year, the Company maintained its focus on the KPIs set out on pages 28 and 29 of this report. This continued focus led to a robust set of results against the backdrop of an extremely challenging environment for the oil and gas industry. The highlights of FY14 performance included:

- Gross production from operated and non-operated assets increased 4% to 19.73 MMbbls, with a new record set when oil output at OMLs 4, 38 and 41 exceeded 76,000 bopd in December.
- Working interest 2P reserves at 31 December 2014 were up 24% year-on-year at 281 MMboe.
- We achieved a reserves replacement ratio of 4x produced liquid volumes and 8x produced gas volumes.
- We completed the acquisition of interests in OML 53 and OML 55.
- We continued to diversify our revenue streams through advancing the strategic gas operation.
- Operating profit for the year was $289m.

Remuneration highlights for the 2014 financial year

The Remuneration Committee has ensured that 2014 remuneration outcomes reflect our corporate performance. The main highlights are given below:

- Salary increases of 3% awarded to the Executive Directors for 2015, in line with general increases in the UK E&P industry and the wider employee population.
- Annual bonuses of 53% of maximum for the CEO, 65% for the COO and 57% for the CFO.

Directors' remuneration report continued

- The launch of the new Seplat Petroleum Development Company Plc 2014 Long-Term Incentive Plan (the "LTIP"), with grants of 200% of salary to the CEO and 150% to both the CFO and COO.
  - Awards will vest on their third anniversary subject to the achievement of a Relative Total Shareholder Return ("TSR") measure with a Reserves growth underpin.
  - Two thirds of awards will be exercisable by the Executive Directors on vesting after three years, one sixth will be exercisable after four years, with the final one sixth being exercisable after five years.
- In light of the dual listing, one-off awards have also been granted to our Directors in order to reward their contributions in bringing the Company to the market:
  - Awards on Admission of 300% of salary for the Chairman, 300% for the CEO and COO and 250% for the CFO.
  - 50% of the awards vested on Admission. The remaining 50% will vest on the first anniversary of Admission, subject to relative TSR performance and 2014 reserves growth, and will be released on the second anniversary of Admission.

Key activities of the Committee

The Committee's key activities during the 2014 financial year were:

- Agreement of the Committee's terms of reference;
- Formulation of the Company Remuneration Policy as a listed company;
- Implementing and making awards under the Company's new LTIP;
- Determining the level of bonus payments in respect of this financial year;
- Drafting the Company's first Directors' Remuneration Report as a listed company.

In 2015, the Remuneration Committee will continue to monitor the Company's pay programmes to ensure they remain fit for purpose within the challenging environment in which the oil and gas industry currently operates.

I hope that you find the information in this report helpful and I look forward to your support at the Company's AGM.

I am always happy to hear from the Company's shareholders and you can contact me via the GM Human Resources, Alero Onosode, if you have any questions on this report or more generally in relation to the Company's remuneration.

Michael Alexander
Chairman, Remuneration Committee

Notes

This report has been prepared taking into account the principles of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the current Corporate Governance Code and the new UK Corporate Governance Code (applying for financial years beginning on or after 1 October 2014) (the "Code") and the Listing Rules.

As Seplat is a Nigerian registered company, this report has also been prepared taking into account the disclosure requirements under Nigerian law, and specifically the Companies and Allied Matters Act (CAMA). These rules, consistent with the UK regulations, require the remuneration of all Directors, other than the Chief Executive, to be approved by shareholders at the AGM. For completeness, the Company will ask shareholders at the AGM to approve the Annual Report on Remuneration for all Directors for 2014.

The report consists of three sections:

- The Annual Statement by the Remuneration Committee Chairman;
- The Remuneration Policy report which sets out the Company's remuneration policy for Directors and the key factors that were taken into account in setting the policy. This policy will apply for three years from its date of approval; and
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2014 financial year.

At a glance

Introduction

In this section, we summarise the purpose of our remuneration policy, its linkage to our corporate strategic objectives and we highlight the performance and remuneration outcomes for the 2014 financial year. More detail can be found in the Annual Report on Remuneration.

Our principles of remuneration

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

By creating a strong link between pay and performance, failure to meet robust targets will ensure Executive Director pay in any given year is significantly reduced.

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

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

How our remuneration principles support the business strategy

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

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

Directors' remuneration report continued

Remuneration policy in practice

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

The key elements of our Executive Director remuneration policy are outlined below. The full Remuneration Policy is disclosed on pages 82 to 90.

Element	Operation of element
Salary **Pension**	The Company provides competitive levels in line with a group of international listed Exploration & Production companies which reflect the size and scale of Seplat and the international sector in which we operate.
Benefits	Provided in line with local market practice in the country or territory in which the individual is employed.
Annual Bonus	Maximum annual bonus opportunity is 200% of salary payable over three years. 75% of any bonus earned will be paid in cash at the end of year 1. The remaining 25% of any bonus earned will be deferred into shares and paid at the end of year 3. Annual bonus will be subject to clawback and malus.
Long-Term Incentive Plan	Maximum annual award is 250% of salary. Awards will vest at the end of three years subject to the achievement of TSR performance measures where the Company's TSR is compared to a group of UK listed oil and gas companies. 50% of awards are also subject to a Reserves growth underpin. 60% of awards will be exercisable by the Executive Directors on vesting after three years; 20% will be exercisable after four years, with the final 20% being exercisable after five years. Awards will be subject to clawback and malus.

Pay outcomes for 2014

Executive Directors	Period	$'000	Taxable benefits[2] $'000	Bonus[3] $'000	LTIP	Pension[4] $'000	Other[5]	Total $'000
Austin Avuru	**2014**	**1,030**	**165**	**824**	**0**	**154**	**1,350**	**3,523**
	2013	875	225	919	0	91	0	2,110
Stuart Connal	**2014**	**783**	**133**	**509**	**0**	**172**	**1,131**	**2,728**
	2013	704	125	490	0	62	0	1,381
Roger Brown	**2014**	**783**	**82**	**859**	**0**	**117**	**1,325**	**3,166**
	2013	312	0	312	0	44	197	865

Notes:
1. Salaries for Executive Directors are set in GBP – 2014 salaries were £625,000 for the CEO and £475,000 for the CFO/COO. For the CEO and COO (who are located in Nigeria), 2014 income tax credits of 20% have been paid by the Company as a carry-over of historical practice. This is not included in the salary or taxable benefits figures above.
2. The taxable benefits for each Executive Director comprise those which are quantifiable.
3. As part of his recruitment, Roger Brown was entitled to a bonus of 100% of initial salary (£450,000) which would be paid on the first anniversary of the commencement of his appointment. This amount has been pro-rated between the 2013 and 2014 financial years (such that the 2014 figure for Roger includes this as well as his 2014 annual bonus).
4. Pension contributions are provided as a cash supplement/contribution into a personal pension fund and equal 15% of salary for the CEO/CFO and 22% for the COO.
5. For 2014, this column includes the proportion of awards on Admission (50%) that vested on the date of Admission to recognise the contributions of the Directors in bringing the Company to listing – see page 94 for further details. Roger Brown's 2013 and 2014 figures also include a fixed cash payment relating to the value of share awards foregone from his previous employer ($197,118 for 2013, $383,082 for 2014), which is being paid in increments until 2016. The value of the total payment to be made is $1,072,084.
6. Consistent with the recommendations of the UK and Nigerian Codes, in anticipation of the Company's listing as a public company, A.B.C. Orjiako transitioned to being a Non-Executive Chairman with effect from 1 January 2014 and is therefore not included in this table.
7. Where 2013 remuneration was set in GBP, the average 2013 USD:GBP exchange rate of 1.56 (rounded to two decimal places) has been used. The average 2014 USD:GBP exchange rate of 1.65 (rounded to two decimal places) has been used to calculate salary, benefit, pension and bonus figures. 2014 remuneration reflects the 6% increase in the USD:GBP exchange rate from 2013. The awards on Admission (50%) have been converted based on the exchange rate at Admission when this proportion of awards vested.

Achievement of corporate performance scorecard

The Company's performance, in relation to the corporate metrics scorecard used for calculation of the annual bonus payment, is shown below (the level of satisfaction of individual targets is also set out in the Annual Report on Remuneration on page 93).

Performance measure	Specific	Performance achieved: Below Threshold	Threshold to Target	Target to Maximum	Maximum	Resulting level of award for element (% of maximum opportunity)
Production, sustainability and efficiency	Production volume			✓		67%
	Reserves replacement				✓	100%
	OPEX per boe	✓				0%
Financial efficiency	FY14 EBIT	✓				0%
Health, safety and environmental performance	LTI rate		✓			35%
Corporate governance	Internal control and ethics procedures				✓	100%

Composition and terms of reference of the Remuneration Committee

The members of Seplat's Remuneration Committee are as follows:

- Michael Alexander (Chairman)
- Basil Omiyi
- Charles Okeahalam
- Damian Dodo

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the remuneration policy and for determining specific packages for the Executive Directors, the Chairman, Non-Executive Directors and other members of the Executive Team. The terms of reference for the Committee are available on the Company's website, http://seplatpetroleum.com, and from the Company Secretary at the registered office.

The Committee receives assistance from the GM Human Resources, who attends meetings by invitation, except when issues relating to their own remuneration are being discussed. The Executive Directors attend by invitation on occasions. The Committee met six times during the financial year.

Advisors to the Remuneration Committee

Following a formal tendering process carried out by the Board prior to Admission, the Committee has engaged the services of PricewaterhouseCoopers LLP (PwC) as independent remuneration advisor. Other services received by the Company from PwC during the financial year included those in relation to payroll, personal/corporate tax advice and internal audit.

During the financial year, PwC advised the Committee on all aspects of remuneration policy for Executive Directors, Non-Executive Directors and members of the Executive Team. The Committee is satisfied that advice received from PwC during the year was objective and independent.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees.

Directors' remuneration report continued

Directors' Remuneration Policy

Introduction

In accordance with the new regulations, the Directors' Remuneration Policy (the "Policy") as set out below will become formally effective at the Annual General Meeting on 2 June 2015 and will apply for the period of three years from the date of approval.

Policy summary

The Company's aim is to attract, retain and motivate the best talent to help execute the business strategy successfully and ensure long-term value creation for shareholders as it enters the next stage of its development operating as a listed company in the current challenging environment of the oil and gas industry.

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

Overall remuneration levels have been set at a level that are considered by the Committee to be appropriate for the size, nature and aspirations of the business, having taken specialist, independent advice where necessary, in order to ensure that the policies and remuneration structure are appropriate for the listed company environment.

The Policy is designed around the following key principles:

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

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

The Committee will review annually the remuneration arrangements for the Executive Directors and key senior managers, drawing on trends and adjustments made to all employees across the Group and taking into consideration:

- Business strategy over the period;
- Overall corporate performance;
- Market conditions affecting the Company;
- The recruitment market;
- Changing practice in the market where the Company competes for talent; and
- Changing views of institutional shareholders and their representative bodies.

UK Corporate Governance Code

The Committee is comfortable that the proposed Policy is in line with the new UK Corporate Governance Code (applying for financial years beginning on or after 1 October 2014). The following table sets out the key elements of the revised Code and how the Company's remuneration policy for Executive Directors is in line with the Code:

Code Provision	Company Remuneration Policy
Executive Directors' remuneration should be designed to promote the long-term success of the company.	The Company has an LTIP with a three year performance period, with a four or five year total holding period applying to 40% of awards. The policy incorporates bonus arrangements where part of the annual bonus is deferred in shares payable over three years with the facility for the Committee to add holding periods post vesting. It is the Committee's view that these arrangements provide a holistic approach to ensuring Executive Directors are focused on the long-term success of the Company.
Schemes should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so.	The LTIP rules include malus and clawback provisions. Although there are no specific plan rules for the annual bonus, the Committee has decided to adopt best practice malus/clawback provisions. The deferred bonus shares are granted under the LTIP and so will be subject to the malus/clawback provisions contained within the LTIP rules.
For share-based remuneration, the Remuneration Committee should consider requiring directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, including for a period after leaving the company, subject to the need to finance any costs of acquisition and associated tax liabilities.	The Company has not adopted a formal shareholding requirement at this time due to the Company's recent listing which resulted in the annual/Admission equity awards granted under the LTIP, which in aggregate places significant value at risk for the Executive Directors. The Committee has resolved to further consider the adoption of a formal shareholding requirement, which will be discussed during 2015 for implementation in 2016. It is important to note that 40% of the annual awards under the LTIP incorporate post-vesting holding periods. In addition, 25% of the bonus earned will be deferred into shares payable over three years.

Discretion

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

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

These discretions, which in certain circumstances can be operated in both an upward and downward manner, are consistent with market practice and are necessary for the proper and fair operation of the plans so that they achieve their original purpose. However, it is the Committee's policy that there should be no element of reward for failure and any upward discretion will only be applied in exceptional circumstances.

It is the Committee's intention that commitments made in line with its policies prior to Admission will be honoured, even if satisfaction of such commitments is made after the Company's first AGM following Admission and may be inconsistent with the above policies.

Differences in policy from the wider employee population

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

The Group operates employee share and variable pay plans on a discretionary basis, with pension provisions provided for all Executives and employees.

Directors' remuneration report continued

Remuneration Policy

The policy described in this part is intended to apply for three years and will be applicable from 2 June 2015 subject to approval by shareholders at the Company's AGM. The policy section will be displayed on the Company's website, in the investor relations area, immediately after the 2015 AGM.

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity	Performance metrics
Base salary	Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	An Executive Director's base salary is set on appointment and is aimed to provide a competitive base salary relative to an appropriate benchmark. When determining an appropriate level of salary, the Committee considers: • remuneration practices within the Group; • the general performance of the Group; • salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking*; and • the economic environment. It is reviewed annually or when there is a change in position or responsibility. Any subsequent salary increases will take into account factors such as: • the performance of the individual; • pay and conditions throughout the Company; • inflation/cost of living in jurisdictions where Executive Directors reside; and • the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity in the UK and North American E&P sector.	Over the policy period, base salaries for current Executive Directors will be set at a highly competitive level within the comparator group and will increase in line with the increase for the general workforce in the Company other than in exceptional circumstances or when there is a change in role or responsibility. Base salary increases will be capped at 10% p.a. New promotes or recruits to the Board may on occasion have their salaries set below the targeted policy level while they become established in their role. In such cases salary increases may be higher than the increase for the general workforce of the Company until the target market positioning is achieved. The Company will set out in the section headed statement of implementation of remuneration policy in the following financial year the salaries for that year for each of the Executive Directors (see page 98).	N/A
Benefits	Provides a level of benefits consistent with local market practice to support individuals in carrying out their roles	Benefits provided to the Executive Directors are dependent on their working location – the CEO and COO are based in Nigeria, whereas the CFO is based in the UK.** The Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensure it is able to support the objective of attracting and retaining personnel.	The maximum opportunity for other benefits is defined by the nature of the benefit itself and the cost of providing it. As the cost of providing such benefits is dependent on market rates and other factors, there is no formal maximum monetary value.	N/A
Pensions	Provides a competitive level of retirement benefit.	Employer retirement funding is determined as a percentage of gross basic salary, up to a maximum limit of 22%. This may be provided either as a contribution into a personal pension fund or as a cash supplement.	A maximum pension contribution of 22% of salary. The Company will set out in the section headed implementation of remuneration policy in the following financial year the pension contributions for that year for each of the Executive Directors (see page 98).	N/A

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity	Performance metrics
Annual Bonus	Provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy (by including performance conditions around both financial and quality targets) and the creation of value for shareholders. In particular, it supports the Company's objectives allowing the setting of annual targets based on the businesses' strategic objectives at that time, meaning that performance conditions will change to mitigate short-term pressures and exploit short-term opportunities – all aligned to deliver the longer-term objective.	The Committee will determine the maximum annual participation in the annual bonus for each year, which will not exceed 200% of salary. 75% of any bonus earned will be paid in cash at the end of year 1. The remaining 25% of any bonus earned will be deferred into shares (under the rules of the LTIP) and paid at the end of year 3. The Company operates an annual bonus scorecard of performance metrics, incorporating the Company's KPIs as well as individual performance targets. Details of the performance conditions and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration.	Maximum bonus opportunity of 200% of salary. Percentage of bonus maximum earned for levels of performance: • Threshold – 30% • Target – 60% • Maximum – 100%	The Company operates an annual bonus scorecard of performance metrics, incorporating the Company's KPIs around financial, strategic and operational conditions as well as individual performance targets. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. The performance measures, achievement against targets and the value of awards made will be published at the end of the performance periods so shareholders can assess the basis for any pay-outs under the annual bonus. Although there are no specific plan rules for the annual bonus, the Committee has decided to adopt malus/clawback provisions. The deferred bonus shares are granted under the LTIP and so will be subject to the malus/clawback provisions contained within the LTIP rules.
Long-Term Incentive Plan	Awards are designed to incentivise the Executive Directors to maximise total shareholder returns by successfully delivering the Company's objectives and to share in the resulting increase in total shareholder value. If targets are reached, Executive Directors are well rewarded in that year – however if we fail, management share the financial disappointment. The use of relative TSR measures the success of the implementation of the Company's strategy in delivering an above market level of return. The use of reserves growth ensures that vesting is further underpinned by the need to grow the key E&P long-term core assets (recoverable reserves) at an acceptable rate on a sustainable basis.	Awards are granted annually to Executive Directors. These will vest at the end of a three year period subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. The Committee may award dividend equivalents on awards to the extent that these vest. To the extent that awards vest: • 60% of the awards will be exercisable on vesting, three years after grant; • 20% of the awards will be exercisable four years after grant; and • 20% of the awards will be exercisable five years after grant.	Maximum value of 250% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the Plan.	100% of the award will vest based on relative TSR performance as assessed against a bespoke comparator group of UK E&P companies. Further details of the 2014 comparator group are provided in the Annual Report on Remuneration on page 95. 25% of the award will vest for median performance. 100% of the award will vest for upper quartile performance. There will be straight line vesting between these points. 50% of the award will also be subject to a reserves growth underpin, which will operate as follows: • 100% of the award subject to the underpin will lapse if reserves fall by 10% or more over the performance period; • None of the award will lapse if reserves grow by 10% or more over the performance period; and • There will be a straight line reduction in vesting between these points. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the statement of implementation of remuneration policy in the future financial year. The LTIP contains clawback and malus provisions.

* Salaries are set compared to a comparator group of international companies including: Genel, Premier Oil, Bonanza Creek Energy Inc, Sandridge Energy, PBF Energy, Ophir Energy, Soco International, Delek US Holding, Halcon Resources, Matador Resources, PDC Energy, Afren, Stone Energy, Sanchez Energy, Cairn Energy, Gran Tierra Energy, Enquest.

** All Executive Directors receive medical insurance, club membership and car allowance. The CEO and COO also receive allowances in line with local Nigerian market practice – these allowances include home security, rest and recreation, company accommodation, furniture and fittings, generator and diesel, utilities, petrol/diesel and child education support. The CFO also receives life assurance and critical illness cover.

Directors' remuneration report continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity	Performance metrics
Non-Executive Director Fees	Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors. Non-Executive Directors are paid a base fee and additional fees for chairmanship/membership of committees. Fees are reviewed annually based on equivalent roles in UK listed companies taking account of the Company's location and sector. Non-Executive Directors do not participate in any variable remuneration arrangements.	In general the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	N/A

Recruitment policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the remuneration policy table above. The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

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

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

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the remuneration report for the relevant financial year.

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

Service agreements and letters of appointment

Executive Directors

Name	Date of service contract	Nature of contract	Notice period from Company	Notice period from Director	Compensation provisions for early termination
Austin Avuru	27 March 2014	Rolling	12 months	12 months	Payment in lieu of notice equal to 12 months' salary and benefits, including any payments accrued at the date of termination
Stuart Connal	11 September 2014	Rolling	12 months	12 months	
Roger Brown	20 May 2013	Rolling	12 months	12 months	

Non-Executive Directors

Name	Date of appointment	Nature of contract	Notice period from Company	Notice period from Director	Compensation provisions for early termination
A.B.C. Orijako	1 January 2014	Fixed term to 2017 AGM	12 months	12 months	None
Michael Alexander	1 June 2013	Fixed term to 2015 AGM	6 months	6 months	6 months' fees if not re-elected or retired
Michel Hochard	14 December 2009	Rolling	6 months	6 months	None
Macaulay Ofurhie	14 December 2009	Rolling	6 months	6 months	None
Basil Omiyi	1 March 2013	Fixed term to 2015 AGM	6 months	6 months	6 months' fees if not re-elected or retired
Ifueko Omoigui Okauru	1 March 2013	Fixed term to 2015 AGM	6 months	6 months	6 months' fees if not re-elected or retired
Charles Okeahalam	1 March 2013	Fixed term to 2015 AGM	6 months	6 months	6 months' fees if not re-elected or retired
Lord Mark Malloch-Brown	1 February 2014	Fixed term to 2016 AGM	6 months	6 months	6 months' fees if not re-elected or retired
Damian Dodo	21 May 2014	Fixed term to 2016 AGM	6 months	6 months	6 months' fees if not re-elected or retired

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

The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors are appointed by letters of appointment.

As required by Nigerian law, the Company follows the provisions set out in its Memorandum and Articles of Association and annually places one-third of its Non-Executive Directors for re-election.

Directors' remuneration report continued

Illustrations of the application of the remuneration policy

The charts below illustrate the remuneration that would be paid to each of the Executive Directors, based on salaries at the start of financial year 2015, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus; and (iii) LTIP.

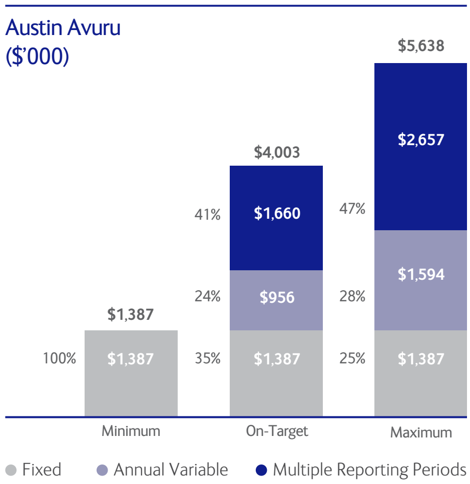
Element	Description	Minimum	On-target	Maximum
Fixed	Salary, benefits and pension	Included	Included	Included
Annual Bonus	Annual bonus (including deferred shares)	No annual variable	60% of maximum bonus	100% of maximum bonus
Long-Term Incentive Plan	Award under the Long-Term Incentive Plan	No multiple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

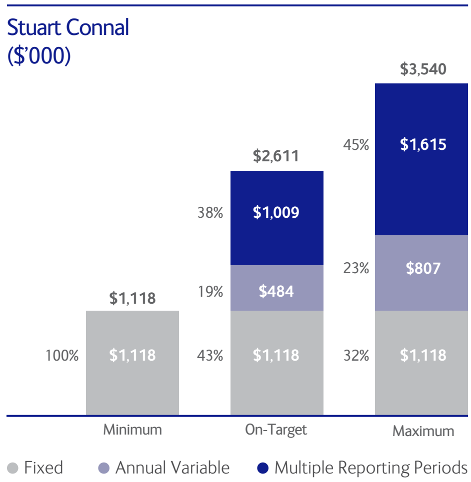
* On target % pay-out is calculated as the mid-point between threshold vesting of 25% (for median performance) and the maximum vesting of 100% (for upper quartile performance).

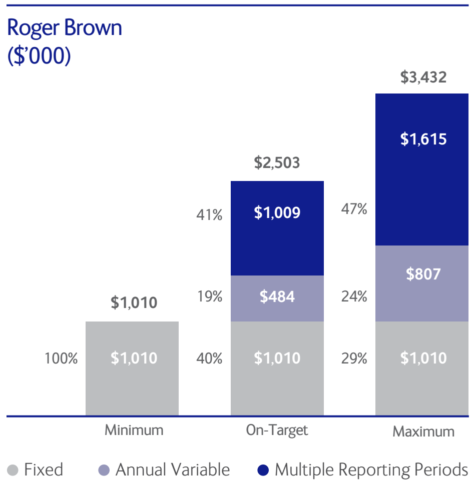
The following table sets out the key aspects of policy used to populate the charts beside.

Role	2015 salary ($'000)	Annual Bonus (% salary)	LTIP (% salary)	Pension (% salary)
CEO	1,063	150%	250%	15%
COO	807	100%	200%	22%
CFO	807	100%	200%	15%

In accordance with the regulations, share price growth has not been included. In addition, dividend equivalents have not been added to deferred share bonus and LTIP share awards.







* Note: Roger Brown's remuneration package illustrated above does not include a fixed cash payment relating to the value of share awards foregone from his previous employer that will become payable in 2015.

Payment for loss of office

When determining any loss of office payment for a departing individual the Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time. The Committee retains overriding discretion to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

Under Nigerian law, any payment for loss of office to Directors must be approved by shareholders at the AGM. The table below sets out, for each element of total remuneration, the Company's policy on payment for loss of office in respect of the Executive Directors and any discretion available to the Committee. In any year where a Director has received payment for loss of office the Company will ask shareholders to vote on that payment on a retrospective basis.

Remuneration element	Treatment on cessation of employment		
Salary	Salary will be paid over the notice period. The Company has discretion to make a lump sum payment on termination of the salary payable during the notice period. In all cases the Company will seek to mitigate any payments due.		
Benefits	Benefits will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the benefits payable during the notice period. In all cases the Company will seek to mitigate any payments due.		
Pension	Company pension contributions will normally be provided over the notice period. The Company has discretion to make a lump sum payment on termination equal to the value of the Company pension contributions during the notice period. In all cases the Company will seek to mitigate any payments due.		
Annual Bonus (cash)	**Good leaver reason**		**Other reason**
	Pro-rated to time and performance for year of cessation		No bonus payable for year of cessation.
Annual Bonus (deferred shares)	**Good leaver reason**	**Other reason**	**Discretion**
	All subsisting deferred share awards will vest in full on cessation of employment.	Lapse of any unvested deferred share awards.	The Committee has the following elements of discretion: • to determine that an executive is a good leaver; • whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's policy is generally to not pro-rate to time. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director's departure; • whether to deliver awards at the time of cessation or at the normal vesting date. The Committee's policy is to deliver awards at the normal vesting date.
LTIP	**Good leaver reason**	**Other reason**	**Discretion**
	Pro-rated to time and performance in respect of each subsisting LTIP award.	Lapse of any unvested LTIP awards.	The Committee has the following elements of discretion: • to determine that an executive is a good leaver; • to measure performance (or any other condition) over the original performance period or at the date of cessation; • whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's policy is generally to pro-rate to time; • whether to deliver awards at the time of cessation or at the normal vesting date. The Committee's policy is to deliver awards at the normal vesting date.
Other contractual obligations	Roger Brown's fixed cash payment relating to the value of share awards foregone from his previous employer will be forfeited if he resigns, is dismissed or is terminated for cause in specific circumstances. There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- redundancy;
- injury or disability;
- retirement;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than for 'good leaver' reasons is classified as cessation for 'other reasons' as set out in the table above.

Directors' remuneration report continued

Change of control

The Committee's policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
Annual Bonus (cash)	Pro-rated to time and performance to the date of the change of control.	The Committee retains discretion to continue the operation to the end of the bonus year. The Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.
Annual Bonus (deferred shares)	Subsisting deferred share awards will vest on a change of control.	The Committee retains the discretion to pro-rate to time.
LTIP	The number of shares subject to subsisting LTIP awards on a change of control will be pro-rated to time and performance.	There is a presumption that the Committee will pro-rate to time. The Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to shareholders which will be fully explained to shareholders. In all cases the performance conditions must be satisfied.

Statement of conditions elsewhere in the Company

The Committee, along with setting the remuneration packages of the Executive Directors, also has purview over the reward arrangements of the Senior Management Team, which consists of around 15 additional employees.

When considering the salary movements on a year on year basis for the Senior Management Team, the Committee will take account of salary increases across the general employee base. Executive Director annual bonus targets are also devolved down into the management line with an increasing emphasis on the quality and technical component elements needed to sustain corporate progress.

Consideration of shareholder views

The Committee takes the views of shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy.

Annual Report on Remuneration

Single total figure of remuneration

Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2014 financial year. Comparative figures for the 2013 financial year have also been provided.

Executive Directors	Period	Salary[1] $'000	Taxable benefits[2] $'000	Bonus[3] $'000	LTIP	Pension[4] $'000	Other[5]	Total $'000
	2014	**1,030**	**165**	**824**	**0**	**154**	**1,350**	**3,523**
Austin Avuru	2013	875	225	919	0	91	0	2,110
	2014	**783**	**133**	**509**	**0**	**172**	**1,131**	**2,728**
Stuart Connal	2013	704	125	490	0	62	0	1,381
	2014	**783**	**82**	**859**	**0**	**117**	**1,325**	**3,166**
Roger Brown	2013	312	0	312	0	44	197	865

Notes:
1. Salaries for Executive Directors are set in GBP – 2014 salaries were £625,000 for the CEO and £475,000 for the CFO/COO. For the CEO and COO (who are located in Nigeria), 2014 income tax credits of 20% have been paid by the Company as a carry-over of historical practice. This is not included in the salary or taxable benefits figures above.
2. The taxable benefits for each Executive Director comprise those which are quantifiable.
3. As part of his recruitment, Roger Brown was entitled to a bonus of 100% of initial salary (£450,000) which would be paid on the first anniversary of the commencement of his appointment. This amount has been pro-rated between the 2013 and 2014 financial years (such that the 2014 figure for Roger includes this as well as his 2014 annual bonus).
4. Pension contributions are provided as a cash supplement/contribution into a personal pension fund and equal 15% of salary for the CEO/CFO and 22% for the COO.
5. For 2014, this column includes the proportion of awards on Admission (50%) that vested on the date of Admission to recognise the contributions of the Directors in bringing the Company to listing – see page 94 for further details. Roger Brown's 2013 and 2014 figures also include a fixed cash payment relating to the value of share awards foregone from his previous employer ($197,118 for 2013, $383,082 for 2014), which is being paid in increments until 2016. The value of the total payment to be made is $1,072,084.
6. Consistent with the recommendations of the UK and Nigerian Codes, in anticipation of the Company's listing as a public company, A.B.C. Orjiako transitioned to being a Non-Executive Chairman with effect from 1 January 2014 and is therefore not included in this table.
7. Where 2013 remuneration was set in GBP, the average 2013 USD:GBP exchange rate of 1.56 (rounded to two decimal places) has been used. The average 2014 USD:GBP exchange rate of 1.65 (rounded to two decimal places) has been used to calculate salary, benefit, pension and bonus figures. 2014 remuneration reflects the 6% increase in the USD:GBP exchange rate from 2013. The awards on Admission (50%) have been converted based on the exchange rate at Admission when this proportion of awards vested.

Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director.

	2014 Fees and Expenses ($'000)	2013 Fees and Expenses ($'000)	
A.B.C. Orjiako[1]	1,092	N/A	Non-Executive Chairman and Nomination and Establishment Committee Chairman
Michael Alexander	573	301	Senior Independent Director, Remuneration Committee Chairman, Finance and Nomination and Establishment Committee member
Michel Hochard	57	41	N/A
Macaulay Ofurhie	152	159	N/A
Basil Omiyi	292	228	Risk Management and HSSE Committee Chairman, Remuneration and Nomination and Establishment Committee member
Ifueko Omoigui Okauru	282	246	Finance, Audit and Risk Management and HSSE Committee member
Charles Okeahalam	292	228	Finance Committee Chairman, Remuneration and Audit Committee member
Lord Mark Malloch-Brown	222	N/A	CSR Committee Chairman, Finance Committee member
Jean-Francois Henin[2]	0	44	N/A
Alhaji Nasir Ado Bayero[2]	0	41	N/A
Damian Dodo[3]	0	N/A	Remuneration and Nomination and Establishment Committee member

1 A.B.C. Orjiako served as an Executive Director in 2013 – therefore 2013 salary amounts are not displayed in the table above given that they are not comparable to 2014 fees in his capacity as Chairman.
2 No longer Directors – Jean-Francois Henin resigned on 21 February 2014 and Alhaji Nasir Ado Bayero resigned on 28 January 2014.
3 Fees are owed for 2014.

The total remuneration paid to Directors in 2014 was $12.378 million.

Directors' remuneration report continued

Annual Fees

Position	2014 Annual Fee ($'000)	2013 Annual Fee ($'000)
Chairman	906	N/A
Board	165	165
Senior Independent Director	247	247
Committee Chairmanship (excluding Finance)	49	49
Finance Committee Chairmanship*	54	49
Committee Membership (excluding Finance)	33	33
Finance Committee Membership*	35	33

* Finance Committee membership/chairmanship fees were increased to $41,250 and $66,000 respectively (from $33,000 and $49,000) for Directors who are also members of the Nigerian Audit Committee, on 1 October 2014 with immediate effect. The 2014 fees are shown above on a pro-rated basis for these Finance Committee roles.

Additional information regarding single figure table

The Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the cyclical nature of the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Annual Bonus

In respect of the 2014 financial year, the bonus awards payable to Executive Directors were agreed by the Committee having reviewed the Company's results. Details of the achievement of the measures used to determine bonuses in respect of the 2014 financial year and the extent to which they were satisfied are shown in the table below. These figures are included in the single figure table.

Achievement of corporate performance conditions

		Performance achieved				
Performance measure	**Specific**	**Below Threshold**	**Threshold to Target**	**Target to Maximum**	**Maximum**	**Resulting level of award for element (% of maximum opportunity)**
Production, sustainability and efficiency	Production volume			✓		67%
	Reserves replacement				✓	100%
	OPEX per boe	✓				0%
Financial efficiency	FY14 EBIT	✓				0%
Health, safety and environmental performance	LTI rate		✓			35%
Corporate governance	Internal control and ethics procedures				✓	100%

Annual Bonus pay-out

As set out in the Remuneration Policy table in this report, the Company operates an annual bonus scorecard of performance metrics, incorporating the Company's KPIs around financial, strategic and operational conditions as well as individual performance targets.

The CEO's bonus scorecard is weighted in favour of corporate measures, with 70% of his maximum opportunity depending on the KPIs set out on page 92. The remaining 30% of his bonus opportunity is measured against individual objectives. An example individual objective for 2014 was the retention of high performing senior management and implementing succession plans for the top 50 positions in the organisation.

The COO and CFO 2014 bonus scorecards were weighted 60% in relation to corporate performance and 40% against individual performance.

The CEO's 2014 maximum opportunity was 150% of salary, whilst the COO's and CFO's maximum was 100% of salary.

The table sets out the annual bonus earned for the year:

	CEO		COO		CFO	
Performance measures	**Achieved (% of max)**	**Bonus earned ($'000)**	**Achieved (% of max)**	**Bonus earned ($'000)**	**Achieved (% of max)**	**Bonus earned ($'000)**
Corporate measures	29% out of 70%	453	25% out of 60%	196	25% out of 60%	196
Individual performance	24% out of 30%	371	40% out of 40%	313	32% out of 40%	250
Total	**53%**	**824**	**65%**	**509**	**57%**	**446***

* This does not reflect the bonus disclosure for the CFO in the single figure table which also includes an element of the CFO's bonus which was granted as part of his recruitment arrangements.

It is the Committee's view that the individual performance conditions are commercially sensitive and therefore details cannot be disclosed.

25% of each Executive Director's bonus has been deferred into shares and will be released in three years subject to continued employment.

Directors' remuneration report continued

Awards granted on Admission

Conditional share awards were granted to the Chairman, CEO, COO and CFO on the day of Admission to the London Stock Exchange to recognise their contribution to the business in the lead up to Admission. The awards were formally approved at the 2013 AGM. The key terms and parameters of these awards are set out below:

Name	Basis on which award made	Face value of award ($'000)	Percentage of award vesting at threshold performance (%)	Maximum percentage of face value that could vest (%)	Performance conditions
A.B.C. Orjiako	One-off award	3,086	100%	100%	50% of the award vested on Admission and is subject to a one-year lock-in period during which the Directors can not sell their shares. 50% of the award will be released on the second anniversary of Admission subject to conditions as set out below.
Austin Avuru	One-off award	2,700	100%	100%	
Stuart Connal	One-off award	2,261	100%	100%	
Roger Brown	One-off award	1,884	100%	100%	

As set out in the Admission document and modified at the 2014 AGM, half of the awards above were to be released on the second anniversary of Admission subject to satisfaction of the following performance conditions:

- The Company's share price must not fall below the 30 day average post-Global Offer level as compared to the 30 day average share price before the vesting dates as set out above; and
- Total production for the 30 days post-Global Offer must increase by at least 10% p.a. on a compounded basis compared with 30 day total production before the vesting dates set out above.

At the March 2015 Remuneration Committee meeting, it was determined that the conditions as stated above were to be replaced by relative TSR and reserves growth metrics, consistent with the 2014 LTIP performance conditions. The Committee approved that these awards will vest in full if the Company outperforms the median TSR performance level within the LTIP E&P comparator group, over the one year period from Admission. These awards will also be subject to a reserves growth underpin as per the 2014 LTIP. The Committee believes that this is a fairer measure of Company performance during a period of unprecedented volatility in oil prices and maintains consistency across the Company's long-term incentive arrangements.

The awards were granted on Admission on 9 April 2014. The face value has been calculated with reference to the share price at this date of £2.10.

In line with the disclosures made in the Admission prospectus, all Non-Executive Directors who had served on the Board during the nine months prior to the date of the Admission were also, on Admission, allotted shares in the Company on a one-off basis at nominal value as part of their remuneration structure pre-flotation as set out below:

Name	Number of shares awarded
Michael Alexander	95,238
Michel Hochard	95,238
Macaulay Ofurhie	95,238
Basil Omiyi	95,238
Ifueko Omoigui Okauru	95,238
Charles Okeahalam	95,238
Lord Mark Malloch-Brown	31,746*
Jean-Francois Henin**	95,238
Alhaji Nasir Ado Bayero**	95,238

* Pro-rated for time served.
** No longer Directors.

The number of shares awarded to each Director was calculated on the basis of a £200,000 grant at the Admission price of £2.10.

There is a restriction on the sale of these shares so that 50% of the shares cannot be sold until 9 April 2015 and the remaining 50% cannot be sold until 9 April 2016.

Long-term incentives awarded in 2014

The table below sets out the details of the long-term incentive awards granted in the 2014 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

Name	Basis on which award made	Face value of award ($'000)	Percentage of award vesting at threshold performance (%)	Maximum percentage of face value that could vest (%)	Performance conditions
Austin Avuru	Annual	2,093	25%	100%	100% Relative TSR and reserves growth underpin – see policy table on page 85 for further details
Stuart Connal	Annual	1,193	25%	100%	
Roger Brown	Annual	1,193	25%	100%	

The awards were granted on Admission on 9 April 2014. The face value has been calculated with reference to the share price at this date of £2.10. The awards will vest, subject to achieving the threshold performance level, on 9 April 2017. Two thirds of the award will be exercisable on vesting, with one-sixth being exercisable one year after vesting and the final one-sixth being exercisable two years after vesting.

The comparator group used for assessing relative TSR consists of the following companies:

- Afren
- Amerisur Resources
- Cairn Energy
- Caracal Energy
- Exillon Energy
- Genel Energy
- Gulf Keystone Petroleum
- Heritage Oil
- Lekoil
- Ophir Energy
- Petroceltic International
- Premier Oil
- Rockhopper Exploration
- Salamander Energy
- Soco International
- Tullow Oil

Payments to past Directors/payments for loss of office

There were no payments in the financial year.

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

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Directors' remuneration report continued

Statement of Directors' shareholdings

The number of shares of the Company in which current Directors had a beneficial interest and details of long-term incentive interests as at 31 March 2015 are set out in the table below.

	Shares held directly		Other shares held		
Director	**Beneficially owned***	**Deferred shares not subject to performance conditions**	**LTIP interests subject to performance conditions**	**LTIP interests not subject to performance conditions**	**Total interests held as at 31 March 2015**
Austin Avuru	73,297,011	nil	979,144	383,906	74,660,061
Stuart Connal	1	nil	660,713	321,428	982,142
Roger Brown	1	nil	607,142	267,857	875,000

* Beneficial interests include shares held directly or indirectly by connected persons.

Details of the Non-Executive Directors' interests in shares are set out below:

Director	**Shares held as at 31 March 2015***
A.B.C. Orjiako	84,736,913
Michael Alexander	nil
Michel Hochard	nil
Macaulay Ofurhie	4,806,373
Basil Omiyi	400,000
Ifueko Omoigui Okauru	nil
Charles Okeahalam	400,000
Lord Mark Malloch-Brown	nil
Damian Dodo	nil

* Beneficial interests include shares held directly or indirectly by connected persons.

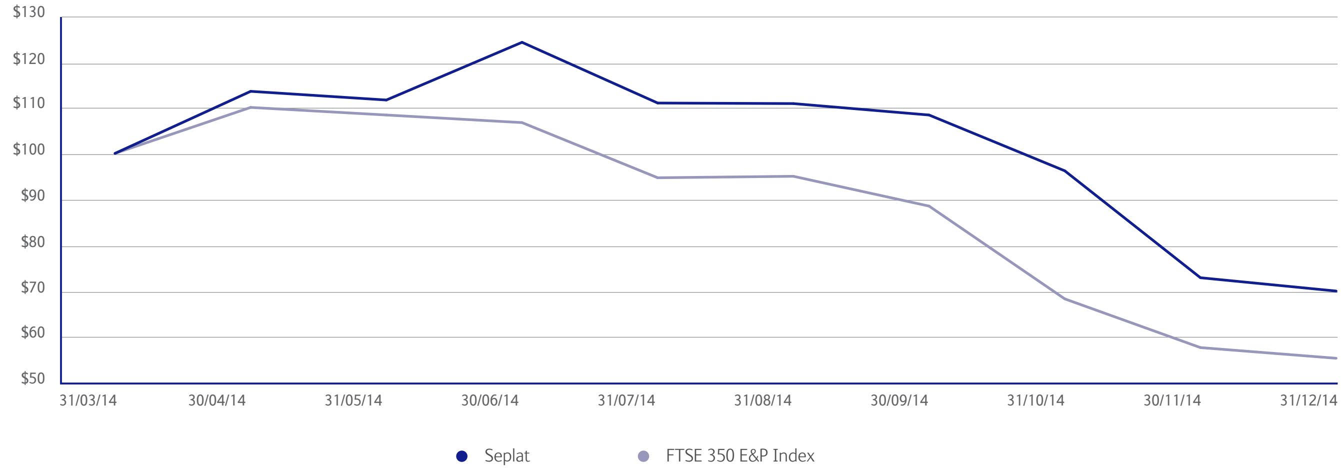
There was no change in Directors' shareholdings between 31 December 2014 and 31 March 2015.

Comparison of overall performance and pay

The graph below shows the value of $100 invested in the Company's shares since listing compared to the FTSE 350 Exploration & Production Index. The graph shows the Total Shareholder Return generated by both the movement in share value and the reinvestment over the same period of dividend income.

The Committee considers that the FTSE 350 Exploration & Production is an appropriate index as this contains companies in the same sector as Seplat. This graph has been calculated in accordance with the Regulations. It should be noted that the Company began trading conditionally on the London Stock Exchange on 9 April 2014 and therefore only has a listed share price for the period of 9 April 2014 to 31 December 2014.

TSR (rebased to $100 at 9 April 2014)



CEO historical remuneration

The table below sets out the total remuneration delivered to the CEO in 2014 valued using the methodology applied to the single total figure of remuneration. The Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only for 2014:

CEO	2014
Total Single Figure ($'000s)	3,523*
Annual bonus payment level achieved (% of maximum opportunity)	53%
LTIP vesting level achieved (% of maximum opportunity)**	n/a

* Includes $1,350,000 in relation to the proportion (50%) of the one-off Global Offer Bonus award which vested on the date of Admission.
** No awards subject to performance conditions vested in 2014. There were no equity based arrangements operating prior to listing.

Change in the CEO's remuneration compared with employees

The Committee does not believe that a comparison between 2013 and 2014 is meaningful given the changes to the Company's remuneration policy which were implemented on Admission. The Committee intends to provide full disclosure in the 2015 Directors' Remuneration Report when the data is comparable.

Directors' remuneration report continued

Implementation of remuneration policy in financial year 2015

The Committee proposes to implement the policy for the 2015 financial year, subject to shareholder approval, as set out below:

Salary

Salaries have been increased by 3% to reflect the general increases provided to the Nigerian and UK workforce on an equivalent purchasing power parity basis:

Name	Salary 2015 ($'000)
Austin Avuru	1,063
Stuart Connal	807
Roger Brown	807

Benefits and Pension

There are no proposed changes for the financial year ending 31 December 2015.

The value of pension contribution/salary supplement for the financial year is as follows:

Name	Pension/Salary supplement 2015 ($'000)
Austin Avuru	159
Stuart Connal	178
Roger Brown	121

Annual Bonus

Operation & potential value	Performance metrics used, weightings and time period applicable
Maximum bonus opportunity as a percentage of salary: • CEO – 150% • CFO – 100% • COO – 100% 75% of any bonus earned will be paid in cash at the end of year 1. The remaining 25% of any bonus earned will be deferred into shares and paid at the end of year 3. Annual bonus will be subject to clawback and malus.	The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in the best interests of shareholders. The performance measures, achievement against targets and the values of awards made will be published at the end of the performance periods so shareholders can assess the basis for any pay-outs under the annual bonus.

Long-Term Incentive Plan

LTIP awards for each Executive Director have been increased by 50% of salary from 2014 award levels in combination with the phased vesting of awards being more heavily weighted towards years 4 and 5. As a result, the potential pay-out at year 3 is relatively unchanged. This is in line with the remuneration policy and acts to ensure that the remuneration package is heavily weighted towards performance and the creation of value for shareholders over the longer term, thereby ensuring that the interests of the Executive Directors are closely aligned with those of shareholders.

Potential value	Performance metrics used, weightings and time period applicable
Maximum value of 250% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the LTIP. The intended grants for the Executive Directors as a percentage of salary are: CEO – 250% CFO – 200% COO – 200% The LTIP vests after three years, subject to performance conditions, but holding periods will be applied such that awards can only be exercised as follows: • 60% after year 3 • 20% after year 4 • 20% after year 5	The performance metrics will be the same as those employed for the previous award. 100% of the award will vest based on relative TSR performance as assessed against a bespoke comparator group of UK listed E&P companies. 25% of the award will vest for median performance. 100% of the award will vest for upper quartile performance. There will be straight line vesting between these points. 50% of the award will also be subject to a reserves growth underpin, which will operate as follows: • 50% of the award will lapse if FY17 reserves fall by 10% or more from FY14 reserves; • None of the award will lapse if FY17 reserves grow by 10% or more from FY14 reserves; and • There will be a straight line reduction in vesting between these points.

Non-Executive Director fees

The Non-Executive Director base fees have been increased in line with increases applied for the Executive Directors and the Finance Committee membership/chairmanship fees* were increased to $41,250 and $66,000 respectively on 1 October 2014. Additional fees for the Senior Independent Director and other Committee membership/chairmanship responsibilities are unchanged. The table below shows the total fees to be paid to the Non-Executive Directors in respect of 2015:

Position	Fees ($'000)
Chairman	906
Board	170
Senior Independent Director	247
Committee Chairmanship (excluding Finance)	49
Finance Committee Chairmanship*	66
Committee Membership (excluding Finance)	33
Finance Committee Membership*	41

* Only applicable to those Directors who are also members of the Nigerian Audit Committee.

Shareholder voting at general meeting

The Director's Remuneration Policy will be put to a binding vote at the AGM on 2 June 2015. The Chairman's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote consistent with Nigerian and UK regulations. This is the Company's first year as a public company and therefore there is no historic voting to disclose on the Company's executive remuneration.

Michael Alexander

Chairman, Remuneration Committee

Report of the Directors
For the year ended 31 December 2014

The Directors are pleased to present to the shareholders of the Company their report with the audited financial statements for the year ended 31 December 2014.

Principal activity
The Company is principally engaged in oil and gas exploration and production. The Company's registered office address is 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

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 2013, under the Company and Allied Matters Act 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets: OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was $340 million paid at the completion of the acquisition on 31 July 2010 and a contingent payment of $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 $80 per barrel.

$358.6 million was allocated to the producing assets including $18.6 million as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of $33 million was paid on 22 October 2012.

Seplat Petroleum Development Company Plc was successfully listed on the Nigerian Stock Exchange and main market of the London Stock Exchange on 14 April 2014.

On 1 June 2013, Newton Energy Limited ("Newton Energy"), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited ("Pillar Oil") a 40% participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the "Umuseti/Igbuku Fields"). The total purchase price for these assets was $50 million paid at the completion of the acquisition in June 2013 and a contingent payment of $10 million payable upon reaching certain production milestones.

$57.7 million was allocated to the producing assets including $7.7 million as the fair value of the contingent consideration as calculated on acquisition date.

The Company together with its subsidiary, Newton Energy, and four wholly owned subsidiaries, namely, Seplat Petroleum Development Company UK Limited ("Seplat UK"), which was incorporated on 21 August 2013, Seplat East Onshore Limited ("Seplat East"), which was incorporated on 12 December 2013, Seplat East Swamp Company Limited ("Seplat Swamp"), which was incorporated on 12 December 2013, and Seplat Gas Company Limited ("Seplat Gas"), which was incorporated on 12 December 2013, is referred to as the Group.

Results

	2014 $'000	2013 $'000	2014 ₦'m	2013 ₦'m
Profit before taxation	252,253	457,523	40,481	71,302
Tax expense	–	92,745	–	14,399
Profit after taxation	**252,253**	**550,268**	**40,481**	**85,431**
Dividend declared for the year	–	–	–	–
Retained profit for the year	**252,253**	**550,268**	**40,481**	**85,431**

Dividend

During the year the Directors recommended and paid to members an interim dividend of $0.06 per share, amounting to $33 million. The Directors are recommending to members the payout of a final dividend of $0.09 per share, amounting to $49.8 million. If approved at the AGM the full year dividend will be $0.15 per share, amounting to $82.8 million (2013: $40 million).

Changes in property, plant and equipment

Movements in property, plant and equipment and significant additions thereto are shown in note 11 to the financial statements.

Board of Directors

The names of the Directors are shown on page 102. In accordance with the provisions of Section 259 of the Companies & Allied Matters Act, CAP C20, Laws of the Federation of Nigeria (LFN) 2004, one third of the Directors of the Company shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last election. Apart from the Executive Directors and Founding Directors, all other Directors are appointed for a fixed term. At expiration of the terms, they may be eligible for re-appointment.

The Board has the following Committees:

1. Audit Committee	
Chief Anthony Idigbe, S.A.N.	Committee Chairman
Mrs. Ifueko Omoigui Okauru	Member
Dr. Charles Okeahalam	Member
Mr. Michel Hochard	Member
Dr. Faruk Umar	Member
Sir Sunny Nwosu	Member
2. Finance Committee	
Dr. Charles Okeahalam	Committee Chairman
Mr. Michael Alexander	Member
Mrs. Ifueko Omoigui Okauru	Member
Lord Mark Malloch-Brown	Member
3. Nomination and Establishment Committee	
Dr. A.B.C. Orjiako	Committee Chairman
Mr. Basil Omiyi	Member
Mr. Michael Alexander	Member
Mr. Damian Dinshiya Dodo	Member
4. Remuneration Committee	
Mr. Michael Alexander	Committee Chairman
Mr. Basil Omiyi	Member
Dr. Charles Okeahalam	Member
Mr. Damian Dinshiya Dodo	Member
5. Risk Management and HSSE	
Mr. Basil Omiyi	Committee Chairman
Mr. Macaulay Agbada Ofurhie	Member
Mrs. Ifueko Omoigui Okauru	Member
6. CSR Committee	
Lord Mark Malloch-Brown	Committee Chairman
Mr. Macaulay Agbada Ofurhie	Member
Mrs. Ifueko Omoigui Okauru	Member

Report of the Directors continued
For the year ended 31 December 2014

Record of attendance at Board and Committee meetings

In accordance with Section 258 Subsection 2 of the Companies and Allied Matters Act, CAP C20, LFN, 2004 the record of attendance of Directors at Board meetings and those of its Committees in the year under review is published herewith:

S/N	Name	No. of times in attendance
	Board of Directors	
1.	Ambrosie Bryant Chukwueloka Orjiako (Chairman)	5/5
2.	Ojunekwu Augustine Avuru	5/5
3.	William Stuart Connal	5/5
4.	Roger Thompson Brown	5/5
5.	Michel Hochard	5/5
6.	Macaulay Agbada Ofurhie	5/5
7.	Michael Richard Alexander	5/5
8.	Charles Okeahalam	4/5
9.	Basil Omiyi	5/5
10.	Ifueko Omoigui Okauru	4/5
11.	Lord Mark Malloch-Brown	4/5
12.	Damian Dinshiya Dodo	3/5
	Finance Committee	
1.	Charles Okeahalam (Chairman)	6/6
2.	Michael Alexander	6/6
3.	Ifueko Omoigui Okauru	4/6
4.	Lord Mark Malloch-Brown	5/6
	Nomination and Establishment Committee	
1.	Ambrosie Bryant Chukwueloka Orjiako	6/6
2.	Basil Omiyi	6/6
3.	Michael Richard Alexander	6/6
4.	Damian Dinshiya Dodo	3/6
	Remuneration Committee	
1.	Michael Richard Alexander	6/6
2.	Basil Omiyi	6/6
3.	Charles Okeahalam	6/6
4.	Damian Dinshiya Dodo	2/6
	Risk Management and HSSE Committee	
1.	Basil Omiyi	4/4
2.	Macaulay Agbada Ofurhie	4/4
3.	Ifueko Omoigui Okauru	4/4
	CSR Committee	
1.	Lord Mark Malloch-Brown	3/3
2.	Macaulay Agbada Ofurhie	3/3
3.	Ifueko Omoigui Okauru	3/3
	Audit Committee	
1.	Chief Anthony Idigbe, S.A.N.	2/2
2.	Ifueko Omoigui Okauru	2/2
3.	Dr. Charles Okeahalam	2/2
4.	Michel Hochard	2/2
5.	Dr. Faruk Umar	2/2
6.	Sir Sunny Nwosu	2/2

Directors' interest in shares

The interests of the Directors (and of persons connected with them) in the share capital of the Company (all of which are beneficial unless otherwise stated) as at 31 December 2014 and at 24 March 2015 (the date the accounts were approved by the Board of Directors), are as follows:

	No. of ordinary shares	As a percentage of ordinary shares in issue
Ambrosie Bryant Chukwueloka Orjiako[1]	84,736,913	15.32
Ojunekwu Augustine Avuru[2]	73,297,011	13.25
William Stuart Connal	1	–
Roger Thompson Brown	1	–
Michel Hochard	–	–
Macaulay Agbada Ofurhie	4,806,373	0.87
Michael Richard Alexander	–	–
Charles Okeahalam	400,000	0.07
Basil Omiyi	400,000	0.07
Ifueko Omoigui Okauru	–	–
Lord Mark Malloch-Brown	–	–
Damian Dinshiya Dodo	–	–

1 72,136,912 ordinary shares are held by Shebah Petroleum Development Company Limited, which is an entity controlled by A.B.C. Orjiako and members of his family and 12,600,000 ordinary shares are held directly by Mr. Orjiako's siblings and 1 ordinary share held by A.B.C. Orjiako.

2 27,217,010 ordinary shares are held by Professional Support Limited and 1,920,000 ordinary shares are held by Abtrust Integrated Services Limited, each of which is an entity controlled by Austin Avuru. 44,160,000 ordinary shares are held by Platform Petroleum Limited, which is an entity in which Austin Avuru has a 23% equity interest, and 1 ordinary share held by Mr Augustine O. Avuru.

Directors' interest in contracts

The Chairman and the Chief Executive Officer have disclosable indirect interest in contracts with which the Company was involved as at 31 December 2014 for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria in 2014. These have been disclosed in note 28.

Substantial interest in shares

The issued and fully paid share capital of the Company as at 31 December 2014 is beneficially owned as follows:

Shareholder	Number	%
MPI S.A.	120,400,000	21.76
Shebah Petroleum Development Company Limited[1]	84,736, 913	15.32
Austin Avuru and Platform Petroleum Limited[2]	73,297,011	13.25
Citi Bank Custodian	68,907,884	12.45
Mercuria Capital Partners Limited	24,000,000	4.32
ZPC/SIBTC RSA FUND - MAIN A/C	21,183,951	3.83
Quantum Power International Holdings Limited	19,600,000	3.54
Quantum Capital Partners Fund I LP	19,996,000	3.62
The Blakeney Group	16,000,000	2.89
Stanbic Nominees Nigeria Ltd/C002 – Main	10,517,238	1.90
CIS PLC - TRADING	29,288,532	5.29
Others	65,382,784	11.82
Total	**553,310,313**	**100**

1 72,136,912 ordinary shares are held by Shebah Petroleum Development Company Limited, which is an entity controlled by A.B.C. Orjiako and members of his family and 12,600,000 ordinary shares are held directly by Mr. Orjiako's siblings and 1 ordinary share held by A.B.C. Orjiako.

2 27,217,010 ordinary shares are held by Professional Support Limited and 1,920,000 ordinary shares are held by Abtrust Integrated Services Limited, each of which is an entity controlled by Austin Avuru. 44,160,000 ordinary shares are held by Platform Petroleum Limited, which is an entity in which Austin Avuru has a 23% equity interest, and 1 ordinary share held by Mr Augustine O. Avuru.

Acquisition of own shares

The Company did not acquire any of its shares during the year.

Free float

The Company's free float at 31 December 2014 was 48.66%.

Corporate governance

The Board of Directors of the Company is aware of the Code of Corporate Governance issued by the Securities and Exchange Commission in the administration of the Company and is ensuring that the Company complies with it.

The Board is responsible for keeping proper accounting records with reasonable accuracy. It is also responsible for safeguarding the assets of the Company through prevention and detection of fraud and other irregularities.

The Board has a Remuneration Committee made up of four of its members; other Committees are:

- Finance Committee
- Nomination and Establishment Committee
- Risk Management and HSSE Committee
- CSR Committee
- Audit Committee

The report of the Committee and details of its membership are set out on page 72.

Donation

The following donations were made by the Company during the year (2013: ₦3.441 million, $22,160).

Name of beneficiary	$	₦
Ebola donation to First Consultants	145,000	23,269,600
National Industrial Safety Council	1,449	232,536
Medical Women Association of Nigeria	2,898	465,071
World Petroleum Congress	9,478	1,521,029
Total	**158,825**	**25,488,236**

Employment and employees

a) Employees' involvement and training:

The Company continues to observe industrial relations practices such as joint Consultative Committee and briefing employees on the developments in the Company during the year under review.

Various incentive schemes for staff were maintained during the year while regular training courses were carried out for the employees.

Educational assistance is provided to members of staff. Different cadres of staff were also assisted with payment of subscriptions to various professional bodies during the year.

The Company will provide appropriate HSSE training to all staff, and Personal Protective Equipment (PPE) to the appropriate staff.

b) Health, safety and welfare of employees:

The Company continues to enforce strict health and safety rules and practices at the work environment which are reviewed and tested regularly. The Company provides free medical care for its employees and their families through designated hospitals and clinics. Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises. The Company operates Group life insurance cover for the benefit of its employees. It also complies with the requirements of the Pension Reform Act, 2004 regarding its employees.

c) Employment of disabled or physically challenged persons:

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

Auditor

The auditor, Ernst and Young, have indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act, 1990. A resolution will be proposed authorising the Directors to fix their remuneration.

By Order of the Board

Mirian Kachukwu

FRC/2015/NBA/00000010739

Company Secretary,
Seplat Petroleum Development Company Plc
25a Lugard Avenue
Ikoyi
Lagos
Nigeria

Date: 30 March 2015

Statement of Directors' responsibilities
For the year ended 31 December 2014

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

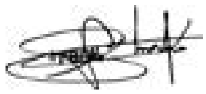
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No 6, 2011.

Each of the Directors, whose names and functions appear on page 197 of this Annual Report, confirm that, to the best of their knowledge:

1. The financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company;
2. The Strategic Report and the Directors' Report contained in this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces; and
3. This Annual Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.

Signed on behalf of the Directors by



Ambrosie Bryant Chukwueloka Orjiako

Chairman

FRC/2013/IODN/00000003161

Date: 30 March 2015

Ojunekwu Augustine Avuru

Chief Executive Officer

FRC/2013/IODN/00000003100

Date: 30 March 2015

Financial statements

Expressed in US Dollars

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Independent auditor's report to the members of Seplat Petroleum Development Company Plc
For the year ended 31 December 2014

We have audited the accompanying financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Seplat Petroleum Development Company Plc as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council Act, No. 6, 2011.

Report on other legal and regulatory requirements
In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
iii) the Company's statement of financial position and profit or loss and other comprehensive income are in agreement with the books of account.
iv) in our opinion, the consolidated financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 so as to present fairly the state of affairs and financial performance.

Odutola

Yemi Odutola
FRC/2012/ICAN/00000000141
For Ernst & Young
Lagos, Nigeria

30 March 2015

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2014

		The Group		The Company	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	3	775,019	880,227	755,508	869,982
Cost of sales	4	(315,590)	(330,943)	(310,715)	(328,368)
Gross profit		459,429	549,284	444,793	541,614
Other operating income	5	–	404	–	404
Other general and administrative expenses	6	(151,569)	(71,977)	(118,643)	(67,580)
Gain on foreign exchange		(17,152)	1,473	(20,380)	1,469
Fair value movements in contingent consideration	23	(1,132)	(514)	–	–
Operating profit		289,576	478,670	305,770	475,907
Finance income	7a	11,996	658	14,784	3,375
Finance costs	7b	(49,319)	(21,805)	(49,319)	(21,805)
Profit before taxation		252,253	457,523	271,236	457,477
Taxation	8a	–	92,745	–	92,745
Profit for the year		252,253	550,268	271,236	550,222
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in the subsequent periods					
Foreign translation difference	21	(32)	58	–	–
Total comprehensive income net of tax		252,221	550,326	271,236	550,222
Basic and diluted earnings per share ($)	26	0.50	1.38	0.53	1.38

Statement of financial position
As at 31 December 2014

	Notes	The Group 31 Dec 2014 $'000	The Group 31 Dec 2013 $'000	The Company 31 Dec 2014 $'000	The Company 31 Dec 2013 $'000
ASSETS					
Non-current assets					
Oil & gas properties	11a	843,603	577,954	769,331	512,737
Other property, plant and equipment	11b	13,459	7,553	11,527	6,605
Intangible assets	12	48	141	48	141
Deferred tax asset	9a	–	–	–	–
Prepayments	13	131,466	108,910	45,104	108,910
Investment in subsidiaries	14	–	–	1,032	1,000
Total non-current assets		**988,576**	**694,558**	**827,042**	**629,393**
Current assets					
Inventories	15	54,416	43,112	50,582	39,508
Trade and other receivables	16	1,075,078	410,430	1,257,579	471,792
Cash & short-term deposits	17	285,298	169,461	278,663	150,172
Other current financial assets		890	–	858	–
Financial instruments					
Derivatives not designated as hedges	18	5,432	–	5,432	–
Total current assets		1,421,114	623,003	1,593,114	661,472
Total assets		**2,409,690**	**1,317,561**	**2,420,156**	**1,290,865**
EQUITY AND LIABILITIES					
Equity					
Issued share capital	19a	1,798	1,334	1,798	1,334
Share premium	19b	497,457	–	497,457	–
Capital contribution	20	40,000	40,000	40,000	40,000
Retained earnings		869,861	690,807	888,798	690,761
Foreign translation reserve	21	26	58	–	–
Total shareholders' equity		**1,409,142**	**732,199**	**1,428,053**	**732,095**
Non-current liabilities					
Interest bearing loans and borrowings	22a	239,767	120,850	239,767	120,850
Contingent consideration	23	9,377	8,245	–	–
Provision for decommissioning obligation	24	12,690	15,176	9,838	14,578
Total non-current liabilities		**261,834**	**144,271**	**249,605**	**135,428**
Current liabilities					
Interest bearing loans and borrowings	22b	348,389	189,753	348,389	189,753
Trade and other payables	25	390,325	251,338	394,109	233,589
Total current liabilities		**738,714**	**441,091**	**742,498**	**423,342**
Total liabilities		**1,000,548**	**585,362**	**992,103**	**558,770**
Total shareholder equity and liabilities		**2,409,690**	**1,317,561**	**2,420,156**	**1,290,865**

Notes 1 to 34 on pages 111 to 145 are an integral part of the financial statements.

The financial statements of Seplat Development Company Plc for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 26 March 2015 and were signed on its behalf by:

A.B.C. Orjiako
FRC/2013/IODN/00000003161
Chairman
30 March 2015

A.O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
30 March 2015

R.T. Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
30 March 2015

Statement of changes in equity
For the year ended 31 December 2014

		The Group						The Company				
	Notes	Issued Share Capital $'000	Share Premium $'000	Capital Contribution $'000	Retained Earnings $'000	Foreign Translation Reserve $'000	Total $'000	Issued Share Capital $'000	Share Premium $'000	Capital Contribution $'000	Retained Earnings $'000	Total $'000
At 1 January 2013		690	–	40,000	141,183	–	181,873	690	–	40,000	141,183	181,873
Profit for the year		–	–	–	550,268	–	550,268	–	–	–	550,222	550,222
Other comprehensive income						58	58	–		–	–	–
Bonus issue		**644**	–	–	**(644)**		–	**644**	–	–	**(644)**	–
At 31 December 2013		1,334	–	40,000	690,807	58	732,199	1,334	–	40,000	690,761	732,095
At 1 January 2014		1,334	–	40,000	690,807	58	732,199	1,334	–	40,000	690,761	732,095
Profit for the year		–	–	–	252,253		252,253	–	–	–	271,236	271,236
Other comprehensive income						(32)	(32)	–		–	–	–
Dividends	27	–	–	–	**(73,199)**		**(73,199)**	–	–	–	**(73,199)**	**(73,199)**
Increase in shares		464	534,523	–	–		534,987	464	534,523	–	–	534,987
Transaction costs for shares issued			(37,066)	–	–		(37,066)		(37,066)	–	–	(37,066)
At 31 December 2014		**1,798**	**497,457**	**40,000**	**869,861**	**26**	**1,409,142**	**1,798**	**497,457**	**40,000**	**888,798**	**1,428,053**

Statement of cash flows
For the year ended 31 December 2014

	Notes	The Group 31 Dec 2014 $'000	The Group 31 Dec 2013 $'000	The Company 31 Dec 2014 $'000	The Company 31 Dec 2013 $'000
Cash flows from operating activities					
Cash generated from operations	10	228,171	397,793	228,370	319,696
Income taxes paid	8	(2,874)	(106,584)	(2,874)	(106,584)
Net cash flows from operating activities		**225,297**	**291,209**	**225,496**	**213,112**
Cash flows from investing activities					
Investment in oil and gas properties		(303,214)	(216,200)	(294,875)	(100,732)
Investment in other property, plant and equipment		(9,870)	(4,503)	(8,510)	(3,529)
Proceeds from sale of assets		–	85	–	85
Interest received		11,996	658	14,784	3,375
Deposit for investment		(453,190)	–	–	–
Aborted acquisition costs		(26,056)			
Net cash flows from investing activities		**(780,334)**	**(219,960)**	**(288,601)**	**(100,801)**
Cash flows from financing activities					
Proceeds from issue of shares		534,987	–	534,987	–
Expenses from issue of shares		(37,066)	–	(37,066)	–
Proceeds from bank financing		446,000	129,000	446,000	129,000
Repayments of bank financing		(119,034)	(68,096)	(119,034)	(68,096)
Loan to subsidiary undertaking		–	–	(479,246)	(60,000)
Repayment of shareholder financing		(48,000)	–	(48,000)	–
Dividends paid		(73,199)	–	(73,199)	–
Interest paid		(32,847)	(18,776)	(32,847)	(18,776)
Net cash inflows/(outflows) from financing activities		**670,841**	**42,128**	**191,596**	**(17,872)**
Net decrease in cash and cash equivalents		115,805	113,377	128,491	94,439
Cash and cash equivalents at beginning of year		**169,461**	56,332	**150,172**	56,332
Foreign translation reserve		**32**	**(248)**	–	**(599)**
Cash and cash equivalents at beginning of year		**285,298**	**169,461**	**278,663**	**150,172**

Notes to the financial statements

1. Corporate information and business

Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2013, under the Company and Allied Matters Act 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets:

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was $340 million paid at the completion of the acquisition on 31 July 2010 and a contingent payment of $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 $80 per barrel. $358.6 million was allocated to the producing assets including $18.6 million as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of $33 million was paid on 22 October 2012.

During 2013, Newton Energy Limited ("Newton Energy"), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited ("Pillar Oil") a 40% Participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the "Umuseti/Igbuku Fields"). The total purchase price for these assets was $50 million paid at the completion of the acquisition in June 2013 and a contingent payment of $10 million payable upon reaching certain production milestones.

$57.7 million was allocated to the producing assets including $7.7 million as the fair value of the contingent consideration as calculated on acquisition date.

The Company's registered address is: 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

The Company together with its subsidiary, Newton Energy, and four wholly owned subsidiaries, namely, Seplat Petroleum Development Company UK Limited ("Seplat UK"), which was incorporated on 21 August 2013, Seplat East Onshore Limited ("Seplat East"), which was incorporated on 12 December 2013, Seplat East Swamp Company Limited ("Seplat Swamp"), which was incorporated on 12 December 2013, and Seplat Gas Company Limited ("Seplat Gas"), which was incorporated on 12 December 2013, is referred to as the Group.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial information has been prepared under the going concern assumption and historical cost convention, except for contingent consideration, borrowings on initial recognition and financial instruments – derivatives not designated as hedges that have been 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.

2.2 Basis of consolidation

The consolidated financial information consolidates the financial information of the Company and its subsidiaries drawn up to 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company using consistent accounting policies.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements.

2.3.1 Foreign currencies

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.

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 foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within the line item gain/(loss) on foreign exchange, net.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into $ at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.3.2 Oil and gas exploration, evaluation and development expenditure

i) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

ii) Exploration licence costs

Exploration licence costs are capitalised within intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised on a straight-line basis over the life of the permit.

Licence costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence is written off through profit or loss.

iii) Acquisition of producing assets

Upon acquisition of producing assets which does not constitute a business combination, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The purchase price paid for the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. If the acquisition is determined to be a business combination, then the acquisition is treated as an acquisition of a business and the excess of purchase price over fair value of the assets is recorded as goodwill.

Exploration and evaluation expenditures

Geological and geophysical exploration costs are charged against income as incurred.

Exploration and evaluation expenditures incurred by the entity are accumulated separately for each area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure, but do not include general overheads or administrative expenditure that is not directly related to a particular area of interest. Each area of interest is limited to a size related to a known or probable hydrocarbon resource capable of supporting an oil operation.

Costs directly associated with an exploration well, exploratory stratigraphic test well and delineation wells are temporarily suspended (capitalised) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons ("proved reserves") are not found, the exploration expenditure is written off as a dry hole and charged against income. If hydrocarbons are found, the costs continue to be capitalised. Suspended exploration and evaluation expenditure in relation to each area of interest is carried forward as an asset provided that one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and/or evaluation expenditures which fail to meet at least one of the conditions outlined above are written off. In the event that an area is subsequently abandoned or exploration activities do not lead to the discovery of proved or probable reserves, or if the Directors consider the expenditure to be of no value, any accumulated costs carried forward relating to the specified areas of interest are written off in the year in which the decision is made. While an area of interest is in the development phase, amortisation of development costs is not charged pending the commencement of production. Exploration and evaluation costs are transferred from the exploration and/or evaluation phase to the development phase upon commitment to a commercial development.

iv) Development expenditure

Development expenditure incurred by the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure directly related to the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment is expected out of revenue to be derived from the sale of production from the relevant development property.

v) Joint operations

Seplat is the operator of the assets relating to OML 4, OML 38 and OML 41. The Nigerian Petroleum Development Company Limited ("NPDC"), a subsidiary of the Nigerian National Petroleum Corporation ("NNPC"), is the other venturer. Seplat holds a 45% interest, while NPDC hold 55% interest in the jointly controlled assets.

The Group also holds a 40% interest in the joint operations relating to OPL 283/OML 56 (the Umuseti/Igbuku Fields). Pillar Oil is the other venturer and the operator.

The accounting method specified for a joint operation apportions to each venturer its share of revenues, expenses, assets and liabilities. The Group recognises its share in its own accounting records as follows:

a. Its share of the mineral properties is shown within property, plant and equipment.
b. Any liabilities that it has incurred including those incurred to finance its share of the asset.
c. Its share of any liabilities incurred jointly with other venturers, including the decommissioning liability of production and field facilities.
d. Any income from its sale or use of its share of the output, together with its share of any expenses incurred by the joint operation.
e. Any expenses that it has incurred in respect of its interest in the venture.

In addition to joint costs, the Group also incurs exclusive costs, which are fully borne by the Group.

2.3.3 Revenue recognition

Revenue arises from the sale of crude oil and gas. Revenue comprises the realised value of crude oil lifted by customers. Revenue is recognised when crude products are lifted by a third party (buyer) Free on Board (FOB) at the Group's designated loading facility or lifting terminals. At the point of lifting, all risks and rewards are transferred to the buyer. Gas revenue is recognised when gas passes through the custody transfer point.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

Overlift and underlift

The excess of the product sold during the period over the participant's ownership share of production is termed as an overlift and is accrued for as a liability and not as revenue. Conversely, an underlift is recognised as an asset and the corresponding revenue is also reported.

Overlifts and underlifts are initially measured at the market price of oil at the date of lifting, consistent with the measurement of the sale and purchase.

2.3.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

2.3.5 Property, plant and equipment

Oil and gas properties and other plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the entity, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised as incurred as long as these costs increase the efficiency of the unit or extend the useful life of the asset. All other maintenance costs are expensed as incurred.

Depreciation

Production and field facilities are depreciated/amortised on a unit-of-production basis over the estimated proved developed reserves. Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

Leasehold improvements	Over the unexpired portion of the lease
Plant and machinery	20%
Office furniture and equipment	33.33%
Motor vehicles	25%
Computer equipment	33.33%

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

2.3.6 Impairment of non-financial assets

The entity assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the entity makes an estimate of its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger cash-generating unit to which it belongs. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss after such a reversal and the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.3.7 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less.

2.3.8 Inventories

Inventories represent the value of tubulars, casing and wellheads. These are stated at the lower of cost and net realisable value. Cost is determined using the invoice value and all other directly attributable costs to bringing the inventory to the point of use determined on first in first out basis.

2.3.9 Financial instruments

i) Financial assets

Financial assets' initial recognition and measurement

Financial assets in the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through the statement of profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the statement of profit or loss, which do not include transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables and loans and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Trade receivables, loans and other receivables

Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in the current assets, except for maturities greater than 12 months after the reporting date. The Group's loans and receivables comprise trade and other receivables in the consolidated historical financial information.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method net of any impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss. When a trade is uncollectable, it is written off against the allowance account for trade receivables.

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.

(ii) Financial liabilities

Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through the statement of profit or loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below.

Trade payables, loans and borrowings

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost while any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of borrowings using the effective interest method.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Derecognition of financial liabilities

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward exchange contracts, to hedge its foreign exchange risks. However, such contracts are not accounted for as designated hedges. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income, and presented within operating profit.

Commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 and IAS 39, which is known as the 'normal purchase or sale exemption'. For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 18 Financial instruments.

2.3.10 Fair value of financial instruments

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. From time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g. when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit (CGU) at FVLCD.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. From time to time external valuers are used to assess FVLCD of the Group's non-financial assets. Involvement of external valuers is decided upon by the valuation committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

Changes in estimates and assumptions about these inputs could affect the reported fair value. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2.3.11 Contingent consideration

A contingent consideration is recognised where payment is dependent on future events. On initial recognition, the fair value of the contingent consideration is calculated. The fair value is recognised as a liability and also capitalised to the producing facilities. Subsequently, the liability is tested for changes in fair value and the differences recorded in liability and in the statement of profit or loss and other comprehensive income.

2.3.12 Earnings and dividends per share

Issued share capital has been translated at the exchange rate prevailing at the date of the transaction and is not retranslated subsequent to initial recognition.

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Dividends on ordinary shares are recognised as a liability in the period in which they are approved.

2.3.13 Employee benefits – Defined contribution scheme

The Group contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 2004. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Group. The Group's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

A defined contribution plan is a pension plan under which the Group pays fixed contributions. Contribution to the scheme is 15% of each employee's annual basic salary, housing and transport allowances, which is paid wholly by the employer. The contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

2.3.14 Provisions

Provisions are recognised when (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of economic resources will be required to settle the obligation as a whole; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

In measuring the provision:

- risks and uncertainties are taken into account;
- the provisions are discounted where the effect of the time value of money is considered to be material;
- when discounting is used, the increase of the provision over time is recognised as an interest expense;
- future events, such as changes in law and technology, are taken into account where there is subjective audit evidence that they will occur; and;
- gains from expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.

Decommissioning

Liabilities for decommissioning costs are recognised as a result of the constructive obligation of past practice in the oil and gas industry, when it is possible that an outflow of economic resources will be required to settle the liability and a reliable estimate can be made. The estimated costs, based on current requirements, technology and price levels, prevailing at the reporting date, are computed based on the latest assumptions as to the scope and method of abandonment.

Provisions are measured at the fair value of the expenditures expected to be required to settle the obligation using a pre-tax rate, updated at each reporting date that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalised as part of the oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the estimated cost of the restoration and abandonment cost is capitalised, while the charge arising from the accretion of the discount applied to the expected expenditure is treated as a component of finance charges.

If the change in estimate results in an increase in the decommissioning provision and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas assets net of decommissioning provisions exceed the recoverable value, that portion of the increase is charged directly to expense.

2.3.15 Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

2.3.16 Income taxation

Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Taxation on crude oil activities is provided in accordance with the Petroleum Profits Tax Act (PPTA) CAP. P13 Vol. 13 LFN 2004 and on gas operations in accordance with the Companies Income Tax Act (CITA) CAP. C21 Vol. 3 LFN 2004. Education tax is assessed at 2% of the assessable profits.

Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated historical financial information and the corresponding tax bases used in the computation of taxable profit.

A deferred income tax charge is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.3.17 New tax regime

Effective 1 January 2013, the Company was granted the pioneer tax status incentive by the Nigerian Investment Promotion Commission for a five-year period. For the period the incentive applies, the Company is exempt from petroleum profits tax on crude oil profits (which would be otherwise taxed at 65.75%, to increase to 85% in 2015), corporate income tax on natural gas profits (currently taxed at 30%) and education tax of 2%. Newton Energy was also granted pioneer tax status for a five-year term effective 1 June 2013. Accordingly, the new incentives form the basis of the reported nil current and deferred taxation in the financial statements.

2.3.18 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating lease payments and capitalised prepaid operating leases are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

2.4 Judgements, estimates and assumptions

The preparation of the Group's consolidated historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated historical financial information:

(i) Acquisition of a 40% participating interest in producing assets (note 11a)

The acquisition of a 40% participating interest in OPL 283 (the Umuseti/Igbuku Fields), in 2013, has been accounted for as an acquisition of assets, with the exception of adopting IFRS 3, Business combination, when accounting for the contingent consideration. This is on the basis that the assets do not constitute a business.

(ii) NPDC receivable (note 16)

NPDC continues to demonstrate its commitment to repay outstanding debts. After significant payments during 2014, the amount owed by NPDC as at 31 December 2014 was $463 million (2013: $284 million), of which $256 million (2013: $248 million) is overdue. The Group considers that the current receivable balance remains fully recoverable as cash payments continue to be received and, as at 5 February 2014, solely the amounts relating to 2013 and 2014 are overdue.

(iii) Deposit for investment (note 16)

The Group considers that the deposit for investment of $453 million in relation to the acquisition of additional assets is fully recoverable in accordance with the terms of the deposit.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i) Contingent consideration (note 23)

In 2013, the Group recognised the contingent consideration in relation to its acquisition of a participating interest in assets within OPL 283 (the Umuseti/Igbuku Fields). The contingency criteria are the achievement of certain production milestones. The Group expects these to be met in 2015. At inception, the present value was capitalised to the cost of the asset and a corresponding liability was recorded. The liability is carried at fair value through profit or loss.

ii) Oil and gas reserves

Proved oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

iii) Provision for decommissioning (note 24)

Provisions for environmental clean-up and remediation costs associated with the Group's drilling operations are based on current constructions, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

iv) Recoverability of assets carrying amount (note 11a)

The Group assesses its property, plant and equipment, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date.

Such indicators include changes in the Group's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

If there are low oil prices or natural gas prices during an extended period the Group may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas.

In 2014, in response to the significant fall in commodity prices, the Group executed an impairment assessment. The Group used the fair value less costs of disposal method in determining the recoverable amount of the cash-generating unit. The assessment did not result in an impairment charge. In determining the fair value, the Group used a recent forward curve for three years, reverting to the Group's long-term price assumption for impairment testing of $72 per barrel from 1 January 2018. The Group used a post-tax discount rate of 12% based on the Group weighted average cost of capital.

v) Contingencies (note 30c)

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

vi) Income taxes (note 8)

The Group is subject to income taxes only by the Nigerian tax authority, which does not require much judgement in terms of provision for income taxes, but a certain level of judgement is required for recognition of the deferred tax assets. Management is required to assess the ability of the Group to generate future taxable economic earnings that will be used to recover all deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. The estimates are based on the future cash flow from operations taking into consideration the oil and gas prices, volumes produced, operational and capital expenditure.

2.5 Changes in accounting policies and disclosures

New and amended standards and interpretations

There were a number of new standards and interpretations, effective from 1 January 2014, that the Group applied for the first time in the current year. The nature and the impact of each new standard and amendment that may have an impact on the Group now or in the future, is described below. Several other amendments apply for the first time in 2014, however, they do not impact the annual financial statements of the Group.

Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 consistent with the requirements of IFRIC 21 in prior years.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets

The amendment clarifies the disclosures required in relation to the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment to IAS 36 only resulted in certain disclosures being updated.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately, and thus for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

2.6 Standards issued but not effective

The following pronouncements from the IASB will become effective for future financial reporting periods and have not yet been adopted by the Group.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 reflects the IASB's work on the replacement of IAS 39 and was done in several phases from 2009. The final version of IFRS 9 was issued in May 2014 and applies to classification and measurement of financial assets and financial liabilities, impairment of financial assets as well as hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The adoption of IFRS 9 will have an effect on the classification and measurement of financial assets but not on financial liabilities.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first time application of IFRS. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The Company does not expect that IFRS 14 will have a material financial impact in future financial statements.

IFRS 15 Revenue from Contracts with Customers
The IASB intends to replace all existing IFRS revenue requirements with IFRS 15. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. Application is required for annual periods beginning on or after 1 January 2017. The Company is currently assessing the impact of the standard on its revenue recognition.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016. The Company is currently assessing the impact of the standard on its joint arrangement.

Amendments to IAS 27 Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively.

A first-time adopter of IFRS electing to use the equity method in its separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Company is currently assessing the impact of the standard in its separate financial statements.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

This amendment is effective for annual periods beginning on or after 1 January 2016. It is not expected that this amendment would be relevant to the Company.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

IAS 1 Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

This amendment is effective for annual periods beginning on or after 1 January 2016. The Company is currently assessing the impact of the standard on the presentation of its financial statements.

2.7 Segment reporting

The Group operates one segment, being the exploration, development and production of oil and gas related projects located in Nigeria. Therefore, no segment reporting has been prepared.

3. Revenue

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Crude oil sale	777,601	815,354	764,346	801,636
Changes in lifting	(29,942)	46,795	(36,198)	50,268
	747,659	862,149	728,148	851,904
Gas sales	27,360	18,078	27,360	18,078
	775,019	**880,227**	**755,508**	**869,982**

4. Cost of sales

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Royalties	149,748	191,856	149,245	191,500
Depletion, depreciation and amortisation	41,249	27,898	39,499	26,990
Crude handling fee	22,056	31,968	20,923	31,968
Ness fee	822	952	803	952
Niger Delta development commission levy	10,236	12,690	10,236	12,690
Rig related costs	29,910	27,037	29,910	27,037
Other field expenses	61,569	38,542	60,099	37,231
	315,590	**330,943**	**310,715**	**328,368**

Other field expenses includes costs of inventory charged to profit & loss, cost relating to operational expenditures that do not specifically relate to rigs such as minor clean-up cost, repair and maintenance of field equipment and field insurance.

5. Other operating income

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Sale of scrap (note 5a)	–	320	–	320
Profit on disposal of plant & equipment		84	–	84
	–	**404**	–	**404**

5a. Sale of scrap

This represents the sale value of scrapped tubings from work-over wells.

6. Other general and administrative expenses

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Depreciation and amortisation	4,052	3,069	3,675	3,055
Auditor's remuneration	716	630	604	562
Professional and consulting fees	40,691	24,839	39,947	24,757
Directors' emoluments	7,740	7,518	7,480	5,798
Donations	179	10	179	10
Employee benefits (note 6a)	18,205	13,219	17,046	13,219
Business development	20	53	20	53
Flights and other travel costs	8,956	6,856	8,849	6,772
Other general expenses	44,954	15,783	40,843	13,354
Aborted acquisition costs	26,056	–	–	–
	151,569	**71,977**	**118,643**	**67,580**

Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs and logistics costs.

6a. Salaries and employee related costs include the following:

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Basic salary	6,733	5,718	5,574	5,718
Housing allowance	2,203	2,570	2,203	2,570
Other allowances	9,269	4,931	9,269	4,931
Total salaries and employee related costs	**18,205**	**13,219**	**17,046**	**13,219**

7. Finance income/cost

7a. Interest income

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Interest income	11,996	658	14,784	3,375

7b. Finance cost

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Finance cost				
Interest on shareholders' loan	–	4,206	–	4,206
Interest on bank loans	47,375	15,845	47,375	15,845
Unwinding of discount on provision for decommissioning (note 24)	1,944	1,754	1,944	1,754
	49,319	**21,805**	**49,319**	**21,805**

Notes to the financial statements continued

8. Taxation

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

8a. Tax on profit

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current tax				
Current tax charge for the year	–	–	–	9
Under-provision from prior year	–	617	–	617
	–	617	–	617
Deferred tax:				
Net deferred tax in profit or loss	–	(93,362)	–	(93,362)
Total tax charge/(credit) in statement of profit or loss	–	(92,745)	–	(92,745)
Effective tax rate	**0%**	**20%**	**0%**	**20%**

Under-provision in 2013 relates to additional tax paid arising from 13th instalment payment of taxes.

8b. Reconciliation of effective tax rate

The applicable tax rate for 2014 was 0% (2013: 20%).

During 2013, applications were made by Seplat and its wholly owned subsidiary, Newton Energy, for the tax incentives available under the provisions of the Industrial Development (Income Tax Relief) Act. In February 2014, Seplat was granted the incentives in respect of the tax treatment of OMLs 4, 38 and 41. Newton Energy was also granted similar incentives in respect of the tax treatment of OPL 283/OML 56. Under these incentives, the companies' profits are subject to a tax rate of 0% with effect from 1 January 2013 to 31 December 2015 in the first instance and then for an additional two years for Seplat and 1 June 2013 to 31 May 2015 in the first instance and then for an additional two years for Newton Energy if the two companies meet certain conditions included in the NIPC pioneer status award document.

The new incentives form the basis of the Group's current and deferred taxation in the financial statements.

A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit before taxation	252,253	457,523	271,236	457,477
Under-provision from prior year	–	617	–	617
Adjustment in respect of prior periods	–	617	–	617
Impact of tax incentive on deferred tax balances	–	(93,362)	–	(93,362)
	–	**(92,745)**	–	**(92,745)**

The movement in the current tax (prepayment)/liability is as follows:

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
As at 1 January	(28,749)	77,218	(28,749)	77,218
Under-provision from prior year	–	617	–	617
Tax paid	(2,874)	(106,584)	(2,874)	(106,584)
Tax prepayment	**(31,623)**	**(28,749)**	**(31,623)**	**(28,749)**

9. Deferred income tax

Deferred tax has not been recognised on deductible temporary differences of $7.79 million as management does not consider there to be sufficient evidence to support the recoverability of these assets.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group 2014 $'000	The Group 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Deferred tax assets to be recovered after more than 12 months	10,787	13,605	8,362	12,392
Deferred tax liabilities to be recovered after more than 12 months	(2,996)	(9,955)	(3,923)	(9,955)
Net deferred tax assets	**7,791**	**3,650**	**4,439**	**2,437**

The Group has $7.79 million (the Company: $4.44 million) deferred tax assets as at 31 December 2014 (2013: the Group: $3.65 million; the Company: $2.44 million) in respect of unutilised losses and capital allowances. These deferred tax assets have not been included in these financial statements as management does not consider there to be sufficient evidence to support the recoverability of these assets.

9a. The Group

Deferred tax assets	Fixed asset $'000	Decommissioning provision $'000	Total $'000
At 1 January 2013	(119,405)	10,340	(109,065)
Credited to profit or loss	110,155	2,560	112,715
At 31 December 2013	(9,250)	12,900	3,650
Credited/(charged) to profit or loss	6,254	(2,113)	4,141
At 31 December 2014	**(2,996)**	**10,787**	**7,791**

9b. The Company

Deferred tax assets	Fixed asset $'000	Decommissioning provision $'000	Total $'000
At 1 January 2013	(119,405)	10,340	109,065
Credited to profit or loss	109,450	2,052	111,502
At 31 December 2013	(9,955)	12,392	2,437
Credited/(charged) to profit or loss	6,032	(4,030)	2,002
At 31 December 2014	**(3,923)**	**8,362**	**4,439**

Net deferred tax liability at 31 December 2014 is nil (2013: Nil).

10. Computation of cash generated from operations

	The Group 2014 $'000	The Group 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Profit before tax	252,253	457,523	271,236	457,477
Adjusted for:				
Depreciation and amortisation	45,306	30,967	43,181	30,044
Finance income	(11,996)	(658)	(14,784)	(3,375)
Finance cost	49,319	21,805	49,319	21,805
Fair value movement on contingent consideration	1,132	514	–	–
Gain on disposal of property, plant and equipment	–	(84)	–	(84)
Foreign exchange loss/(gain)	17,184	(1,473)	20,380	(1,470)
Aborted acquisition costs	26,056	–	–	–
Changes in working capital:				
Trade and other receivables	99,222	(116,128)	(289,178)	(177,490)
Trade and other payable	(239,001)	20,441	159,291	10,934
Prepayments	–	3,047	–	(3,047)
Inventories	(11,304)	(18,162)	(11,074)	(14,559)
	(24,082)	(59,730)	(42,865)	(137,781)
Net cash from operating activities	**228,171**	**397,793**	**228,370**	**319,696**

Notes to the financial statements continued

11. Property, plant and equipment
11a. Oil and gas properties
The Group

Cost	Production & field facilities $'000	Assets under construction $'000	Total $'000
At 1 January 2014	376,173	114,229	490,402
Write-off	–	(147)	(147)
Addition	58,329	170,548	228,877
Changes in decommissioning	(2,902)		(2,902)
Transfer from asset under construction	49,347	(49,347)	–
At 31 December 2013	**480,947**	**235,283**	**716,230**
Depreciation			
At 1 January 2013	110,471	–	110,471
Disposal	–	–	–
Charged for the year	27,805	–	27,805
At 31 December 2013	**138,276**	**–**	**138,276**
NBV			
At 31 December 2013	**342,671**	**235,283**	**577,954**

Cost	Production & field facilities $'000	Assets under construction $'000	Total $'000
At 1 January 2014	480,947	235,283	716,230
Addition	–	311,328	311,328
Changes in decommissioning	(4,430)		(4,430)
Transfer from asset under construction	114,031	(114,031)	–
At 31 December 2014	590,548	432,580	1,023,128
Depreciation			
At 1 January 2014	**138,276**	**–**	**138,276**
Disposal	–	–	–
Charged for the year	41,249	–	41,249
At 31 December 2014	**179,525**	–	**179,525**
NBV			
At 31 December 2014	**411,023**	**432,580**	**843,603**

11a. Oil and gas properties

The Company

Cost	Production & field facilities $'000	Assets under construction $'000	Total $'000
At 1 January 2013	376,173	114,229	490,402
Write-off	–	(147)	(147)
Addition	–	162,845	162,845
Changes in decommissioning	(2,902)		(2,902)
Transfer from asset under construction	**49,347**	**(49,347)**	–
At 31 December 2013	422,618	227,580	650,198
Depreciation			
At 1 January 2013	110,471		110,471
Disposal			
Charged for the year	26,990		26,990
At 31 December 2013	137,461		137,461
NBV			
At 31 December 2013	**285,157**	**227,580**	**512,737**

Cost	Production & field facilities $'000	Assets under construction $'000	Total $'000
At 1 January	422,618	227,580	650,198
Addition	–	302,778	302,778
Changes in decommissioning	(6,684)	–	(6,684)
Transfer from asset under construction	114,031	(114,031)	–
At 31 December	529,965	416,327	946,292
Depreciation:			
At 1 January	137,461	–	137,461
Disposal	–	–	–
Charged for the year	39,500	–	39,500
At 31 December	176, 961	–	176, 961
NBV			
At 31 December 2014	**353,004**	**416,327**	**769,331**

The Group's present and future assets (except jointly owned with NNPC/NPDC) are pledged as security for the revolving credit facilities of $100 million from First Bank of Nigeria, while all equipment, machinery and immovable property of the Group situated on the property to which the oil mining leases relate are pledged as security for the syndicate loan (note 22).

Assets under construction represent costs capitalised in connection with the development of the Group's oil fields and other fixed assets not yet ready for their intended use. These are funded from the Group's operations; hence no borrowing cost was capitalised during the year.

The change in estimate in the decommissioning provision, of $4.4 million, is included in the 2014 movement in "production and field facilities".

Notes to the financial statements continued

11. Property, plant and equipment continued
11b. Property, plant and equipment
The Group

Cost	Plant & machinery $'000	Motor vehicle $'000	Office furniture & IT equipment $'000	Leasehold improvements $'000	Total $'000
At 1 January 2013	1,263	2,206	5,250	1,063	9,782
Addition	752	752	2,902	86	4,492
Disposal	–	(142)	–	–	(142)
At 31 December 2013	2,015	2,816	8,152	1,149	14,132
Depreciation					
At 1 January 2013	136	848	2,353	261	3,598
Charged for the year	382	582	1,920	184	3,069
Disposal	–	(88)	–	–	(88)
At 31 December 2013	518	1,343	4,273	445	6,579
NBV:					
At 31 December 2013	**1,497**	**1,473**	**3,879**	**704**	**7,553**

Cost	Plant & machinery $'000	Motor vehicle $'000	Office furniture & IT equipment $'000	Leasehold improvements $'000	Total $'000
At 1 January 2014	2,015	2,816	8,152	1,149	14,132
Addition	2,699	2,540	3,317	1,314	9,870
At 31 December 2014	4,714	5,356	11,469	2,463	24,002
Depreciation					
At 1 January 2014	518	1,343	4,273	445	6,579
Charged for the year	573	828	2,163	400	3,964
At 31 December	1,091	2,171	6,436	845	10,544
NBV:					
At 31 December 2014	3,623	3,185	5,033	1,618	13,459
At 31 December 2013	**1,497**	**1,473**	**3,879**	**704**	**7,553**

Property, plant and equipment
The Company

Cost	Plant & machinery $'000	Motor vehicle $'000	Office furniture & IT equipment $'000	Leasehold improvements $'000	Total $'000
At 1 January 2013	1,263	2,206	5,250	1,063	9,782
Addition	567	753	2,125	85	3,530
Disposal	–	(142)	–	–	(142)
At 31 December 2013	1,830	2,817	7,375	1,148	13,170
Depreciation					
At 1 January 2013	136	848	2,353	261	3,598
Charged for the year	368	583	1,920	184	3,055
Disposal	–	(88)	–	–	(88)
At 31 December 2013	504	1,343	4,273	445	6,565
NBV:					
At 31 December 2013	**1,326**	**1,474**	**3,102**	**703**	**6,605**
At 1 January	1,830	2,817	7,375	1,148	13,170
Addition	**1,492**	**2,540**	**3,164**	**1, 314**	**8,510**
At 31 December	3,322	5,357	10,539	2,462	21,680
Depreciation					
At 1 January	**504**	**1,343**	**4,273**	**445**	**6,565**
Charged for the year	478	828	1,882	400	3,588
At 31 December	**982**	**2,171**	**6,155**	**845**	**10,153**
NBV:					
At 31 December 2014	**2,340**	**3,185**	**4,384**	**1,618**	**11,527**

12. Intangible assets

	The Group $'000	The Company $'000
Cost:		
At 1 January 2014	414	414
At 31 December 2014	414	414
Accumulated amortisation:		
At 1 January 2014	273	273
Charge for the year	93	93
At 31 December 2014	366	366
NBV:		
At 31 December 2014	**48**	**48**
At 31 December 2013	**141**	**141**

Intangible assets relate to an oil mining licence granted to the Group that is expected to expire in 2019.

13. Prepayment

	The Group		The Company	
	31 Dec 2014 $'000	31 Dec 2013 $'000	31 Dec 2014 $'000	31 Dec 2013 $'000
Deposit for oil mining licence	86,362	69,000	–	69,000
Tax paid in advance	31,623	28,749	31,623	28,748
Rent	2,614	1,828	2,614	1,829
Drilling services	5,333	9,333	5,333	9,333
Prepaid fees – NIPC	5,519	–	5,519	–
Prepaid others	15	–	15	–
	131,466	108,910	45,104	108,910

Included in prepayments are the following:

Deposit for oil mining licence:

During 2013, Seplat executed a sale and purchase agreement with Chevron Nigeria Limited ("CNL") in relation to producing assets in OML 53, subject to conditions precedent being met (the "CNL Assets SPA").

During 2014, an additional $17.4 million was advanced to Belemaoil in relation to OML 55. Please see note 34.

Tax paid in advance

In 2014, Seplat Petroleum Development Company paid a $2.9 million petroleum profit tax instalment in addition to the total instalment sum of $28 million paid in 2013. These payments relate to 2013 and were made prior to obtaining the pioneer status. This was accounted for as a tax credit under non-current prepayment until a future date when the Company will be expected to offset it against its tax liability.

Rent

As at 31 December 2014, the Group entered into three new commercial leases in relation to three buildings that it occupies in Lagos and Delta states. The Group has prepaid the rent. Two of the non-cancellable leases which relate to buildings in Lagos expire in 2019 and 2018 respectively. The lease on the building in Delta state is also non-cancellable and it expires in 2016.

Drilling services

In 2012, Seplat signed an agreement with Cardinal Drilling Limited with respect to the exclusive use of two rigs for five years. Seplat agreed to pay a $20m advance in relation to the exclusive use of these rigs. This $20m has been recognised as a prepayment and amortised over the life of the agreement (five years). The long-term portion as at 31 December 2014 is $5 million.

Prepaid fees – NIPC

This relates to fees for the pioneer period prepaid to Nigerian Investment Promotion Commission (NIPC).

Notes to the financial statements continued

14. Investment in subsidiaries

	The Group		The Company	
	31 Dec 2014 $'000	31 Dec 2013 $'000	31 Dec 2014 $'000	31 Dec 2013 $'000
Newton Energy Limited	–	–	950	950
Seplat Petroleum Development UK	–	–	50	50
Seplat East Onshore Ltd	–	–	32	–
	–	–	**1,032**	**1,000**

Subsidiary	Location	Shareholding %
Newton Energy Limited	Nigeria	100
Seplat Petroleum Development UK	United Kingdom	100
Seplat East Onshore Limited	Nigeria	100
Seplat East Swamp Company Limited	Nigeria	100
Seplat Gas Company	Nigeria	100

15. Inventories

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Tubulars, casings and wellheads	54,416	43,112	50,582	39,508

Inventory represents the value of tubulars, casings and wellheads. The inventory is carried at the lower of cost and net realisable value. Included in cost of sales is $1.034 million representing inventory charged to profit or loss during the year.

16. Trade and other receivables

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	119,588	68,747	115,116	63,619
Nigerian Petroleum Development Company (NPDC) receivables	463,118	283,628	463,118	283,628
Intercompany receivables	–	–	643,912	67,648
Deposit for investments	453,190	–	–	–
Advances to related parties	10,924	10,159	10,924	6,159
Prepayments	14,224	6,079	13,304	8,967
Underlift	2,783	26,387	–	26,387
Advances to suppliers	10,934	14,917	10,934	14,917
Other receivables	317	513	271	467
	1,075,078	**410,430**	**1,257,579**	**471,792**

Deposit for investment

By a consortium agreement made amongst parties, Newton Energy Limited (a subsidiary of Seplat) agreed to make payments of $453 million towards an investment in 2014. As at year end, the investment was not consummated. Subsequent to the year end, in accordance with agreements signed, Newton is now entitled to the repayment of the full costs with accrued interests and these sums are subsequently due to be paid.

Trade receivables/NPDC receivables

Trade receivables are non-interest bearing and are generally on 30-day terms.

The amount due from NPDC includes $256 million that is overdue as at 31 December 2014 (Dec 2013: $248 million). The overdue cash calls are not considered impaired based on the creditworthiness of the counterparty and previous experience whereby certain amounts are paid but not in line with the terms as NPDC is required to follow due process.

The ageing analysis of the trade receivables and amounts due from NPDC is as follows:

The Group	Total $'000	Neither past due nor impaired $'000	Past due but not impaired <30 days $'000	30–60 days $'000	60–90 days $'000	90–120 days $'000	>120 days $'000
Trade receivables							
31 December 2013	119,558	89,027	6,230	2,015	6,503	1,556	14,256
31 December 2014	**68,747**	**51,670**	**6,983**	**1,247**	**903**	**1,283**	**6,661**
NPDC receivables							
31 December 2013	463,118	207,495	68,097	120,743	36,491	–	30,292
31 December 2014	**283,628**	**31,843**	**38,137**	**46,466**	**18,127**	**7,842**	**141,213**

The Company	Total $'000	Neither past due nor impaired $'000	Past due but not impaired <30 days $'000	30–60 days $'000	60–90 days $'000	90–120 days $'000	>120 days $'000
Trade receivables							
31 December 2013	115,116	89,027	1,759	2,015	6,503	1,556	14,256
31 December 2014	**63,619**	**46,542**	**6,983**	**1,247**	**903**	**1,283**	**6,661**
NPDC receivables							
31 December 2013	463,118	207,495	68,097	120,743	36,491	0	30,292
31 December 2014	**283,628**	**31,843**	**38,137**	**46,466**	**18,127**	**7,842**	**141,213**

Shell Western Supply has subsequently settled the outstanding balance of $89.1 million in January 2015. NPDC has paid a total of $36.5 million from the outstanding balance. The remaining balance is expected to be fully paid during 2015.

17. Cash and short-term deposits

Company	The Group 31 Dec 2014 $'000	The Group 31 Dec 2013 $'000	The Company 31 Dec 2014 $'000	The Company 31 Dec 2013 $'000
Cash on hand	62	38	60	38
Cash at bank	285,236	119,423	278,603	100,134
Short-term deposits	–	50,000	–	50,000
Cash and cash equivalents	285,298	169,461	278,663	150,172

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

At 31 December 2014, cash at bank included the debt service reserve of $46.5 million (2013: $22.3 million) deposited pursuant to the covenant in relation to the bank syndicated loan. The debt service reserve account balance is the amount equal to at least the aggregate of the amounts of principal and interest projected to fall due on the next successive principal payment dates and dates for the payment of interest on the loans.

18. Financial instruments

Value	The Group 31 Dec 2014 $'000	The Group 31 Dec 2013 $'000	The Company 31 Dec 2014 $'000	The Company 31 Dec 2013 $'000
Derivatives not designated as hedges	5,432	–	5,432	–

During 2014, management entered into two funded currency forward contracts with Stanbic ITBC Bank (Stanbic) to hedge any exchange rate volatility on the funds raised by the IPO, which were denominated in Naira and required government approval to convert into either USD or GBP. In accordance with IAS 39, these funded currency forward contracts need to be fair valued as at 31 December 2014. Management has obtained a counterparty valuation of the two forward contracts from Stanbic, which resulted in a gain of $5.4 million.

Notes to the financial statements continued

19. Share capital and premium

19a. Share capital

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Nigerian Naira of 50 kobo per share	3,335	3,335	3,335	3,335
Issued and fully paid				
553,310,313 (2013: 400,000,000) issued shares denominated in Nigerian Naira of 50 kobo per share	1,798	1,334	1,798	1,334

Fully paid ordinary shares carry one vote per share and carry the right to dividends. During 2013, the Company sub-divided its shares from 1 to 0.50 per share resulting in an increase in the number of shares issued from 100 million to 200 million ordinary shares. On 31 July 2013, the number of ordinary shares was increased to 400 million by way of a bonus issue to existing shareholders; these were issued from the revenue reserve. In August 2013, the authorised share capital was increased from 400 million to 1 billion denominated in ₦0.50 per share.

During the year, the Group issued and allotted 153,310,313 through an initial public offering, resulting in an increase in number of issued and fully paid ordinary shares of 50 kobo each from 400 million to 553 million shares.

19b. Share premium

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Gross proceeds	534,987	–	534,987	–
Share issue	(464)	–	(464)	–
Share premium	534,523	–	534,523	–
Issue costs	(37,066)	–	(37,066)	–
Issued share capital proceeds	497,457	–	497,457	–

During the year, the net proceeds of $497.9 million were received from the initial public offering. 153,310,313 shares of 50k each totalling $464,000 were transferred to share capital.

20. Capital contribution

This represents M&P additional cash contribution to the Company. In accordance with the Shareholders' Agreement, the amount was used by the Company for working capital as was required at the commencement of operations. Subsequently, the interest held by M&P was transferred to MPI. All terms and conditions previously held by M&P were re-assigned to MPI.

21. Foreign translation reserve

Cumulative exchange difference arising from translation of foreign subsidiary is taken to foreign translation reserve through other comprehensive income. The Group foreign subsidiary was incorporated in 2013.

22. Interest bearing loans and borrowings

22a. Non-current

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current				
Bank borrowings	239,767	120,850	239,767	120,850

22b. Current

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Shareholder loan	–	48,041	–	48,041
Bank borrowings	348,389	141,712	348,389	141,712
	348,389	**189,753**	**348,389**	**189,753**

Shareholder loan

The shareholder loan represents the remaining amount (principal plus interest less repayment) due on the $153 million shareholder loan obtained from MPI. Interest accrues monthly on the principal amount outstanding at the higher of 5% above LIBOR or the interest rate incurred by MPI on its borrowings and is repayable from the oil revenues generated from OMLs 4, 38 and 41 after deductions of operational and capital expenditures. The principal and interest outstanding as at 31 December 2013 was paid in June 2014 after the initial public offering of Seplat's shares on the London and Nigerian Stock Exchanges.

Bank loan

Syndicate credit facility

The long-term bank loan represents a five-year senior, secured credit facility obtained from a syndicate of lenders led by Afrexim. Seplat has a facility to draw down up to $550 million until 2016. As at 31 December 2013, Seplat had drawn down $335 million of this facility and made principal repayments in 2011, 2012 and 2013. Interest accrues monthly on the principal amount outstanding at LIBOR plus a margin ranging from 5% to 7.5% depending on the bank, subject to an interest rate floor of 8% with one of the banks. In 2014, the balance of $215 million was drawn for the purpose of securing new oil mining licences. The outstanding amount as of 31 December 2014 is $291 million. As at 31 December 2014, the Company has undrawn facilities of $0 million (31 December 2013: $215 million). The loan is due to be fully repaid by August 2016.

Syndicated loan	Current $'000	Non-current $'000	Total $'000
Skye Bank	36,241	25,301	61,542
Uba	29,683	16,802	46,485
First Bank	78,103	34,603	112,706
Afrexim	54,362	15,145	69,507
	198,389	**91,850**	**290,239**

Revolving working capital facility

The short-term bank borrowings includes $69 million drawn down from $100 million revolving facility obtained from First Bank of Nigeria. Interest accrues monthly at LIBOR plus 8%. The Company has undrawn facilities of $0 million as at 31 December 2014.

	Current $'000	Non-current $'000	Total $'000
First Bank loan	100,000	–	100,000

Zenith Bank loan

The long-term bank loan represents a five-year senior, secured credit facility obtained from Zenith Bank in February 2014. As at 31 December 2014 Seplat had drawn down the full amount of the $200 million facility. The facility has a one-year moratorium on principal repayments. Interest accrues monthly on the principal amount outstanding at LIBOR plus a margin of 7.5% payable quarterly.

	Current $'000	Non-current $'000	Total $'000
Zenith Bank loan	50,000	147,917	197,917

23. Contingent consideration

	The Group $'000	The Company $'000
At 1 January 2013	–	–
Additions	7,731	–
Fair value movement	514	–
At 1 January 2014	8,245	–
Fair value movement	1,132	–
At 31 December 2014	**9,377**	**–**

In 2013, the Group entered into an agreement with Pillar Oil to acquire a 40% participating interest in the Umuseti/Isbuku marginal field area in OML 56. The total consideration payable is $50 million upon signing of the agreement and $10 million payable upon reaching certain production milestones ($5 million when average daily production of 10,500 bopd of liquid hydrocarbon sustained over a period of one month is achieved and another $5 million when cumulative production of 10 million barrels of liquid hydrocarbons from all fields within OML 56 is achieved). The fair value of $7.731 million was capitalised to the cost of the asset and a corresponding liability recorded based on the probability.

Notes to the financial statements continued

24. Provision for decommissioning obligation

	The Group	The Company
	$'000	$'000
At 1 January 2014	15,176	14,578
Unwinding of discount due to passage of time	1,944	1,944
Change in estimate	(4,431)	(6,684)
At 31 December 2014	**12,690**	**9,838**

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. It relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a "probable future sacrifice of economic benefits arising from a present obligation," and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred in 2036 which is the current expectation as to when the producing facilities are expected to cease operations. Management engaged a third party to assist with an estimate of the expenditure to be incurred in 2036. These provisions were based on estimates carried out by DeGolyer and MacNaughton based on current assumptions on the economic environment which management believe to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates.

The discount rate used in the calculation of unwinding of the provision as at 31 December 2014 was 14.64% (the year ended 31 December 2013: 12.4%). As of 31 December 2014, management has estimated decommissioning expenditure to occur in 2036 (31 December 2013: 2027). The change in estimate, a decrease of $4.4 million, is included in the 2014 movement in 'production and field facilities'.

25. Trade and other payables

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payable	75,443	68,924	75,409	70,860
Accruals and other payables	267,579	109,511	260,026	109,325
Overlift	9,811	3,473	9,811	–
NDDC levy	11,327	9,328	11,327	9,328
Deferred revenue	1,420	1,420	1,420	1,420
Royalties	24,745	58,682	24,413	41,656
Intercompany payable	–	–	11,703	1,000
	390,325	**251,338**	**394,109**	**233,589**

The 2014 accruals balance is mainly composed of other field-related accruals of $219.9m (2013: $95.23m).

26. Earnings per share

Basic

Basic earnings per share is calculated on the Company's profit after taxation and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit for the year attributable to shareholders	252,221	550,326	271,236	550,222
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	508,120	400,000	508,120	400,000
	$	$	$	$
Basic earnings per share	0.50	1.38	0.53	1.38
Earnings	$'000	$'000	$'000	$'000
Profit attributable to equity holders of the Group	252,221	550,326	271,236	550,222
Profit used in determining diluted earnings per share	252,221	550,326	271,236	550,222

27. Dividends paid and proposed

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash dividends on ordinary shares declared and paid:				
Interim dividend for 2014: $0.06 per share (553,310,313 shares in issue)	33,199	–	33,199	–
Final dividend for 2013: $0.10 per share (400,000,000 shares in issue)	40,000	–	40,000	–
	73,199	–	73,199	
Proposed dividends on ordinary shares:				
Final cash dividend for 2014: $0.09 per share	**49,800**		**49,800**	

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December 2014.

28. Related party relationships and transactions

The following companies are common control entities as the companies are controlled by close family members:

- Abbeycourt Petroleum Company Limited
- Abbeycourt Trading Company Limited
- Abtrust Integrated Services
- Berwick Nigeria Limited
- Cardinal Drilling Nigeria Limited
- Charismond Nigeria Limited
- D. D. Dodo & Co
- Helko Nigeria Limited
- Keco Nigeria Enterprises
- Montego Upstream Services Limited
- Nabila Resources & Investment Limited
- Ndosumili Ventures Limited
- Neimeth International Pharmaceutical Plc
- Nerine Support Services Limited
- Oriental Catering Services Limited
- Platform Petroleum Limited
- ResourcePro Inter Solutions Limited
- Shebah Exploration and Production Company Limited (SEPCOL)

Notes to the financial statements continued

28. Related party relationships and transactions continued

Services provided by the related parties:

Abbeycourt Petroleum Company Limited: The Chairman of Seplat is a director and shareholder. The company provides consultancy services to Seplat in relation to business development opportunities and new acquisitions.

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 a company under common control. The company provides drilling rigs and drilling services to Seplat.

Charismond Nigeria Limited: The Chief Executive Officer's sister works at Charismond as a general manager. The company provides bespoke gift hampers to Seplat.

D. D. Dodo & Co: The owner is an Independent Non-Executive Director of Seplat and also a partner of the law firm that provided legal services of $0.59 million to the Company (2013: nil).

Helko Nigeria Limited: The Chairman of Seplat is a 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 a 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 a 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 a company under common control. 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.

Platform Petroleum Limited: The Chief Executive Officer of Seplat is a director and shareholder of this company. The Chief Executive Officer, his secretary and driver were originally employees of Platform Petroleum Limited in 2010 when Seplat was formed. Their salaries are currently paid by Platform Petroleum Limited, with Seplat then wholly reimbursing Platform Petroleum Limited.

ResourcePro Inter Solutions Limited: The Chief Executive Officer of Seplat's in-law is its UK representative. The company supplies furniture to Seplat.

Shebah Exploration and Production Company Limited (SEPCOL): The Chairman of Seplat is a director and shareholder of SEPCOL. SEPCOL and Seplat entered into an agreement in 2010 as a commitment deposit to guarantee the Company an exclusive option to lease or purchase a floating production, storage and offloading unit, the 'Trinity Spirit', and as a result Seplat prepaid $15 million. In 2012, the agreement was nullified and $3 million was paid in 2012 while the balance of $12 million was paid in 2013. In addition, SEPCOL seconds certain personnel to Seplat.

The following transactions were carried out by related parties on behalf of Seplat:

a) Transactions:

i) Purchases of goods and services

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Shareholders:				
MPI	299	217	299	217
Shebah	1,936	1,174	1,936	1,174
Platform Petroleum Limited	201	1,222	201	1,221
	2,436	**2,613**	**2,436**	**2,613**
Entities under common control:				
Abbeycourt Trading Company Limited	4,329	2,408	4,329	2,408
Abbeycourt Petroleum Company Limited	–	–	–	–
Abtrust Integrated Services	50	–	50	–
Charismond Nigeria Limited	176	161	176	161
Cardinal Drilling Services Limited	36,612	32,225	36,612	32,225
Keco Nigeria Enterprises	3,596	1,931	3,596	1,931
Ndosumili Ventures Limited	2,759	897	2,759	897
Oriental Catering Services Limited	598	629	598	629
ResourcePro Inter Solutions Limited	2,913	867	2,913	867
Berwick Nigeria Limited	950	870	950	870
Montego Upstream Services Limited	17,328	8,878	17,328	8,878
Neimeth International Pharmaceutical Plc	28	–	28	–
Nerine Support Services Limited	31,277	12,180	31,277	12,180
SEPCOL	–	–	–	–
Nabila Resources & Investment Ltd	455	377	455	377
Helko Nigeria Limited	2,379	255	2,379	255
D.D Dodo & Co	590	–	590	–
	104,040	**61,678**	**104,040**	**61,678**

ii) Interest expense

	2014 $'000	2013 $'000
Shareholders:		
MPI	960	4,206

Notes to the financial statements continued

28. Related party relationships and transactions continued
b) Balances:
Year-end balances arising from related party transactions:

i) Prepayments/receivables

	2014 $'000	2013 $'000
Under common control:		
Cardinal Drilling Services Limited – current portion	10,934	10,159
Cardinal Drilling Services Limited – non-current portion	5,333	9,333
Abbeycourt Petroleum Company Limited	–	76
	16,267	19,568

ii) Payables

	2014 $'000	2013 $'000
Shareholders:		
Loan from MPI	–	47,040
Other payables to MPI	1,223	1,000
	1,223	48,040

c) Key management compensation:
Key management includes executive and members of the executive committee. The compensation paid or payable to key management for employee services is shown below:

	31 December 2014 $'000	31 December 2013 $'000
Salaries and other short-term employee benefits	5,372	3,347
	5,372	3,347

29. Employee benefits – Defined contribution
The Company contributes to a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2004. A defined contribution plan is a pension plan under which the Company pays fixed contributions to an approved Pension Fund Administrator (PFA) – a separate entity. The assets of the scheme are managed by various Pension Fund Administrators patronised by employees of the Company. The Company's contributions are charged to the profit and loss account in the year to which they relate.
The amount payable as at 31 December 2014 was $331,958 (2013: $406,026).

30. Commitments and contingencies
30a. Operating lease commitments – Group as lessee
The Group has entered into operating leases for the use of drilling rigs.
Future minimum rentals payable under non-cancellable operating leases as at each reporting date are as follows:

	31 December 2014 $'000	31 December 2013 $'000
Within one year	30,249	31,741
After one year but not more than five years	–	500
	30,249	32,241

30b. Commitments
The Group has commitments to OML 53 and 55. See note 34.

30c. Contingent liabilities
The Group is involved in a number of legal suits as defendant. The possible liabilities arising from these court proceedings amount to $23,229,745 (31 December 2013: $650,200). 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.

31. Financial risk management

The Company's activities expose it to a variety of financial risks such as market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

31.1 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 deposit bearing current accounts, time deposits and money market deposits.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.

31 December 2014	Effective interest rate %	Less than 1 year $'000	1–2 years $'000	2–3 years $'000	3–5 years $'000	After 5 years $'000	Total $'000
Variable interest rate borrowings:							
Bank loans:							
Skye Bank Plc	8.00%	68,623	50,616	–	–	–	119,239
United Bank for Africa Plc	7.5% + LIBOR	56,431	39,052	–	–	–	95,483
First Bank of Nigeria Plc	7.5% + LIBOR	147,759	87,389	–	–	–	235,148
First Bank of Nigeria Plc	8% + LIBOR	106,269	0	–	–	–	106,269
Africa Export-Import Bank	7.5% + LIBOR	101,029	91,732				192,761
Zenith loan	7.50%	65,455	61,186	56,594	52,955	–	236,190
Trade, other payables	–	389,103	0	–	–	–	389,103
Contingent consideration	–	–	9,377	–	–	–	9,377
		934,669	**339,352**	**56,594**	**52,955**	–	**1,383,570**

Notes to the financial statements continued

31. Financial risk management continued

31-Dec-13	Effective interest rate %	Less than 1 year $'000	1–2 years $'000	2–3 years $'000	3–5 years $'000	After 5 years $'000	Total $'000
Variable interest rate borrowings:							
Shareholder loan	7.13%	48,041	–	–	–	–	48,041
Bank loans:							
Skye Bank Plc	8.00%	11,971	15,025	13,118	–	–	40,114
United Bank for Africa Plc	7.5% + LIBOR	14,310	17,965	16,271	–	–	48,546
First Bank of Nigeria Plc	7.5% + LIBOR	95,113	26,265	22,295	–	–	143,673
Africa Export-Import Bank	7.5% + LIBOR	16,857	21,600	19,339	–	–	57,796
Trade, other payables	–	136,934	–	–	–	–	136,934
Contingent consideration		–	–	8,245	–	–	8,245
		323,226	80,855	79,268	–	–	483,349

31.2 Market risk

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

Commodity price risk

The Group is exposed to the risk of fluctuations in crude oil prices. The Group does not hedge against this risk but currently sells all oil that it produces to Shell Trading at market prices calculated in accordance with the terms of the off-take agreement.

The following table summarises the impact on the Group's profit before tax of a 10% change in crude oil prices, with all other variables held constant:

	Effect on profit before tax for the year ended 31 December 2014 Increase/(Decrease) $'000	Effect on profit before tax for the year ended 31 December 2013 Increase/(Decrease) $'000
+10%	76,418	88,180
-10%	(76,418)	(88,180)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates do not expose the Group to market interest rate risk. Most of the Group's borrowings are denominated in US Dollars.

The Group is exposed to cash flow interest rate risk on short-term deposits to the extent that the significant reductions in market interest rates would result in a decrease in the interest earned by the Group.

The following table demonstrates the sensitivity to changes in LIBOR, with all other variables held constant, of the Group's profit before tax.

	Change in interest rate	Effect on profit before tax $'000
2014	1%	526
2013	1%	4,525

Foreign exchange risk

The Group has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currency. The Group is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US Dollar.

The Group holds the majority of its cash and cash equivalents in US Dollars. However, the Group does maintain deposits in Naira in order to fund ongoing general and administrative activity and other expenditure incurred in this currency.

As at 31 December 2014, the Group held $181.4 million equivalent in Nigerian Naira (31 December 2013: $1.9 million).

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date:

Change in foreign exchange rate	Effect on profit before tax 31 December 2014 $'000	Effect on profit before tax 31 December 2013 $'000
+5%	(9,990)	2,353
-5%	9,990	(2,353)

31.3 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Company. Credit risk arises from the Company's cash at banks and accounts receivable balances.

The Company's trade with Shell Western Supply and Trading Limited is as specified within the terms of the crude off-take agreement and will run for five years until 31 December 2016 with 30 day payment terms. In addition, the Company is exposed to credit risk in relation to its trade with Nigerian Gas Company Limited, a subsidiary of NNPC, the sole customer during the period. The Company monitors receivable balances on an ongoing basis and there has been no significant history of late collections.

The credit risk on cash is limited because the majority of deposits are with a bank that has an acceptable credit rating assigned by an international credit agency. The Company's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

The accounts receivable balance includes the following related party receivables:

		Percentage of total receivables	
Related party	Payment terms	2014	2013
NPDC	14 days	72%	69%
SEPCOL	Receivables relates to deposits that are expected to be utilised or refunded	0%	0%
CardinaL Drilling Services Limited	Receivables relates to deposits that are expected to be utilised or refunded	3%	5%

The maximum exposure to credit risk as at the reporting date is:

	31 December 2014 $'000	31 December 2013 $'000
Trade and other receivables	1,075,078	410,430
Cash and cash at bank	285,298	169,461
	1,360,376	**579,871**

Notes to the financial statements continued

31. Financial risk management continued

31.4 Fair value

Set out below is a comparison by category of carrying amounts and fair value of all the Group's financial instruments:

	Carrying amount		Fair value	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial liabilities				
Borrowings – Shareholder loan	–	48,041	–	48,041
Borrowings – Bank loans	588,156	262,562	588,156	262,562
Contingent consideration	9,377	8,245	9,377	8,245
	597,533	**318,848**	**597,533**	**318,848**

The loans are all LIBOR loans which are re-priced on a pre-determined basis as defined in the loan agreement. As a result, the loans are always carried at market rate and there is no indication of credit spread change or change in credit risk for Seplat.

Trade and other payables have not been included in the analysis as the carrying amount per the financial statements approximates fair values.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models that use present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. All derivative contracts are fully cash-funded, thereby eliminating both counterparty and the Group's own non-performance risk. As at 31 December 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value. The fair values of derivative financial instruments are disclosed in note 18.

Fair value hierarchy as at 31 December 2014

Liabilities	Level 1 $'000	Level 2 $'000	Level 3 $'000
Borrowings – Shareholder loan	–	–	–
Borrowings – Bank loans	–	588,156	–
Contingent consideration	–	–	9,377
Derivatives not designated as hedges	–	5,432	–

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
  - There were no transfers between fair value levels during the period.
  - The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- The following methods and assumptions were used to estimate the fair values:
  - Fair values of the Group's interest-bearing loans and borrowings are determined by using discounted cash flow models that use effective interest rates that reflect the borrowing rate as at the end of the reporting period.
  - The fair value of the Group's contingent consideration is determined using the discounted cash flow model. The estimated future cash flow was discounted to present value.

Reconciliation of fair value measurements of Level 3 financial instruments

Contingent consideration	$'000
At 1 January 2013	–
Additions	7,731
Fair value movement (profit or loss)	514
At 31 December 2013	8,245
Additions	–
Fair value movement (profit or loss)	1,132
At 31 December 2014	9,377

Contingent consideration sensitivity

The following table demonstrates the sensitivity to changes in the discount rate of the contingent consideration, with all other variables held constant, of the Group's profit before tax.

	Effect on profit before tax for the year ended 31 December 2014 Increase/(Decrease) $'000	Effect on profit before tax for the year ended 31 December 2013 Increase/(Decrease) $'000
+10%	56	147
-10%	(57)	(152)

32. Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain optimal capital structure and reduce cost of capital. The net debt ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

	31 December 2014 $'000	31 December 2013 $'000
Borrowings:	588,156	312,383
Less: cash and cash equivalents	(285,298)	(169,461)
Net debt	302,858	142,922
Total equity	1,409,142	732,199
Total capital	1,712,000	875,121
Net debt (net debt/total capital) ratio	18%	16%

As at 31 December 2014, the Company's net debt ratio was 18% in accordance with its policy of maintaining a debt to equity ratio of less than 1.2 to 1.

Notes to the financial statements continued

33. Information relating to employees

a. Chairman and Directors' emoluments:

	2014 $'000	2013 $'000
Fees	2,254	774
Chairman	1,092	1,203
Chief Executive Officer	1,572	1,053
Executive Directors	3,073	1,272
Non-Executive Directors	203	98
JV Partner Share	(3,276)	(1,455)
Bonus	1,890	2,356
Total	**6,808**	**5,301**

b. Highest paid Director

	2014 $'000	2013 $'000
Highest paid Director	1,572	1,203

Emoluments are inclusive of income taxes. Subsequent to the year end, the Remuneration Committee approved payment of 25% of the bonus of $1.89 million to the CEO and Executive Directors in shares in the Company.

c. The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2014 Number	2013 Number
Zero – $65,000	4	5
$65,001 – $378,000	–	3
$378,001 – $516,000	–	–
$516,000 and above	6	3
	10	11

d. Employees:

The number of employees of the Company (other than the Directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over ₦1,000,000, received remuneration (excluding pension contributions) in the following ranges:

	2014 Number	2013 Number
$6,500 – $16,000	–	1
$16,001 – $32,000	1	6
$32,001 – $48,000	39	75
Above $48,000	300	216
	340	297

e. The average number of persons (excluding Directors) employed by the Company during the year was as follows:

	2014 Number	2013 Number
Management	72	49
Senior staff	93	91
Junior staff	175	157
	340	297

f. Employee costs:

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to $21.485 million (2013: $16.989 million) as follows:

	2014 $'000	2013 $'000
Salaries & wages	18,205	13,219
Bonus	3,280	3,770
	21,485	16,989

34. Events after the reporting period

Investments

By a consortium agreement made amongst parties, Newton Energy Limited (a subsidiary of Seplat) agreed to make payments towards the acquisition of additional assets in 2014. As at year end, the investment had not been consummated, as such, and subsequent to year end in accordance with agreements signed, Newton is now entitled to the repayment of the full costs with accrued interests and these sums are subsequently due to be paid.

OML 53

On 5 February 2015, Seplat announced the completion of the acquisition of a 40% working interest in OML 53, onshore north eastern Niger Delta, from Chevron Nigeria Limited. The up-front acquisition cost to Seplat, after adjustments, is $259.4 million, of which $69.0 million had previously been paid as a deposit in 2013 and $190.4 million paid at completion. The adjustments to the up-front acquisition cost include a deferred payment of $18.75 million contingent on oil prices averaging $90/bbl or above for 12 consecutive months over the next five years.

OML 55

On 5 February 2015, Seplat announced the conclusion of negotiations to purchase 56.25% of the share capital of Belemaoil, a Nigerian special purpose vehicle that has completed the acquisition of a 40% interest in the producing OML 55, located in the swamp to coastal zone of south eastern Niger Delta, from Chevron Nigeria Limited. Seplat's effective working interest in OML 55 is 22.5% for a consideration of $132.2 million after adjustments. The adjustments to the consideration include a deferred payment of $11.6 million net to Seplat contingent on oil prices averaging $90/bbl or above for 12 consecutive months over the next five years. The Company has also advanced certain loans of $80.0 million to the other shareholders of Belemaoil to meet their share of investments and costs associated with Belemaoil. In addition, discussions are underway to determine repayment terms for the initial deposit against the acquisition of $52.5 million that Belemaoil funded with bank debt. This amount may subsequently be added to the total amount loaned to Belemaoil by Seplat. Under the agreed terms Seplat will recover the loaned amounts, together with an uplift premium of up to $20.6 million and annual interest of 10%, from 80% of the other shareholder oil lifting entitlements.

Statement of value added
For the year ended 31 December 2014

	The Group 2014 $'000	The Group 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Revenue	775,019	880,227	755,508	869,982
Cost of goods and other services:				
Local	(295,375)	(250,443)	(272,307)	(246,785)
Foreign	(126,589)	(107,332)	(116,703)	(105,765)
	353,054	522,452	365,997	517,432
Other income	11,996	1,062	14,784	3,779
Valued added	365,051	523,514	380,782	521,211

Applied as follows:

	The Group 2014 $'000	%	The Group 2013 $'000	%	The Company 2014 $'000	%	The Company 2013 $'000	%
To employees:								
– as salaries and labour related expenses	18,205	5	13,219	3	17,046	4	11,884	2
To external providers of capital:								
– as interest	49,319	14	21,805	4	49,319	13	21,805	4
To Government:								
– as Company taxes	–	–	617	–	–	–	617	–
Retained for the Company's future:								
– For asset replacement – Depreciation, depletion & amortisation	45,306	12	30,967	6	43,181	11	30,045	6
Deferred tax	–		(93,362)	(18)	–	–	(93,362)	(18)
Profit for the year	252,221	69	550,268	105	271,236	71	550,222	106
	365,051	**100**	**523,514**	**100**	**380,782**	**100**	**521,211**	**100**

The value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for the future creation of more wealth.

Five year financial summary
As at 31 December 2014

	The Group		The Company				
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Revenue	775,019	880,227	755,508	869,982	624,546	451,320	83,935
Cost of sales	(315,590)	(330,943)	(310,715)	(328,368)	(250,302)	(206,356)	(46,152)
Gross profit	459,429	549,284	444,793	541,614	374,244	244,964	37,783
Other operating income	–	404	–	404	2,183	–	–
Other general and administrative expenses	(151,569)	(71,977)	(118,643)	(67,580)	(48,326)	(56,857)	(8,166)
Gain on foreign exchange	(17,152)	1,473	(20,380)	1,469	1,894	(165)	460
Fair value movements in contingent consideration	(1,132)	(514)	–	–	(142)	(8,618)	(5,675)
Operating profit	289,576	478,670	305,770	475,907	329,853	179,324	24,402
Finance income	11,996	658	14,784	3,375	1,788	–	
Finance costs	(49,319)	(21,805)	(49,319)	(21,805)	(35,986)	(24,866)	(14,936)
Profit before taxation	252,253	457,523	271,236	457,477	295,655	154,458	9,466
Taxation	–	92,745	–	92,745	(186,556)	(101,034)	3,552
Profit for the year	252,253	550,268	271,236	550,222	109,099	53,424	13,018
Other comprehensive income:							
Other comprehensive income to be reclassified to profit or loss in the subsequent periods:							
Foreign translation difference	(32)	58	–	–	–	–	–
Total comprehensive income net of tax	252,221	550,326	271,236	550,222	109,099	53,424	13,018
Basic and diluted earnings per share	0.50	1.38	0.53	1.38	0.27	0.13	0.03

Five year financial summary continued
As at 31 December 2014

	Notes	The Group 31 Dec 2014 $'000	The Group 31 Dec 2013 $'000	The Company 31 Dec 2014 $'000	The Company 31 Dec 2013 $'000	The Company 31 Dec 2012 $'000	The Company 31 Dec 2011 $'000	The Company 31 Dec 2010 $'000
ASSETS								
Non-current assets								
Oil & gas properties	11a	843,603	577,954	769,331	512,737	379,931	301,334	351,540
Other property, plant and equipment	11b	13,459	7,553	11,527	6,605	6,184	3,411	5,016
Intangible assets	12	48	141	48	141	234	324	414
Deferred tax asset	9a	–	–	–	–	26042	52298	29382
Prepayments	13	131,466	108,910	45,104	108,910	14,208	1,000	314
Investment in subsidiaries	14	–	–	1,032	1,000	0	0	0
Total non-current assets		**988,576**	**694,558**	**827,042**	**629,393**	**426,599**	**358,367**	**386,666**
Current assets								
Inventories	15	54,416	43,112	50,582	39,508	24,949	10,903	0
Trade and other receivables	16	1,075,078	410,430	1,257,579	471,792	294,302	100,136	112,521
Cash & short-term deposits	17	285,298	169,461	278,663	150,172	154,332	201,777	30,368
Other current financial assets		890	–	858	–	–	–	–
Financial instruments								
Derivatives not designated as hedges	18	5,432	–	5,432	–	–	–	–
Total current assets		1,421,114	623,003	1,593,114	661,472	473,583	312,816	142,889
Total assets		**2,409,690**	**1,317,561**	**2,420,156**	**1,290,865**	**900,182**	**671,183**	**529,555**
EQUITY AND LIABILITIES								
Equity								
Issued share capital	19a	1,798	1,334	1,798	1,334	690	690	690
Share premium	19b	497,457	–	497,457	–	0	–	–
Capital contribution	20	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Retained earnings		869,861	690,807	888,798	690,761	141,183	66,084	12,660
Foreign translation reserve	21	26	58	–	–	–	–	–
Total shareholders' equity		**1,409,142**	**732,199**	**1,428,053**	**732,095**	**181,873**	**106,774**	**53,350**
Non-current liabilities								
Interest bearing loans and borrowings	22a	239,767	120,850	239,767	120,850	146,358	247,281	47,979
Contingent consideration	23	9,377	8,245	–	–	–	–	24240
Provision for decommissioning obligation	24	12,690	15,176	9,838	14,578	15,727	10,112	8,793
Deferred tax liabilities						119,404	54,521	
Total non-current liabilities		**261,834**	**144,271**	**249,605**	**135,428**	**281,489**	**311,914**	**81,012**
Current liabilities								
Interest bearing loans and borrowings	22b	348,389	189,753	348,389	189,753	101,247	189,753	189,753
Contingent consideration		–	–	–	–	–	32,858	–
Trade and other payables	25	390,325	251,338	394,109	233,589	258,355	102,386	97,268
Tax payable		0	0	0	0	77,218	63,001	25,829
Total current liabilities		738,714	441,091	742,498	423,342	436,820	252,495	395,193
Total liabilities		1,000,548	585,362	992,103	558,770	718,309	564,409	476,205
Total shareholder equity and liabilities		**2,409,690**	**1,317,561**	**2,420,156**	**1,290,865**	**900,182**	**671,183**	**529,555**

Supplementary financial information (unaudited)
For the year ended 31 December 2014

1. Estimated quantities of proved plus probable reserves

	Oil & NGLs MMbbls	Natural Gas Bscf	Oil Equivalent MMboe
At 31 October 2013	111.5	663.3	225.8
Revisions	36.5	184.1	67.4
Discoveries	1.8	–	1.8
Production	(10.4)	(21.4)	(14.1)
At 31 December 2014	**139.4**	**826.3**	**280.9**

Reserves are those quantities of crude oil, natural gas and natural gas liquid that, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions.

As additional information becomes available or conditions change, estimates are revised.

2. Capitalised costs related to oil producing activities

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Capitalised costs:				
Unproved properties	–	–	–	–
Proved properties	1,023,128	716,230	946,292	650,198
Total capitalised costs	1,023,128	716,230	946,292	650,198
Accumulated depreciation	(179,525)	(138,276)	(176,961)	(137,461)
Net capitalised costs	**843,603**	**577,954**	**769,331**	**512,737**

Capitalised costs include the cost of equipment and facilities for oil producing activities. Unproved properties include capitalised costs for oil leaseholds under exploration, and uncompleted exploratory well costs, including exploratory wells under evaluation. Proved properties include capitalised costs for oil leaseholds holding proved reserves, development wells and related equipment and facilities (including uncompleted development well costs) and support equipment.

3. Concessions
The original, expired and unexpired terms of concessions granted to the Group as at 31 December 2014 are:

	Term in years		
	Original	Expired	Unexpired
Seplat OML 4, 38 & 41	10	5	5
Newton OML 56	10	5	5

4. Results of operations for oil producing activities

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	775,019	880,227	755,508	869,982
Other income	11,996	658	14,784	3,779
Production and administrative expenses	(489,456)	(392,395)	(455,875)	(386,238)
Depreciation & amortisation	(45,306)	(30,967)	(43,181)	(30,045)
Profit before taxation	252,253	457,523	271,236	457,477
Taxation	–	92,745	–	92,745
Profit after taxation	**252,253**	**550,268**	**271,236**	**550,222**

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Expressed in Nigerian Naira

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Independent auditor's report to the members of Seplat Petroleum Development Company Plc
For the year ended 31 December 2014

We have audited the accompanying financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Seplat Petroleum Development Company Plc as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council Act, No. 6, 2011.

Report on other legal and regulatory requirements
In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
iii) the Company's statement of financial position and profit or loss and other comprehensive income are in agreement with the books of account.
iv) in our opinion, the consolidated financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 so as to present fairly the state of affairs and financial performance.

Odutola

Yemi Odutola
FRC/2012/ICAN/00000000141
For Ernst & Young
Lagos, Nigeria

30 March 2015

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2014

	Notes	The Group 2014 ₦'m	The Group 2013 ₦'m	The Company 2014 ₦'m	The Company 2013 ₦'m
Revenue	3	124,377	136,658	121,246	135,068
Cost of sales	4	(50,647)	(51,380)	(49,864)	(50,980)
Gross profit		73,730	85,278	71,382	84,087
Other operating income	5	–	63	–	63
Other general and administrative expenses	6	(24,324)	(11,175)	(19,040)	(10,492)
Gain on foreign exchange		(2,753)	229	(3,271)	228
Fair value movements in contingent consideration	23	(182)	(80)	–	–
Operating profit		46,471	74,315	49,071	73,886
Finance income	7a	1,925	102	2,373	524
Finance costs	7b	(7,915)	(3,385)	(7,915)	(3,385)
Profit before taxation		40,481	71,032	43,529	71,025
Taxation	8a	–	14,399	–	14,399
Profit for the year		40,481	85,431	43,529	85,424
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in the subsequent periods					
Foreign translation difference	21	35,051	591	35,506	580
Total comprehensive income net of tax		75,532	86,022	79,035	86,044

	Notes	The Group 2014 ₦	The Group 2013 ₦	The Company 2014 ₦	The Company 2013 ₦
Basic and diluted earnings per share	26	79	213	85	213

Statement of financial position
As at 31 December 2014

	Notes	The Group 31 Dec 2014 ₦'m	The Group 31 Dec 2013 ₦'m	The Company 31 Dec 2014 ₦'m	The Company 31 Dec 2013 ₦'m
ASSETS					
Non-current assets					
Oil & gas properties	11a	155,448	89,698	141,762	79,577
Other property, plant and equipment	11b	2,480	1,172	2,124	1,025
Intangible assets	12	9	22	9	22
Deferred tax asset	9a	–	–	–	–
Prepayments	13	24,225	16,960	8,311	16,960
Investment in subsidiaries	14	–	–	190	155
Total non-current assets		**182,162**	**107,852**	**152,396**	**97,739**
Current assets					
Inventories	15	10,027	6,713	9,321	6,152
Trade and other receivables	16	198,101	63,699	231,730	73,222
Cash & short-term deposits	17	52,571	26,300	51,348	23,307
Other current financial assets		164	–	158	–
Financial instruments					
Derivatives not designated as hedges	18	1,001	–	1,001	–
Total current assets		261,864	96,712	293,558	102,681
Total assets		**444,026**	**204,564**	**445,954**	**200,420**
EQUITY AND LIABILITIES					
Equity					
Issued share capital	19a	277	200	277	200
Share premium	19b	82,080	–	82,080	–
Capital contribution	20	5,932	5,932	5,932	5,932
Retained earnings		135,727	106,993	138,768	106,986
Foreign translation reserve	21	35,642	591	36,086	580
Total shareholders' equity		**259,658**	**113,716**	**263,143**	**113,698**
Non-current liabilities					
Interest bearing loans and borrowings	22a	44,181	18,756	44,181	18,756
Contingent consideration	23	1,728	1,280	–	–
Provision for decommissioning obligation	24	2,338	2,355	1,813	2,263
Total non-current liabilities		**48,247**	**22,391**	**45,994**	**21,019**
Current liabilities					
Interest bearing loans and borrowings	22b	64,196	29,450	64,196	29,450
Trade and other payables	25	71,924	39,008	72,621	36,253
Total current liabilities		**136,120**	**68,458**	**136,817**	**65,703**
Total liabilities		**184,368**	**90,849**	**182,811**	**86,722**
Total shareholder equity and liabilities		**444,026**	**204,564**	**445,954**	**200,420**

Notes 1 to 34 on pages 156 to 191 are an integral part of the financial statements.

The financial statements of Seplat Development Company Plc for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 26 March 2015 and were signed on its behalf by:

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
30 March 2015

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
30 March 2015

R.T. Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
30 March 2015

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Statement of changes in equity
For the year ended 31 December 2014

		The Group						The Company					
	Notes	Issued Share Capital ₦'m	Share Premium ₦'m	Capital Contribution ₦'m	Retained Earnings ₦'m	Foreign Translation Reserve ₦'m	Total ₦'m	Issued Share Capital ₦'m	Share Premium ₦'m	Capital Contribution ₦'m	Retained Earnings ₦'m	Foreign Translation Reserve ₦'m	Total ₦'m
At 1 January 2013		100	–	5,932	21,662	–	27,694	100	–	5,932	21,662	–	27,694
Profit for the year		–	–	–	85,431	–	85,431	–	–	–	85,424	–	85,424
Other comprehensive income		–	–	–	–	591	591			–	–	580	580
Bonus issue		**100**	–	–	**(100)**		–	**100**	–	–	**(100)**		–
At 31 December 2013		200	–	5,932	106,993	591	113,716	200	–	5,932	106,986	580	113,698
At 1 January 2014		200	–	5,932	106,993	591	113,716	200	–	5,932	106,986	580	113,698
Profit for the year		–	–	–	40,481		40,481	–	–	–	43,529	–	43,529
Other comprehensive income		–	–	–	–	–	35,051	–	–	–	–	35,506	35,506
Dividends		**27**	–	–	–	**(11,747)**		–	–	–	**(11,747)**		**(11,747)**
Increase in shares			77	88,196				77	88,196		–		
Transaction costs for shares issued		–	–	(6,116)	–	–	–	–	(6,116)	–	–	–	–
At 31 December 2014			**277**	**82,080**	**5,932**	**135,827**	**35,642**	**277**	**82,080**	**5,932**	**138,768**	**36,086**	**263,143**

Statement of cash flows
For the year ended 31 December 2014

	Notes	The Group 31 Dec 2014 ₦'m	The Group 31 Dec 2013 ₦'m	The Company 31 Dec 2014 ₦'m	The Company 31 Dec 2013 ₦'m
Cash flows from operating activities					
Cash generated from operations	10	36, 607	61,164	37,387	49,733
Income taxes paid	8	(530)	(16,542)	(530)	(16,542)
Net cash flows from operating activities		**36,077**	**44,623**	**36,857**	**33,192**
Cash flows from investing activities					
Investment in oil and gas properties		(55,872)	(33,554)	(54,336)	(15,634)
Investment in other property, plant and equipment		(1,819)	(697)	(1,568)	(548)
Proceeds from sale of assets		–	13	–	13
Interest received		1,925	102	2,373	524
Deposit for investment		(83,508)	–	–	–
Aborted acquisition costs		(4,182)			
Net cash flows from investing activities		**(143,456)**	**(34,136)**	**(53,531)**	**(15,645)**
Cash flows from financing activities					
Proceeds from issue of shares		88,273	–	85,856	–
Expenses from issue of shares		(6,116)	–	(5,948)	–
Proceeds from bank financing		71,575	20,028	71,575	20,028
Repayments of bank financing		(19,103)	(10,572)	(19,103)	(10,572)
Loan to subsidiary undertaking		–	–	(76,910)	(9,315)
Repayment of shareholder financing		(7,703)	–	(7,703)	–
Dividends paid		(11,747)	–	(11,747)	–
Interest paid		(5,271)	(2,915)	(5,271)	(2,915)
Net cash inflows/(outflows) from financing activities		**109,908**	**6,541**	**30,749**	**(2,774)**
Net decrease in cash and cash equivalents		2,529	17,028	14,075	14,773
Cash and cash equivalents at beginning of year		26,300	8,747	23,307	8,747
Net foreign exchange difference		23,742	525	13,966	(213)
Cash and cash equivalents at end of year		**52,571**	**26,300**	**51,348**	**23,307**

Notes to the financial statements

1. Corporate information and business

Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2013, under the Company and Allied Matters Act 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets:

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was ₦50.425 billion ($340 million) paid at the completion of the acquisition on 31 July 2010 and a contingent payment of ₦5.130 billion ($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 $80 per barrel. ₦53.184 billion ($358.6 million) was allocated to the producing assets including ₦2.759 billion ($18.6 million) as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of ₦5.130 billion ($33 million) was paid on 22 October 2012.

During 2013, Newton Energy Limited ("Newton Energy"), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited ("Pillar Oil") a 40% Participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the "Umuseti/Igbuku Fields"). The total purchase price for these assets was $50 million paid at the completion of the acquisition in June 2013 and a contingent payment of $10 million payable upon reaching certain production milestones.

₦8.958 billion ($57.7 million) was allocated to the producing assets including ₦1.195 billion ($7.7 million) as the fair value of the contingent consideration as calculated on acquisition date.

The Company's registered address is: 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

The Company together with its subsidiary, Newton Energy, and four wholly owned subsidiaries, namely, Seplat Petroleum Development Company UK Limited ("Seplat UK"), which was incorporated on 21 August 2013, Seplat East Onshore Limited ("Seplat East"), which was incorporated on 12 December 2013, Seplat East Swamp Company Limited ("Seplat Swamp"), which was incorporated on 12 December 2013, and Seplat Gas Company Limited ("Seplat Gas"), which was incorporated on 12 December 2013, is referred to as the Group.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial information has been prepared under the going concern assumption and historical cost convention, except for contingent consideration, borrowings on initial recognition and financial instruments – derivatives not designated as hedges that have been measured at fair value. The historical financial information is presented in Nigeria Naira and all values are rounded to the nearest million (₦ million), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial information consolidates the financial information of the Company and its subsidiaries drawn up to 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company using consistent accounting policies.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements.

2.3.1 Foreign currency translation

Functional and presentation currency

The US Dollar is the functional currency of the Group. Transactions denominated in currencies other than the Dollar are deemed to be foreign currencies and recorded at the rates of exchange ruling at the dates of those transactions. The resulting exchange gains or losses are included as a separate component of profit or loss.

For statutory reporting purposes, separate financial statements in Naira are derived from the US Dollar financial statements translation in which all assets and liabilities are translated at the closing rate, share capital at historical rate while profit and loss accounts are translated at the average rate for the period. The resulting exchange differences are recognised as a separate component of other comprehensive income.

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 foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within the line item gain/(loss) on foreign exchange, net.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into $ at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation 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.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

2.3.2 Oil and gas accounting

i) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

ii) Exploration licence costs

Exploration licence costs are capitalised within intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised on a straight-line basis over the life of the permit.

Licence costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence is written off through profit or loss.

iii) Acquisition of producing assets

Upon acquisition of producing assets which does not constitute a business combination, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The purchase price paid for the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. If the acquisition is determined to be a business combination, then the acquisition is treated as an acquisition of a business and the excess of purchase price over fair value of the assets is recorded as goodwill.

Exploration and evaluation expenditures

Geological and geophysical exploration costs are charged against income as incurred.

Exploration and evaluation expenditures incurred by the entity are accumulated separately for each area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure, but do not include general overheads or administrative expenditure that is not directly related to a particular area of interest. Each area of interest is limited to a size related to a known or probable hydrocarbon resource capable of supporting an oil operation.

Costs directly associated with an exploration well, exploratory stratigraphic test well and delineation wells are temporarily suspended (capitalised) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons ("proved reserves") are not found, the exploration expenditure is written off as a dry hole and charged against income. If hydrocarbons are found, the costs continue to be capitalised. Suspended exploration and evaluation expenditure in relation to each area of interest is carried forward as an asset provided that one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and/or evaluation expenditures which fail to meet at least one of the conditions outlined above are written off. In the event that an area is subsequently abandoned or exploration activities do not lead to the discovery of proved or probable reserves, or if the Directors consider the expenditure to be of no value, any accumulated costs carried forward relating to the specified areas of interest are written off in the year in which the decision is made. While an area of interest is in the development phase, amortisation of development costs is not charged pending the commencement of production. Exploration and evaluation costs are transferred from the exploration and/or evaluation phase to the development phase upon commitment to a commercial development.

iv) Development expenditure

Development expenditure incurred by the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure directly related to the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment is expected out of revenue to be derived from the sale of production from the relevant development property.

v) Joint operations
Seplat is the operator of the assets relating to OML 4, OML 38 and OML 41. The Nigerian Petroleum Development Company Limited ("NPDC"), a subsidiary of the Nigerian National Petroleum Corporation ("NNPC"), is the other venturer. Seplat holds a 45% interest, while NPDC holds a 55% interest in the jointly controlled assets.

The Group also holds a 40% interest in the joint operations relating to OPL 283/OML 56 (the Umuseti/Igbuku Fields). Pillar Oil is the other venturer and the operator.

The accounting method specified for a joint operation apportions to each venturer its share of revenues, expenses, assets and liabilities. The Group recognises its share in its own accounting records as follows:

a. Its share of the mineral properties is shown within property, plant and equipment.
b. Any liabilities that it has incurred including those incurred to finance its share of the asset.
c. Its share of any liabilities incurred jointly with other venturers, including the decommissioning liability of production and field facilities.
d. Any income from its sale or use of its share of the output, together with its share of any expenses incurred by the joint operation.
e. Any expenses that it has incurred in respect of its interest in the venture.

In addition to joint costs, the Group also incurs exclusive costs, which are fully borne by the Group.

2.3.3 Revenue recognition
Revenue arises from the sale of crude oil and gas. Revenue comprises the realised value of crude oil lifted by customers. Revenue is recognised when crude products are lifted by a third party (buyer) Free on Board (FOB) at the Group's designated loading facility or lifting terminals. At the point of lifting, all risks and rewards are transferred to the buyer. Gas revenue is recognised when gas passes through the custody transfer point.

Overlift and underlift
The excess of the product sold during the period over the participant's ownership share of production is termed as an overlift and is accrued for as a liability and not as revenue. Conversely, an underlift is recognised as an asset and the corresponding revenue is also reported.

Overlifts and underlifts are initially measured at the market price of oil at the date of lifting, consistent with the measurement of the sale and purchase.

2.3.4 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

2.3.5 Property, plant and equipment
Oil and gas properties and other plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the entity, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised as incurred as long as these costs increase the efficiency of the unit or extend the useful life of the asset. All other maintenance costs are expensed as incurred.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

Depreciation

Production and field facilities are depreciated/amortised on a unit-of-production basis over the estimated proved developed reserves. Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

Leasehold improvements	Over the unexpired portion of the lease
Plant and machinery	20%
Office furniture and equipment	33.33%
Motor vehicles	25%
Computer equipment	33.33%

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

2.3.6 Impairment of non-financial assets

The entity assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the entity makes an estimate of its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger cash-generating unit to which it belongs. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss after such a reversal and the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.3.7 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less.

2.3.8 Inventories

Inventories represent the value of tubulars, casing and wellheads. These are stated at the lower of cost and net realisable value. Cost is determined using the invoice value and all other directly attributable costs to bringing the inventory to the point of use determined on first in first out basis.

2.3.9 Financial instruments

i) Financial assets

Financial assets' initial recognition and measurement

Financial assets in the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through the statement of profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the statement of profit or loss, which do not include transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables and loans and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification, as follows:

Trade receivables, loans and other receivables
Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in the current assets, except for maturities greater than 12 months after the reporting date. The Group's loans and receivables comprise trade and other receivables in the consolidated historical financial information.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method net of any impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss. When a trade is uncollectable, it is written off against the allowance account for trade receivables.

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.

(ii) Financial liabilities
Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through the statement of profit or loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below.

Trade payables, loans and borrowings
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost while any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of borrowings using the effective interest method.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

Derecognition of financial liabilities

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward exchange contracts, to hedge its foreign exchange risks. However, such contracts are not accounted for as designated hedges. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income, and presented within operating profit.

Commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 and IAS 39, which is known as the 'normal purchase or sale exemption'. For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 18 Financial instruments.

2.3.10 Fair value of financial instruments

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. From time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g. when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit (CGU) at FVLCD.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. From time to time external valuers are used to assess FVLCD of the Group's non-financial assets. Involvement of external valuers is decided upon by the valuation committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

Changes in estimates and assumptions about these inputs could affect the reported fair value. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2.3.11 Contingent consideration

A contingent consideration is recognised where payment is dependent on future events. On initial recognition, the fair value of the contingent consideration is calculated. The fair value is recognised as a liability and also capitalised to the producing facilities. Subsequently, the liability is tested for changes in fair value and the differences recorded in liability and in the statement of profit or loss and other comprehensive income.

2.3.12 Earnings and dividends per share

Issued share capital has been translated at the exchange rate prevailing at the date of the transaction and is not retranslated subsequent to initial recognition.

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Dividends on ordinary shares are recognised as a liability in the period in which they are approved.

2.3.13 Employee benefits – Defined contribution scheme

The Group contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 2004. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Group. The Group's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

A defined contribution plan is a pension plan under which the Group pays fixed contributions. Contribution to the scheme is 15% of each employee's annual basic salary, housing and transport allowances, which is paid wholly by the employer. The contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

2.3.14 Provisions

Provisions are recognised when (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of economic resources will be required to settle the obligation as a whole; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

In measuring the provision:
- risks and uncertainties are taken into account;
- the provisions are discounted where the effect of the time value of money is considered to be material;
- when discounting is used, the increase of the provision over time is recognised as an interest expense;
- future events, such as changes in law and technology, are taken into account where there is subjective audit evidence that they will occur; and
- gains from expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.

Decommissioning

Liabilities for decommissioning costs are recognised as a result of the constructive obligation of past practice in the oil and gas industry, when it is possible that an outflow of economic resources will be required to settle the liability and a reliable estimate can be made. The estimated costs, based on current requirements, technology and price levels, prevailing at the reporting date, are computed based on the latest assumptions as to the scope and method of abandonment.

Provisions are measured at the fair value of the expenditures expected to be required to settle the obligation using a pre-tax rate, updated at each reporting date that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalised as part of the oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the estimated cost of the restoration and abandonment cost is capitalised, while the charge arising from the accretion of the discount applied to the expected expenditure is treated as a component of finance charges.

If the change in estimate results in an increase in the decommissioning provision and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas assets net of decommissioning provisions exceed the recoverable value, that portion of the increase is charged directly to expense.

2.3.15 Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

2.3.16 Income taxation

Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Taxation on crude oil activities is provided in accordance with the Petroleum Profits Tax Act (PPTA) CAP. P13 Vol. 13 LFN 2004 and on gas operations in accordance with the Companies Income Tax Act (CITA) CAP. C21 Vol. 3 LFN 2004. Education tax is assessed at 2% of the assessable profits.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated historical financial information and the corresponding tax bases used in the computation of taxable profit.

A deferred income tax charge is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.3.17 New tax regime

Effective 1 January 2013, the Company was granted the pioneer tax status incentive by the Nigerian Investment Promotion Commission for a five-year period. For the period the incentive applies, the Company is exempt from petroleum profits tax on crude oil profits (which would be otherwise taxed at 65.75%, to increase to 85% in 2015), corporate income tax on natural gas profits (currently taxed at 30%) and education tax of 2%. Newton Energy was also granted pioneer tax status for a five-year term effective 1 June 2013. Accordingly, the new incentives form the basis of the reported nil current and deferred taxation in the financial statements.

2.3.18 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating lease payments and capitalised prepaid operating leases are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

2.4 Judgements, estimates and assumptions

The preparation of the Group's consolidated historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated historical financial information:

(i) Acquisition of a 40% participating interest in producing assets (note 11a)

The acquisition of a 40% participating interest in OPL 283 (the Umuseti/Igbuku Fields), in 2013, has been accounted for as an acquisition of assets, with the exception of adopting IFRS 3, Business combination, when accounting for the contingent consideration. This is on the basis that the assets do not constitute a business.

(ii) NPDC receivable (note 16)

NPDC continues to demonstrate its commitment to repay outstanding debts. After significant payments during 2014, the amount owed by NPDC as at 31 December 2014 was ₦85.317 billion ($463 million) (2013: ₦44.077 billion ($284 million)), of which ₦47.173 billion ($256 million) (2013: ₦38.490 billion ($248 million)) is overdue. The Group considers that the current receivable balance remains fully recoverable as cash payments continue to be received and as at 5 February 2014, solely the amounts relating to 2013 and 2014 are overdue.

(iii) Deposit for investment (note 16)

The Group considers that the deposit for investment of $453 million in relation to the acquisition of additional assets is fully recoverable in accordance with the terms of the deposit.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i) Contingent consideration (note 23)

In 2013, the Group recognised the contingent consideration in relation to its acquisition of a participating interest in assets within OPL 283 (the Umuseti/Igbuku Fields). The contingency criteria are the achievement of certain production milestones. The Group expects these to be met in 2015. At inception, the present value was capitalised to the cost of the asset and a corresponding liability was recorded. The liability is carried at fair value through profit or loss.

ii) Oil and gas reserves

Proved oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

iii) Provision for decommissioning (note 24)

Provisions for environmental clean-up and remediation costs associated with the Group's drilling operations are based on current constructions, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

iv) Recoverability of assets carrying amount (note 11a)

The Group assesses its property, plant and equipment, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date. Such indicators include changes in the Group's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

If there are low oil prices or natural gas prices during an extended period the Group may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas.

In 2014, in response to the significant fall in commodity prices, the Group executed an impairment assessment. The Group used the fair value less costs of disposal method in determining the recoverable amount of the cash-generating unit. The assessment did not result in an impairment charge. In determining the fair value, the Group used a recent forward curve for three years, reverting to the Group's long-term price assumption for impairment testing of $72 per barrel from 1 January 2018. The Group used a post-tax discount rate of 12% based on the Group weighted average cost of capital.

v) Contingencies (note 30c)

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

vi) Income taxes (note 8)

The Group is subject to income taxes only by the Nigerian tax authority, which does not require much judgement in terms of provision for income taxes, but a certain level of judgement is required for recognition of the deferred tax assets. Management is required to assess the ability of the Group to generate future taxable economic earnings that will be used to recover all deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. The estimates are based on the future cash flow from operations taking into consideration the oil and gas prices, volumes produced, operational and capital expenditure.

2.5 Changes in accounting policies and disclosures

New and amended standards and interpretations

There were a number of new standards and interpretations, effective from 1 January 2014, that the Group applied for the first time in the current year. The nature and the impact of each new standard and amendment that may have an impact on the Group now or in the future, is described below. Several other amendments apply for the first time in 2014, however, they do not impact the annual financial statements of the Group.

Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 consistent with the requirements of IFRIC 21 in prior years.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets

The amendment clarifies the disclosures required in relation to the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment to IAS 36 only resulted in certain disclosures being updated.

Annual Improvements 2010–2012 Cycle

In the 2010–2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately, and thus for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

2.6 Standards issued but not effective

The following pronouncements from the IASB will become effective for future financial reporting periods and have not yet been adopted by the Group.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 reflects the IASB's work on the replacement of IAS 39 and was done in several phases from 2009. The final version of IFRS 9 was issued in May 2014 and applies to classification and measurement of financial assets and financial liabilities, impairment of financial assets as well as hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The adoption of IFRS 9 will have an effect on the classification and measurement of financial assets but not on financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first time application of IFRS. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The Company does not expect that IFRS 14 will have a material financial impact in future financial statements.

IFRS 15 Revenue from Contracts with Customers

The IASB intends to replace all existing IFRS revenue requirements with IFRS 15. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. Application is required for annual periods beginning on or after 1 January 2017. The Company is currently assessing the impact of the standard on its revenue recognition.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016. The Company is currently assessing the impact of the standard on its joint arrangement.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively.

A first-time adopter of IFRS electing to use the equity method in its separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Company is currently assessing the impact of the standard in its separate financial statements.

Notes to the financial statements continued

2. Basis of preparation and significant accounting policies continued

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

This amendment is effective for annual periods beginning on or after 1 January 2016. It is not expected that this amendment would be relevant to the Company.

IAS 1 Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

This amendment is effective for annual periods beginning on or after 1 January 2016. The Company is currently assessing the impact of the standard on the presentation of its financial statements.

2.7 Segment reporting

The Group operates one segment, being the exploration, development and production of oil and gas related projects located in Nigeria. Therefore, no segment reporting has been prepared.

3. Revenue

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Crude oil sale	124,791	126,586	122,664	124,457
Changes in lifting	(4,805)	7,265	(5,809)	7,804
	119,986	133,851	116,855	132,261
Gas sales	4,391	2,807	4,391	2,807
	124,377	**136,658**	**121,246**	**135,068**

4. Cost of sales

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Royalties	24,032	29,786	23,951	29,731
Depletion, depreciation and amortisation	6,620	4,331	6,339	4,190
Crude handling fee	3,540	4,963	3,358	4,963
Ness fee	132	148	129	148
Niger Delta development commission levy	1,643	1,970	1,643	1,970
Rig related costs	4,800	4,198	4,800	4,198
Other field expenses	9,880	5,984	9,645	5,780
	50,647	**51,380**	**49,864**	**50,980**

Other field expenses includes costs of inventory charged to profit & loss, cost relating to operational expenditures that do not specifically relate to rigs such as minor clean-up cost, repair and maintenance of field equipment and field insurance.

5. Other operating income

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Sale of scrap (note 5a)	–	50	–	50
Profit on disposal of plant & equipment	–	13	–	13
	–	**63**	–	**63**

5a. Sale of scrap

This represents the sale value of scrapped tubings from work-over wells.

6. Other general and administrative expenses

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Depreciation and amortisation	650	476	590	474
Auditor's remuneration	132	94	116	83
Professional and consulting fees	6,513	3,860	6,392	3,848
Directors' emoluments	1,242	1,167	1,200	900
Donations	29	2	29	2
Employee benefits (note 6a)	2,922	2,052	2,736	2,052
Business development	3	8	3	8
Flights and other travel costs	1,437	1,066	1,420	1,050
Other general expenses	7,214	2,450	6,554	2,073
Aborted acquisition costs	4,182	–	–	–
	24,324	**11,175**	**19,040**	**10,492**

Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, and logistics costs.

6a. Salaries and employee related costs include the following:

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Basic salary	1,080	887	894	887
Housing allowance	354	399	354	399
Other allowances	1,488	766	1,488	766
Total salaries and employee related costs	**2,922**	**2,052**	**2,736**	**2,052**

Notes to the financial statements continued

7. Finance income/cost
7a. Interest income

	The Group 2014 ₦'m	The Group 2013 ₦'m	The Company 2014 ₦'m	The Company 2013 ₦'m
Interest income	1,925	102	2,373	524

7b. Finance cost

	The Group 2014 ₦'m	The Group 2013 ₦'m	The Company 2014 ₦'m	The Company 2013 ₦'m
Finance cost				
Interest on shareholder loan	–	653	–	653
Interest on bank loans	7,603	2,460	7,603	2,460
Unwinding of discount on provision for decommissioning (note 24)	312	272	312	272
	7,915	**3,385**	**7,915**	**3,385**

8. Taxation
The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

8a. Tax on profit

	The Group 2014 ₦'m	The Group 2013 ₦'m	The Company 2014 ₦'m	The Company 2013 ₦'m
Current tax				
Current tax charge for the year	–	–	–	1
Under-provision from prior year	–	96	–	96
	–	96	–	96
Deferred tax:	–	–	–	–
Net deferred tax in profit or loss	–	(14,495)	–	(14,495)
Total tax charge/(credit) in statement of profit or loss	–	(14,399)	–	(14,399)
Effective tax rate	**0%**	**20%**	**0%**	**20%**

Under-provision in 2013 relates to additional tax paid arising from 13th instalment payment of taxes.

8b. Reconciliation of effective tax rate
The applicable tax rate for 2014 was 0% (2013: 0%).

During 2013, applications were made by Seplat and its wholly owned subsidiary, Newton Energy, for the tax incentives available under the provisions of the Industrial Development (Income Tax Relief) Act. In February 2014, Seplat was granted the incentives in respect of the tax treatment of OMLs 4, 38 and 41. Newton Energy was also granted similar incentives in respect of the tax treatment of OPL 283/OML 56. Under these incentives, the companies' profits are subject to a tax rate of 0% with effect from 1 January 2013 to 31 December 2015 in the first instance and then for an additional two years for Seplat and 1 June 2013 to 31 May 2015 in the first instance and then for an additional two years for Newton Energy if the two companies meet certain conditions included in the NIPC pioneer status award document.

The new incentives form the basis of the Group's current and deferred taxation in the financial statements.

A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Profit before taxation	40,481	71,032	43,529	71,025
Under-provision from prior year	–	96	–	96
Adjustment in respect of prior periods	–	96	–	96
Impact of tax incentive on deferred tax balances	–	(14,495)	–	(14,495)
	–	**(14,399)**	–	**(14,399)**

The movement in the current tax (prepayment)/liability is as follows:

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
As at 1 January	(4,462)	11,984	(5,297)	11,984
Under-provision from prior year	–	97	–	97
Tax paid	(461)	(16,542)	(530)	(16,542)
Exchange difference	(904)	(1)	(904)	(1)
Tax prepayment	**(5,827)**	**(4,462)**	**(5,827)**	**(4,462)**

9. Deferred income tax

Deferred tax has not been recognised on deductible temporary differences of $7.79 million as management does not consider there to be sufficient evidence to support the recoverability of these assets.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Deferred tax assets to be recovered after more than 12 months	1,988	2,111	1,541	1,923
Deferred tax liabilities to be recovered after more than 12 months	(552)	(1,545)	(723)	(1,545)
Net deferred tax assets	**1,436**	**566**	**818**	**378**

The Group has ₦1.44 billion (the Company: ₦818 million) deferred tax assets as at 31 December 2014 (2013: the Group: ₦566 million; the Company: ₦378 million) in respect of unutilised losses and capital allowances. These deferred tax assets have not been included in these financial statements as management does not consider there to be sufficient evidence to support the recoverability of these assets.

9a. The Group

Deferred tax assets	Fixed asset ₦'m	Decommissioning provision ₦'m	Total ₦'m
At 1 January 2013	(18,540)	1,605	(16,935)
Credited to profit or loss	17,102	397	17,499
Exchange difference	2	(1)	1
At 31 December 2013	(1,436)	2,001	565
Credited/(charged) to profit or loss	1,004	(339)	665
Exchange difference	(120)	326	206
At 31 December 2014	(552)	1,988	1,436

9b. The Company

Deferred tax assets	Fixed asset ₦'m	Decommissioning provision ₦'m	Total ₦'m
At 1 January 2013	(18,540)	1,605	(16,935)
Credited to profit or loss	16,992	319	17,311
Exchange difference	3	(1)	2
At 31 December 2013	(1,545)	1,923	378
Credited/(charged) to profit or loss	968	(647)	321
Exchange difference	(146)	264	119
At 31 December 2014	(723)	1,541	818

Net deferred tax liability at 31 December 2014 is nil (2013: Nil).

Notes to the financial statements continued

10. Computation of cash generated from operations

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Profit before tax	40,481	71,032	43,529	71,025
Adjusted for:				
Depreciation and amortisation	7,271	4,808	6,930	4,679
Finance income	(1,925)	(102)	(2,373)	(524)
Finance cost	7,915	3,385	7,915	3,385
Fair value movement on contingent consideration	182	80	–	–
Gain on disposal of property, plant and equipment	–	(13)	–	(13)
Foreign exchange loss/(gain)	2,753	(229)	3,271	(228)
Aborted acquisition costs	4,182			
Changes in working capital:				
Trade and other receivables	15,923	(18,636)	(44,896)	(27,556)
Trade and other payable	(38,361)	3,281	24,730	1,698
Prepayments		473		(473)
Inventories	(1,814)	(2,915)	(1,719)	(2,260)
	(3,874)	(9,868)	(6,142)	(21,292)
Net cash from operating activities	**36,607**	**61,164**	**37,387**	**49,733**

11. Property, plant and equipment

11a. Oil and gas properties

The Group

Cost	Production & field facilities ₦'m	Assets under construction ₦'m	Total ₦'m
At 1 January 2013	58,408	17,737	76,145
Write-off	–	(23)	(23)
Addition	9,053	26,469	35,522
Changes in decommissioning	(450)	–	(450)
Transfer from asset under construction	7,659	(7,659)	–
Exchange difference	(26)	(8)	(34)
At 31 December 2013	**74,643**	**36,516**	**111,159**
Depreciation			
At 1 January 2013	17,153	–	17,153
Disposal	–	–	–
Charged for the year	4,317	–	4,317
Exchange difference	(9)	–	(9)
At 31 December 2013	**21,460**	–	**21,460**
NBV:			
At 31 December 2013	**53,183**	**36,516**	**89,698**

Cost	Production & field facilities ₦'m	Assets under construction ₦'m	Total ₦'m
At 1 January 2014	74,643	36,516	111,159
Addition	–	57,367	57,367
Changes in decommissioning	(816)	–	(816)
Transfer from asset under construction	21,012	(21,012)	–
Exchange difference	13,980	6,839	20,818
At 31 December 2014	108,818	79,710	188,528
Depreciation			
At 1 January 2014	**21,460**	–	**21,460**
Disposal	–	–	–
Charged for the year	6,620	–	6,620
Exchange difference	5,000		5,000
At 31 December 2014	**33,080**	–	**33,080**
NBV:			
At 31 December 2014	**75,738**	**79,710**	**155,448**

11a. Oil and gas properties

The Company

Cost	Production & field facilities ₦'m	Assets under construction ₦'m	Total ₦'m
At 1 January 2013	58,408	17,736	76,145
Write-off	–	(23)	(23)
Addition	–	25,274	
Changes in decommissioning	(450)	–	(450)
Transfer from asset under construction	**7,659**	**(7,659)**	
Exchange difference	(26)	(8)	(34)
At 31 December 2013	65,590	35,320	100,911
Depreciation			
At 1 January 2013	17,153	–	17,153
Disposal	0	–	–
Charged for the year	4,190	–	4,190
Exchange difference	(9.17)	–	(9)
At 31 December 2013	**21,334**	–	**21,334**
NBV:			
at 31 December 2013	**44,256**	**35,320**	**79,577**

Cost	Production & field facilities ₦'m	Assets under construction ₦'m	Total ₦'m
At 1 January 2014	65,590	35,321	100,911
Addition	–	55,792	55,792
Changes in decommissioning	(1,232)	–	(1,232)
Transfer from asset under construction	21,012	(21,012)	–
Exchange difference	12,284	6,615	18,899
At 31 December 2014	97,655	76,715	174,370
Depreciation			
At 1 January 2014	21,334	–	21,334
Disposal	–	–	–
Charged for the year	6,339	–	6,339
Exchange difference	4,935	–	4,935
At 31 December 2014	32,608	–	32,608
NBV:			
At 31 December 2014	**65,047**	**76,715**	**141,762**

Notes to the financial statements continued

11. Property, Plant and Equipment continued

The Group's present and future assets (except jointly owned with NNPC/NPDC) are pledged as security for the revolving credit facilities of $100 million from First Bank of Nigeria, while all equipment, machinery and immovable property of the Group situated on the property to which the oil mining leases relate are pledged as security for the syndicate loan (note 22).

Assets under construction represent costs capitalised in connection with the development of the Group's oil fields and other fixed assets not yet ready for their intended use. These are funded from the Group's operations; hence no borrowing cost was capitalised during the year.

The change in estimate in the decommissioning provision, of ₦816 million, is included in the 2014 movement in "production and field facilities".

11b. Property, plant and equipment

The Group

Cost	Plant & machinery ₦'m	Motor vehicle ₦'m	Office furniture & IT equipment ₦'m	Leasehold improvements ₦'m	Total ₦'m
At 1 January 2013	196	342	815	165	1,519
Addition	117	117	450	13	697
Disposal	–	(22)	–	–	(22)
Exchange difference	(0)	(0)	(0)	(0)	(1)
At 31 December 2013	313	437	1,265	178	2,193
Depreciation					
At 1 January 2013	21	132	365	41	559
Charged for the year	59	91	298	29	476
Disposal	–	(14)	–	–	(14)
Exchange difference	(0)	(0)	(0)	(0)	(0)
At 31 December 2013	80	208	663	70	1,021
NBV					
At 31 December 2013	**233**	**229**	**602**	**109**	**1,172**

Cost	Plant & machinery ₦'m	Motor vehicle ₦'m	Office furniture & IT equipment ₦'m	Leasehold improvements ₦'m	Total ₦'m
At 1 January 2014	313	437	1,265	178	2,193
Addition	497	468	611	242	1,818
Exchange difference	59	82	237	33	411
At 31 December 2014	869	987	2,113	453	4,422
Depreciation					
At 1 January 2014	80	208	663	69	1,020
Charged for the year	92	133	347	64	636
Exchange difference	29	59	176	22	286
At 31 December 2014	201	400	1,186	155	1,942
NBV					
At 31 December 2014	**668**	**587**	**927**	**298**	**2,480**

Property, plant and equipment
The Company

Cost	Plant & machinery ₦'m	Motor vehicle ₦'m	Office furniture & IT equipment ₦'m	Leasehold improvements ₦'m	Total ₦'m
At 1 January 2013	196	342	815	166	1,519
Addition	88	117	330	13	548
Disposal		(22)	–	–	(22)
Foreign exchange difference			(1)		(1)
At 31 December 2013	284	437	1,144	179	2,044
Depreciation					
At 1 January 2013	21	131	366	41	559
Charged for the year	57	91	298	29	475
Disposal		(14)			(14)
Foreign exchange difference			(1)		(1)
At 31 December 2013	78	208	663	70	1,019
NBV					
At 31 December 2013	**206**	**227**	**483**	**109**	**1,025**
At 1 January	284	437	1,145	178	2,044
Addition	**275**	**468**	**583**	**242**	**1,568**
Exchange difference	53	82	214	33	383
At 31 December	612	987	1,942	454	3,995
Depreciation					
At 1 January	**78**	**208**	**663**	**69**	**1,019**
Charged for the year	77	133	302	64	576
Exchange difference	26	59	169	22	276
At 31 December	**181**	**400**	**1,134**	**156**	**1,871**
NBV					
At 31 December 2014	**431**	**587**	**808**	**298**	**2,124**

12. Intangible assets

Cost	The Group ₦'m	The Company ₦'m
At 1 January 2014	64	64
Exchange difference	12	12
At 31 December 2014	76	76
Accumulated amortisation:		
At 1 January 2014	42	42
Charge for the year	15	15
Foreign exchange difference	10	10
At 31 December 2014	67	67
NBV		
At 31 December 2014	**9**	**9**
At 31 December 2013	**22**	**22**

Intangible assets relate to an oil mining licence granted to the Group that is expected to expire in 2019.

Notes to the financial statements continued

13. Prepayment

	The Group 31 Dec 2014 ₦'m	The Group 31 Dec 2013 ₦'m	The Company 31 Dec 2014 ₦'m	The Company 31 Dec 2013 ₦'m
Deposit for oil mining licence	15,914	10,745	–	10,745
Tax paid in advance	5,827	4,477	5,827	4,477
Rent	482	285	482	285
Drilling services	983	1,453	983	1,453
Prepaid fees – NIPC	1,017	–	1,017	–
Prepaid others	2	–	2	–
	24,225	16,960	**8,311**	16,960

Included in prepayments are the following:

Deposit for oil mining licence:

During 2013, Seplat executed a sale and purchase agreement with Chevron Nigeria Limited ("CNL") in relation to producing assets in OML 53, subject to conditions precedent being met (the "CNL Assets SPA").

During 2014, an additional ₦2.792 billion ($17.4 million) was advanced to Belemaoil in relation to OML 55. Please see note 34.

Tax paid in advance

In 2014, Seplat Petroleum Development Company paid ₦465 million ($2.9 million) petroleum profit tax instalment in addition to the total instalment sum of ₦4.347 billion ($28 million) paid in 2013. These payments relate to 2013 and were made prior to obtaining the pioneer status. This was accounted for as a tax credit under non-current prepayment until a future date when the Company will be expected to offset it against its tax liability.

Rent

As at 31 December 2014, the Group entered into three new commercial leases in relation to three buildings that it occupies in Lagos and Delta states. The Group has prepaid the rent. Two of the non-cancellable leases which relate to buildings in Lagos expire in 2019 and 2018 respectively. The lease on the building in Delta state is also non-cancellable and it expires in 2016.

Drilling services

In 2012, Seplat signed an agreement with Cardinal Drilling Limited with respect to the exclusive use of two rigs for five years. Seplat agreed to pay a ₦3.109 billion ($20 million) advance in relation to the exclusive use of these rigs. This ₦3.109 billion ($20 million) has been recognised as a prepayment and amortised over the life of the agreement (five years). The long-term portion as at 31 December 2014 is ₦921 million ($5 million).

Prepaid fees – NIPC

This relates to fees for the pioneer period prepaid to Nigerian Investment Promotion Commission (NIPC).

14. Investment in subsidiaries

	The Group 31 Dec 2014 ₦'m	The Group 31 Dec 2013 ₦'m	The Company 31 Dec 2014 ₦'m	The Company 31 Dec 2013 ₦'m
Newton Energy Limited	–	–	175	147
Seplat Petroleum Development UK	–	–	9	8
Seplat East Onshore Ltd	–	–	6	–
	–	–	**190**	**155**

Subsidiary	Location	Shareholding %
Newton Energy Limited	Nigeria	100
Seplat Petroleum Development UK	United Kingdom	100
Seplat East Onshore Limited	Nigeria	100
Seplat East Swamp Company Limited	Nigeria	100
Seplat Gas Company	Nigeria	100

15. Inventories

	The Group 31 Dec 2014 ₦'m	31 Dec 2013 ₦'m	The Company 31 Dec 2014 ₦'m	31 Dec 2013 ₦'m
Tubulars, casings and wellheads	**10,027**	6,691	**9,321**	6,132
Foreign exchange difference	–	22	–	20
	10,027	6,713	**9,321**	6,152

Inventory represents the value of tubulars, casings and wellheads. The inventory is carried at the lower of cost and net realisable value. Included in cost of sales is ₦166 million ($1.034 million) representing inventory charged to profit or loss during the year.

16. Trade and other receivables

	The Group 31 Dec 2014 ₦'m	31 Dec 2013 ₦'m	The Company 31 Dec 2014 ₦'m	31 Dec 2013 ₦'m
Trade receivables	**22,036**	10,670	**21,212**	9,874
Nigerian Petroleum Development Company (NPDC) receivables	**85,337**	44,019	**85,337**	44,019
Intercompany receivables	–	–	**118,652**	10,499
Deposit for investments	**83,508**	–	–	–
Advances to related parties	**2,013**	1,577	**2,013**	956
Prepayments	**2,621**	943	**2,451**	1,392
Underlift	**513**	4,095	–	4,095
Advances to suppliers	**2,015**	2,315	**2,015**	2,315
Other receivables	**58**	80	**50**	72
	198,101	63,699	**231,730**	73,222

Deposit for investment

By a consortium agreement made amongst parties, Newton Energy Limited (a subsidiary of Seplat) agreed to make payments of ₦72.697 billion ($453 million) towards an investment in 2014. As at year end, the investment was not consummated. Subsequent to the year end, in accordance with agreements signed, Newton is now entitled to the repayment of the full costs with accrued interests and these sums are subsequently due to be paid.

Trade receivables/NPDC receivables

Trade receivables are non-interest bearing and are generally on 30-day terms.

The amount due from NPDC includes ₦47.173 billion ($256 million) that is overdue as at 31 December 2014 (Dec 2013: ₦38.490 billion ($248 million). The overdue cash calls are not considered impaired based on the creditworthiness of the counterparty and previous experience whereby certain amounts are paid but not in line with the terms as NPDC is required to follow due process.

The ageing analysis of the trade receivables and amounts due from NPDC is as follows:

The Group	Total ₦'m	Neither past due nor impaired ₦'m	Past due but not impaired <30 days ₦'m	30–60 days ₦'m	60–90 days ₦'m	90–120 days ₦'m	>120 days ₦'m
Trade receivables							
31 December 2013	22,036	16,405	1,148	371	1,198	287	2,627
31 December 2014	**10,670**	**8,019**	**1,084**	**194**	**140**	**199**	**1,034**
NPDC receivables							
31 December 2013	85,337	38,234	12,548	22,249	6,724	–	5,582
31 December 2014	**44,019**	**4,942**	**5,919**	**7,212**	**2,813**	**1,217**	**21,916**

Notes to the financial statements continued

16. Trade and other receivables continued

The Company	Total ₦'m	Neither past due nor impaired ₦'m	Past due but not impaired <30 days ₦'m	30–60 days ₦'m	60–90 days ₦'m	90–120 days ₦'m	>120 days ₦'m
Trade receivables							
31 December 2013	21,212	16,405	324	371	1,198	287	2,627
31 December 2014	**9,874**	**7,223**	**1,084**	**194**	**140**	**199**	**1,034**
NPDC receivables							
31 December 2013	85,337	38,234	12,548	22,249	6,724	–	5,582
31 December 2014	**44,019**	**4,942**	**5,919**	**7,212**	**2,813**	**1,217**	**21,916**

Shell Western Supply has subsequently settled the outstanding balance of ₦16.418 billion ($89.1 million) in January 2015. NPDC has paid a total of ₦6.726 billion ($36.5 million) from the outstanding balance. The remaining balance is expected to be fully paid during 2015.

17. Cash and short-term deposits

Company	The Group 31 Dec 2014 ₦'m	The Group 31 Dec 2013 ₦'m	The Company 31 Dec 2014 ₦'m	The Company 31 Dec 2013 ₦'m
Cash on hand	11	6	11	6
Cash at bank	52,560	18,534	51,337	15,541
Short-term deposits	–	7,760	–	7,760
Cash and cash equivalents	52,571	26,300	51,348	23,307

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

At 31 December 2014, cash at bank included the debt service reserve of ₦8.569 billion ($46.5 million) (2013: ₦3.461 billion ($22.3 million)) deposited pursuant to the covenant in relation to the bank syndicated loan. The debt service reserve account balance is the amount equal to at least the aggregate of the amounts of principal and interest projected to fall due on the next successive principal payment dates and dates for the payment of interest on the loans.

18. Financial instruments

Value	The Group 31 Dec 2014 ₦'m	The Group 31 Dec 2013 ₦'m	The Company 31 Dec 2014 ₦'m	The Company 31 Dec 2013 ₦'m
Derivatives not designated as hedges	1,001	–	1,001	–

During 2014, management entered into two funded currency forward contracts with Stanbic IBTC Bank (Stanbic) to hedge any exchange rate volatility on the funds raised by the IPO which were denominated in Naira and required government approval to convert into either USD or GBP. In accordance with IAS 39, these funded currency forward contracts need to be fair valued as at 31 December 2014. Management has obtained a counterparty valuation of the two forward contracts from Stanbic, which resulted in a gain of ₦1 billion ($5.4 million).

19. Share capital and premium

19a. Share capital

	The Group 2014 ₦'m	The Group 2013 ₦'m	The Company 2014 ₦'m	The Company 2013 ₦'m
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Nigerian Naira of 50 kobo per share	500	500	500	500
Issued and fully paid				
553,310,313 (2013: 400,000,000) issued shares denominated in Nigerian Naira of 50 kobo per share	277	200	277	200

Fully paid ordinary shares carry one vote per share and carry the right to dividends. During 2013, the Company sub-divided its shares from ₦1 to ₦0.50 per share resulting in an increase in the number of shares issued from 100 million to 200 million ordinary shares. On 31 July 2013, the number of ordinary shares was increased to 400 million by way of a bonus issue to existing shareholders; these were issued from the revenue reserve. In August 2013, the authorised share capital was increased from 400 million to 1 billion denominated in ₦0.50 per share.

During the year, the Group issued and allotted 153,310,313 through an initial public offering, resulting in an increase in number of issued and fully paid ordinary shares of 50 kobo each from 400 million to 553 million shares.

19b. Share premium

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Gross proceeds	88,273	–	88,273	–
Share issue	(77)	–	(77)	–
Share premium	88,196	–	88,196	–
Issue costs	(6,116)	–	(6,116)	–
Issued share capital proceeds	82,080	–	82,080	–

During the year, the net proceeds of ₦82.080 billion ($497.9 million) were received from the initial public offering. 153,310,313 shares of 50k each totalling ₦77 million ($464,577) were transferred to share capital.

20. Capital contribution

This represents M&P additional cash contribution to the Company. In accordance with the Shareholders' Agreement, the amount was used by the Company for working capital as was required at the commencement of operations. Subsequently, the interest held by M&P was transferred to MPI. All terms and conditions previously held by M&P were re-assigned to MPI.

21. Foreign translation reserve

Cumulative exchange difference arising from translation of foreign subsidiary is taken to foreign translation reserve through other comprehensive income. The Group foreign subsidiary was incorporated in 2013. Net translation differences arising from the translation of dollar financial statements into Naira financial statements are charged or credited into this account.

22. Interest bearing loans and borrowings

22a. Non-current

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Non-current				
Bank borrowings	44,181	18,756	44,181	18,756

22b. Current

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Current				
Shareholder loan	–	7,456	–	7,456
Bank borrowings	64,196	21,994	64,196	21,994
	64,196	**29,450**	**64,196**	**29,450**

Shareholder loan

The shareholder loan represents the remaining amount (principal plus interest less repayment) due on the ₦22.691 billion ($153 million) shareholder loan obtained from MPI. Interest accrues monthly on the principal amount outstanding at the higher of 5% above LIBOR or the interest rate incurred by MPI on its borrowings and is repayable from the oil revenues generated from OMLs 4, 38 and 41 after deductions of operational and capital expenditures. The principal and interest outstanding as at 31 December 2013 was paid in June 2014 after the initial public offering of Seplat's shares on the London and Nigerian Stock Exchanges.

Notes to the financial statements continued

22. Interest bearing loans and borrowings continued

Bank loan

Syndicate credit facility

The long-term bank loan represents a five-year senior, secured credit facility obtained from a syndicate of lenders led by Afrexim. Seplat has a facility to draw down up to ₦85.360 billion ($550 million) until 2016. As at 31 December 2013, Seplat had drawn down ₦51.992 billion ($335 million) of this facility and made principal repayments in 2011, 2012 and 2013. Interest accrues monthly on the principal amount outstanding at LIBOR plus a margin ranging from 5% to 7.5% depending on the bank, subject to an interest rate floor of 8% with one of the banks. In 2014, the balance of ₦34.503 billion ($215 million) was drawn for the purpose of securing new oil mining licences. The outstanding amount as of 31 December 2014 is ₦53.5 billion ($291 million). As at 31 December 2014, the Company has undrawn facilities of zero (31 December 2013: ₦33.368 ($215million). The loan is due to be fully repaid by August 2016.

Syndicated loan	Current ₦'m	Non-current ₦'m	Total ₦'m
Skye Bank	6,678	4,662	11,340
Uba	5,470	3,096	8,566
First Bank	14,392	6,376	20,768
Afrexim	10,017	2,791	12,808
	36,557	**16,925**	**53,482**

Revolving working capital facility

The short-term bank borrowings include ₦12.715 billion ($69 million) drawn down from ₦18.427 billion ($100 million) revolving facility obtained from First Bank of Nigeria. Interest accrues monthly at LIBOR plus 8%. The Company has undrawn facilities of zero as at 31 December 2014.

	Current ₦'m	Non-current ₦'m	Total ₦'m
First Bank loan	18,425	–	18,425

Zenith Bank loan

The long-term bank loan represents a five-year senior, secured credit facility obtained from Zenith Bank in February 2014. As at 31 December 2014 Seplat had drawn down the full amount of the ₦36.854 billion ($200 million) facility. The facility has a one-year moratorium on principal repayments. Interest accrues monthly on the principal amount outstanding at LIBOR plus a margin of 7.5% payable quarterly.

	Current ₦'m	Non-current ₦'m	Total ₦'m
Zenith Bank loan	9,213	27,257	36,470

23. Contingent consideration

	The Group ₦'m	The Company ₦'m
At 1 January 2013	–	–
Additions	1,200	–
Fair value movement	80	–
Exchange difference	(0)	–
At 1 January 2014	1,280	–
Fair value movement	182	–
Exchange difference	266	–
At 31 December 2014	**1,728**	**–**

In 2013, the Group entered into an agreement with Pillar Oil to acquire a 40% participating interest in the Umuseti/Isbuku marginal field area in OML 56. The total consideration payable is $50 million upon signing of the agreement and ₦1.843 billion ($10 million) payable upon reaching certain production milestones, ₦922 million ($5 million) when average daily production of 10,500 bopd of liquid hydrocarbon sustained over a period of one month is achieved and another ₦922 million ($5 million) when cumulative production of 10 million barrels of liquid hydrocarbons from all fields within OML 56 is achieved). The fair value of ₦1.2 billion ($7.731 million) was capitalised to the cost of the asset and a corresponding liability recorded based on the probability.

24. Provision for decommissioning obligation

	The Group ₦'m	The Company ₦'m
At 1 January 2013	2,442	2,442
Arising during the year as a result of acquiring an interest in OPL 283/OML 56	93	–
Unwinding of discount due to passage of time	272	272
Change in estimate	(451)	(451)
Exchange difference	(2)	–
At 1 January 2014	2,355	2,263
Unwinding of discount due to passage of time	312	312
Change in estimate	(816)	(1,232)
Exchange difference	487	470
At 31 December 2014	**2,338**	**1,813**

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. It relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a "probable future sacrifice of economic benefits arising from a present obligation," and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred in 2036 which is the current expectation as to when the producing facilities are expected to cease operations. Management engaged a third party to assist with an estimate of the expenditure to be incurred in 2036. These provisions were based on estimation carried out by DeGolyer and MacNaughton based on current assumptions on the economic environment which management believe to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates.

The discount rate used in the calculation of unwinding of the provision as at 31 December 2014 was 14.64% (the year ended 31 December 2013: 12.4%). As of 31 December 2014, management has estimates decommissioning expenditure to occur in 2036 (31 December 2013: 2027). The change in estimate, a decrease of ₦809.6 million ($4.4 million), is included in the 2014 movement in 'production and field facilities'.

25. Trade and other payables

	The Group 2014 ₦'m	The Group 2013 ₦'m	The Company 2014 ₦'m	The Company 2013 ₦'m
Trade payable	13,902	10,697	13,896	10,997
Accruals and other payables	49,305	16,996	47,913	16,967
Overlift	1,808	539	1,808	–
NDDC levy	2,087	1,448	2,087	1,448
Deferred revenue	262	220	262	220
Royalties	4,560	9,108	4,498	6,465
Intercompany payable	–	–	2,157	155
	71,924	**39,008**	**72,621**	**36,252**

The 2014 accruals balance is mainly composed of other field-related accruals of ₦40,461 million ($219.9 million) (2013: ₦17,522 million ($95.23 million)).

Notes to the financial statements continued

26. Earnings per share

Basic

Basic earnings per share is calculated on the Company's profit after taxation and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Profit for the year attributable to shareholders	40,481	85,431	43,529	85,424
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	508,120	400,000	508,120	400,000
	₦	₦	₦	₦
Basic earnings per share	79	213	85	213
Earnings	₦'m	₦'m	₦'m	₦'m
Profit attributable to equity holders of the Group	40,481	85,431	43,529	85,424
Profit used in determining diluted earnings per share	**40,481**	**85,431**	**43,529**	**85,424**

27. Dividends paid and proposed

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash dividends on ordinary shares declared and paid:				
Interim dividend for 2014: $0.06 per share (553,310,313 shares in issue)	33,199	–	33,199	–
Final dividend for 2013: $0.10 per share (400,000,000 shares in issue)	40,000	–	40,000	–
	73,199	–	73,199	
Proposed dividends on ordinary shares:				
Final cash dividend for 2014: $0.09 per share	**49,800**		**49,800**	

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December 2014.

28. Related party relationships and transactions

The following companies are common control entities as the companies are controlled by close family members:

- Abbeycourt Petroleum Company Limited
- Abbeycourt Trading Company Limited
- Abtrust Integrated Services
- Berwick Nigeria Limited
- Cardinal Drilling Nigeria Limited
- Charismond Nigeria Limited
- D. D. Dodo & Co
- Helko Nigeria Limited
- Keco Nigeria Enterprises
- Montego Upstream Services Limited
- Nabila Resources & Investment Limited
- Ndosumili Ventures Limited
- Neimeth International Pharmaceutical Plc
- Nerine Support Services Limited
- Oriental Catering Services Limited
- Platform Petroleum Limited
- ResourcePro Inter Solutions Limited
- Shebah Exploration and Production Company Limited (SEPCOL)

Services provided by the related parties:

Abbeycourt Petroleum Company Limited: The Chairman of Seplat is a director and shareholder. The company provides consultancy services to Seplat in relation to business development opportunities and new acquisitions.

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 a company under common control. The company provides drilling rigs and drilling services to Seplat.

Charismond Nigeria Limited: The Chief Executive Officer's sister works at Charismond as a general manager. The company provides bespoke gift hampers to Seplat.

D. D. Dodo & Co: The owner is an Independent Non-Executive Director of Seplat and also a partner of the law firm that provided legal services of ₦108.56 million ($0.59 million) to the Company (2013: nil).

Helko Nigeria Limited: The Chairman of Seplat is a 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 a 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 a 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 a company under common control. 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.

Platform Petroleum Limited: The Chief Executive Officer of Seplat is a director and shareholder of this company. The Chief Executive Officer, his secretary and driver were originally employees of Platform Petroleum Limited in 2010 when Seplat was formed. Their salaries are currently paid by Platform Petroleum Limited, with Seplat then wholly reimbursing Platform Petroleum Limited.

ResourcePro Inter Solutions Limited: The Chief Executive Officer of Seplat's in-law is its UK representative. The company supplies furniture to Seplat.

Shebah Exploration and Production Company Limited (SEPCOL): The Chairman of Seplat is a director and shareholder of SEPCOL. SEPCOL and Seplat entered into an agreement in 2010 as a commitment deposit to guarantee the Company an exclusive option to lease or purchase a floating production, storage and offloading unit, the 'Trinity Spirit', and as a result Seplat prepaid ₦2,760 million ($15 million). In 2012, the agreement was nullified and ₦552 million ($3 million) was paid in 2012 while the balance of ₦2,208 million ($12 million) was paid in 2013. In addition, SEPCOL seconds certain personnel to Seplat.

Notes to the financial statements continued

28. Related party relationships and transactions continued

The following transactions were carried out by related parties on behalf of Seplat:

a) Transactions:

i) Purchases of goods and services

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Shareholders:				
MPI	48	34	48	34
Shebah	311	182	311	182
Platform Petroleum Limited	32	190	32	190
	391	**406**	**391**	**406**
Entities under common control:				
Abbeycourt Trading Company Limited	695	374	695	374
Abbeycourt Petroleum Company Limited	–	–	–	–
Abtrust Integrated Services	8	–	8	–
Charismond Nigeria Limited	28	25	28	25
Cardinal Drilling Services Limited	5,875	5,003	5,875	5,003
Keco Nigeria Enterprises	577	300	577	300
Ndosumili Ventures Limited	443	139	443	139
Oriental Catering Services Limited	96	98	96	98
ResourcePro Inter Solutions Limited	467	135	467	135
Berwick Nigeria Limited	152	135	152	135
Montego Upstream Services Limited	2,781	1,378	2,781	1,378
Neimeth International Pharmaceutical Plc	5	–	5	–
Nerine Support Services Limited	5,019	1,891	5,019	1,891
SEPCOL	–	–	–	–
Nabila Resources & Investment Ltd	73	59	73	59
Helko Nigeria Limited	382	40	382	40
D.D Dodo & Co	95	–	95	–
	16,696	**9,277**	**16,696**	**9,277**

ii) Interest expense

	2014 ₦'m	2013 ₦'m
Shareholders:		
MPI	154	653

b) Balances:

Year-end balances arising from related party transactions:

i) Prepayments/receivables

	2014 ₦'m	2013 ₦'m
Under common control:		
Cardinal Drilling Services Limited – current portion	2,015	1,577
Cardinal Drilling Services Limited – non-current portion	983	1,448
Abbeycourt Petroleum Company Limited	–	12
	2,998	3,037

ii) Payables

	2014 ₦'m	2013 ₦'m
Shareholders:		
Loan from MPI	–	7,301
Other payables to MPI	225	155
	225	7,456

c) Key management compensation:

Key management includes executive and members of the executive committee. The compensation paid or payable to key management for employee services is shown below:

	31 December 2014 ₦'m	31 December 2013 ₦'m
Salaries and other short-term employee benefits	990	519
	990	519

29. Employee benefits – Defined contribution

The Company contributes to a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2004. A defined contribution plan is a pension plan under which the Company pays fixed contributions to an approved Pension Fund Administrator (PFA) – a separate entity. The assets of the scheme are managed by various Pension Fund Administrators patronised by employees of the Company. The Company's contributions are charged to the profit and loss account in the year to which they relate. The amount payable as at 31 December 2014 was ₦61.170 million ($331,958) (2013: ₦63.015 million ($406,026)).

30. Commitments and contingencies

30a. Operating lease commitments – Group as lessee

The Group has entered into operating leases for the use of drilling rigs.
Future minimum rentals payable under non-cancellable operating leases as at each reporting date are as follows:

	31 December 2014 ₦'m	31 December 2013 ₦'m
Within one year	5,574	4,926
After one year but not more than five years	–	78
	5,574	4,926

30b. Commitments

The Group has commitments to OML 53 and 55. See note 34.

30c. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The possible liabilities arising from these court proceedings amount to ₦4.281 billion ($23.230 million) (31 December 2013: ₦101 million ($650,200)). 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.

Notes to the financial statements continued

31. Financial risk management

The Company's activities expose it to a variety of financial risks such as market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

31.1 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 deposit bearing current accounts, time deposits and money market deposits.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.

31 December 2014	Effective interest rate %	Less than 1 year ₦'m	1–2 years ₦'m	2–3 years ₦'m	3–5 years ₦'m	After 5 years ₦'m	Total ₦'m
Variable interest rate borrowings:							
Bank loans:							
Skye Bank Plc	8.00%	12,645	9,327	–	–	–	21,972
United Bank for Africa Plc	7.5% + LIBOR	10,398	7,196	–	–	–	17,594
First Bank of Nigeria Plc	7.5% + LIBOR	27,227	16,103	–	–	–	43,330
First Bank of Nigeria Plc	8% + LIBOR	19,582	0	–	–	–	19,582
Africa Export-Import Bank	7.5% + LIBOR	18,616	16,903				35,519
Zenith loan	7.50%	12,061	11,275	10,428	9,758	–	43,522
Trade, other payables	–	71,699	0	–	–	–	71,699
Contingent consideration	–	–	1,728	–	–	–	1,728
		172,228	**62,531**	**10,428**	**9,758**	–	**254,946**

31 December 2013	Effective interest rate %	Less than 1 year ₦'m	1–2 years ₦'m	2–3 years ₦'m	3–5 years ₦'m	After 5 years ₦'m	Total ₦'m
Variable interest rate borrowings:							
Shareholder loan	7.13%	8,852	–	–	–	–	8,852
Bank loans:							0
Skye Bank Plc	8.00%	2,206	2,769	2,417	–	–	7,392
United Bank for Africa Plc	7.5% + LIBOR	2,637	3,310	2,998	–	–	8,945
First Bank of Nigeria Plc	7.5% + LIBOR	17,526	4,840	4,108	–	–	26,474
Africa Export-Import Bank	7.5% + LIBOR	3,106	3,980	3,564	–	–	10,650
Trade, other payables	–	25,232	–	–	–	–	25,232
Contingent consideration		–	–	1,519	–	–	1,519
		59,560	14,899	14,606	–	–	89,065

31.2 Market risk

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

Commodity price risk

The Group is exposed to the risk of fluctuations on crude oil prices. The Group does not hedge against this risk but currently sells all oil that it produces to Shell Trading at market prices calculated in accordance with the terms of the off-take agreement.

The following table summarises the impact on the Group's profit before tax of a 10% change in crude oil prices, with all other variables held constant:

Increase/decrease in commodity price	Effect on profit before tax for the year ended 31 December 2014 Increase/(Decrease) ₦'m	Effect on profit before tax for the year ended 31 December 2013 Increase/(Decrease) ₦'m
+10%	14,081	16,249
-10%	(14,081)	(16,249)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates do not expose the Group to market interest rate risk. Most of the Group's borrowings are denominated in US Dollars.

The Group is exposed to cash flow interest rate risk on short-term deposits to the extent that the significant reductions in market interest rates would result in a decrease in the interest earned by the Group.

The following table demonstrates the sensitivity to changes in LIBOR, with all other variables held constant, of the Group's profit before tax.

	Change in interest rate	Effect on profit before tax ₦'m
2014	**1%**	**97**
2013	1%	834

Foreign exchange risk

The Group has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currency. The Group is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US Dollar.

The Group holds the majority of its cash and cash equivalents in US Dollars. However, the Group does maintain deposits in Naira in order to fund ongoing general and administrative activity and other expenditure incurred in this currency.

As at 31 December 2014, the Group held $181.4 million equivalent in Nigerian Naira (31 December 2013: $1.9 million).

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at the reporting date:

Change in foreign exchange rate	Effect on profit before tax 31 December 2014 ₦'m	Effect on profit before tax 31 December 2013 ₦'m
+5%	(1,841)	434
-5%	1,841	(434)

Notes to the financial statements continued

31. Financial risk management continued

31.3 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Company. Credit risk arises from the Company's cash at banks and accounts receivable balances.

The Company's trade with Shell Western Supply and Trading Limited is as specified within the terms of the crude off-take agreement and will run for five years until 31 December 2016 with 30 day payment terms. In addition, the Company is exposed to credit risk in relation to its trade with Nigerian Gas Company Limited, a subsidiary of NNPC, the sole customer during the period. The Company monitors receivable balances on an ongoing basis and there has been no significant history of late collections.

The credit risk on cash is limited because the majority of deposits are with a bank that has an acceptable credit rating assigned by an international credit agency. The Company's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

		Percentage of total receivables	
Related party	Payment terms	2014	2013
NPDC	14 days	72%	69%
SEPCOL	Receivables relates to deposits that are expected to be utilised or refunded	0%	0%
Cardinal Drilling Services Limited	Receivables relates to deposits that are expected to be utilised or refunded	3%	5%

The maximum exposure to credit risk as at the reporting date is:

	December 2014 ₦'m	December 2013 ₦'m
Trade and other receivables	198,101	63,699
Cash and cash at bank	52,571	26,300
	250,672	**90,999**

31.4 Fair value

Set out below is a comparison by category of carrying amounts and fair value of all the Group's financial instruments:

	Carrying amount		Fair value	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Financial liabilities				
Borrowings – Shareholder loan	–	8,852	–	8,852
Borrowings – Bank loans	108,377	48,381	108,377	48,381
Contingent consideration	1,728	1,519	1,728	1,519
	110,105	**58,753**	**110,105**	**58,753**

The loans are all LIBOR loans which are re-priced on a pre-determined basis as defined in the loan agreement. As a result, the loans are always carried at market rate and there is no indication of credit spread change or change in credit risk for Seplat.

Trade and other payables have not been included in the analysis as the carrying amount per the financial statements approximates fair values.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models that use present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. All derivative contracts are fully cash-funded, thereby eliminating both counterparty and the Group's own non-performance risk. As at 31 December 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value. The fair values of derivative financial instruments are disclosed in note 18.

Fair value hierarchy as at 31 December 2014

Liabilities	Level 1 ₦'m	Level 2 ₦'m	Level 3 ₦' m
Borrowings – Shareholder loan	–	–	–
Borrowings – Bank loans	–	108,377	–
Contingent consideration	–	–	1,728
Derivatives not designated as hedges	–	1,001	–

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
  - There were no transfers between fair value levels during the period.
  - The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- The following methods and assumptions were used to estimate the fair values:
  - Fair values of the Group's interest-bearing loans and borrowings are determined by using discounted cash flow models that use effective interest rates that reflect the borrowing rate as at the end of the reporting period.
  - The fair value of the Group's contingent consideration is determined using the discounted cash flow model. The estimated future cash flow was discounted to present value.

Reconciliation of fair value measurements of Level 3 financial instruments

Contingent consideration	₦'m
At 1 January 2013	–
Additions	1,425
Fair value movement (profit or loss)	94
At 31 December 2013	1,519
Additions	–
Fair value movement (profit or loss)	209
At 31 December 2014	1,728

Contingent consideration sensitivity

The following table demonstrates the sensitivity to changes in the discount rate of the contingent consideration, with all other variables held constant, of the Group's profit before tax.

	Effect on profit before tax for the year ended 31 December 2014 Increase/(Decrease) ₦'m	Effect on profit before tax for the year ended 31 December 2013 Increase/(Decrease) ₦'m
+10%	10	27
-10%	-11	-28

32. Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain optimal capital structure and reduce cost of capital. The net debt ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

	31 December 2014 ₦'m	31 December 2013 ₦'m
Borrowings:	108,377	48,206
Less: cash and cash equivalents	(52,571)	(26,300)
Net debt	55,806	21,906
Total equity	259,658	113,715
Total capital	315,464	135,621
Net debt (net debt/total capital) ratio	18%	16%

As at 31 December 2014, the Company's net debt ratio was 18% in accordance with its policy of maintaining a debt to equity ratio of less than 1.2 to 1.

Notes to the financial statements continued

33. Information relating to employees

a. Chairman and Directors' emoluments:

	2014 ₦'m	2013 ₦'m
Fees	415	143
Chairman	201	222
Chief Executive Officer	290	194
Executive Directors	566	234
Non-Executive Directors	37	18
JV Partner Share	(604)	(268)
Bonus	322	434
Total	**1,229**	**977**

b. Highest paid Director

	2014 ₦'m	2013 ₦'m
Highest paid Director	290	222

Emoluments are inclusive of income taxes. Subsequent to the year end, the Remuneration Committee approved payment of 25% of the bonus of ₦313.25 million to the CEO and Executive Directors in shares in the Company.

c. The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2014 Number	2013 Number
Zero – ₦11.96m	4	5
₦11.96m – ₦69.55m	–	3
₦69.55m – ₦94.94m	–	–
₦94.94m and above	6	3
	10	11

d. Employees:

The number of employees of the Company (other than the Directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over ₦1,000,000, received remuneration (excluding pension contributions) in the following ranges:

	2014 Number	2013 Number
₦1.20m – ₦2.95m	–	1
₦2.95m – ₦5.89m	1	6
₦5.89m – ₦8.84m	39	75
Above ₦8.84 m	300	216
	340	297

e. The average number of persons (excluding Directors) employed by the Company during the year was as follows:

	2014 Number	2013 Number
Management	72	49
Senior staff	93	91
Junior staff	175	157
	340	297

f. Employee costs:

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to ₦3,447 million ($21.485 million) (2013: ₦2,726 million ($16.989 million)) as follows:

	2014 ₦'m	2013 ₦'m
Salaries & wages	3,355	2,436
Bonus	604	695
	3,959	3,131

34. Events after the reporting period

Investments

By a consortium agreement made amongst parties, Newton Energy Limited (a subsidiary of Seplat) agreed to make payments towards the acquisition of additional assets in 2014. As at year end, the investment had not been consummated, as such, and subsequent to year end in accordance with agreements signed, Newton is now entitled to the repayment of the full costs with accrued interests and these sums are subsequently due to be paid.

OML 53

On 5 February 2015, Seplat announced the completion of the acquisition of a 40% working interest in OML 53, onshore north eastern Niger Delta, from Chevron Nigeria Limited. The up-front acquisition cost to Seplat, after adjustments, is ₦47,730 million ($259.4 million), of which ₦12,696 million ($69.0 million) had previously been paid as a deposit in 2013 and ₦35,034 million ($190.4 million) paid at completion. The adjustments to the up-front acquisition cost include a deferred payment of ₦3,450 million ($18.75 million) contingent on oil prices averaging ₦16,560/bbl ($90/bbl) or above for 12 consecutive months over the next five years.

OML 55

On 5 February 2015, Seplat announced the conclusion of negotiations to purchase 56.25% of the share capital of Belemaoil, a Nigerian special purpose vehicle that has completed the acquisition of a 40% interest in the producing OML 55, located in the swamp to coastal zone of south eastern Niger Delta, from Chevron Nigeria Limited. Seplat's effective working interest in OML 55 is 22.5% for a consideration of ₦24,325 million ($132.2 million) after adjustments. The adjustments to the consideration include a deferred payment of ₦2,134 million ($11.6 million) net to Seplat contingent on oil prices averaging ₦16,560/bbl ($90/bbl) or above for 12 consecutive months over the next five years. The Company has also advanced certain loans of ₦14,720 million ($80.0 million) to the other shareholders of Belemaoil to meet their share of investments and costs associated with Belemaoil. In addition, discussions are underway to determine repayment terms for the initial deposit against the acquisition of ₦9,660 million ($52.5 million) that Belemaoil funded with bank debt. This amount may subsequently be added to the total amount loaned to Belemaoil by Seplat. Under the agreed terms Seplat will recover the loaned amounts, together with an uplift premium of up to ₦3,790.4 million ($20.6 million) and annual interest of 10%, from 80% of the other shareholder oil lifting entitlements.

Statement of value added
For the year ended 31 December 2014

	The Group 2014 ₦'m	The Group 2013 ₦'m	The Company 2014 ₦'m	The Company 2013 ₦'m
Revenue	124,377	136,658	121,246	135,068
Cost of goods and other services:				
Local	(22,874)	(38,434)	(18,912)	(37,864)
Foreign	(9,803)	(16,472)	(8,105)	(16,227)
Other income	91,700	102	2,373	524
Valued added	**1,925**	81,854	**96,601**	81,500

Applied as follows:

	The Group 2014 ₦'m	%	The Group 2013 ₦'m	%	The Company 2014 ₦'m	%	The Company 2013 ₦'m	%
To employees:								
– as salaries and labour related expenses	2,922	3	2,052	3	2,736	3	1,845	2
To external providers of capital:								
– as interest	7,915	8	3,385	4	7,915	8	3,385	4
To Government:								
– as Company taxes	–	–	96	–	–	–	96	–
Retained for the Company's future:								
– For asset replacement – Depreciation, depletion & amortisation	7,256	8	4,793	6	6,915	7	4,665	6
Deferred tax	–		(14,495)	(18)	–	–	(14,495)	(18)
Profit for the year	75,532	81	86,022	106	79,035	82	86,004	106
	93,625	100	81,854	100	**96,601**	100	81,500	100

The value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for the future creation of more wealth.

Five year financial summary
As at 31 December 2014

	The Group		The Company				
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m	2012 ₦'m	2011 ₦'m	2010 ₦'m
Revenue	124,377	136,658	121,246	135,068	97,078	68,521	12,448
Cost of sales	(50,647)	(51,380)	(49,864)	(50,980)	(38,906)	(31,330)	(6,845)
Gross profit	73,730	85,278	71,381	84,088	58,172	37,191	5,604
Other operating income	–	63	–	63	339	–	–
Other general and administrative expenses	(24,324)	(11,175)	(19,040)	(10,492)	(7,512)	(8,632)	(1,211)
Gain on foreign exchange	(2,753)	229	(3,271)	228	294	(25)	68
Fair value movements in contingent	(182)	(80)	–	–	(22)	(1,308)	(842)
consideration	46,471	74,315	49,071	73,887	51,272	27,225	3,619
Operating profit	1,925	102	2,373	524	278	–	–
Finance income	(7,915)	(3,385)	(7,915)	(3,385)	(5,594)	(3,775)	(2,215)
Finance costs	40,481	71,032	43,529	71,025	45,956	23,450	1,404
Profit before taxation	–	14,399	–	14,399	(28,998)	(15,339)	527
Taxation	40,481	85,431	43,529	85,424	16,958	8,111	1,931
Profit for the year							
Other comprehensive income:							
Other comprehensive income to be reclassified to profit or loss in the subsequent periods:							
Foreign translation difference	35,051	591	35,506	580	–	–	–
Total comprehensive income net of tax	75,532	86,022	79,035	86,044	16,958	8,111	1,931
Basic and diluted earnings per share (₦)	79	213	85	213	49.8	24.0	5.5

Five year financial summary continued
For the year ended 31 December 2014

		The Group		The Company				
	Notes	31 Dec 2014 ₦'m	31 Dec 2013 ₦'m	31 Dec 2014 ₦'m	31 Dec 2013 ₦'m	31 Dec 2012 ₦'m	31 Dec 2011 ₦'m	1 Jan 2011 ₦'m
ASSETS								
Non-current assets								
Oil & gas properties	11a	155,448	89,698	141,762	79,577	58,992	47,068	52,263
Other property, plant and equipment	11b	2,480	1,172	2,124	1,025	960	533	746
Intangible assets	12	9	22	9	22	36	51	62
Deferred tax asset	9a	–	–	–	–	4,044	8,169	4,368
Prepayments	13	24,225	16,960	8,311	16,960	2,206	156	47
Investment in subsidiaries	14	–	–	190	156	–	–	–
Total non-current assets		**182,162**	**107,852**	**152,396**	**97,739**	**66,238**	**55,977**	**57,486**
Current assets								
Inventories	15	10,027	6,713	9,321	6,152	3,874	1,703	–
Trade and other receivables	16	198,101	63,699	231,730	73,222	45,696	15,641	16,728
Cash & short-term deposits	17	52,571	26,300	51,348	23,307	23,963	31,518	4,515
Other current financial assets		164	–	158	–	–	–	–
Financial instruments								
Derivatives not designated as hedges	18	1,001	–	1,001	–	–	–	–
Total current assets		261,864	96,712	293,558	102,681	73,533	48,862	21,243
Total assets		**444,026**	**204,564**	**445,954**	**200,420**	**139,771**	**104,839**	**78,729**
EQUITY AND LIABILITIES								
Equity								
Issued share capital	19a	277	200	277	200	107	108	103
Share premium	19b	82,080	–	82,080	–	–	–	–
Capital contribution	20	5,932	5,932	5,932	5,947	6,211	6,248	5,947
Retained earnings		135,727	106,993	138,768	106,886	21,921	10,322	1,882
Foreign translation reserve	21	35,642	591	36,086	580	–	–	–
Total shareholders' equity		**259,658**	**113,715**	**263,143**	**113,698**	**28,239**	**16,678**	**7,932**
Non-current liabilities								
Interest bearing loans and borrowings	22a	44,181	18,756	44,181	18,756	22,725	38,625	7,133
Contingent consideration	23	1,728	1,280	–	–	0	0	3,603
Provision for decommissioning obligation	24	2,338	2,355	1,813	2,263	2,442	1,579	1,307
Deferred tax liabilities						18,540	8,516	0
Total non-current liabilities		**48,247**	**22,391**	**45,994**	**21,091**	**43,707**	**48,721**	**12,044**
Current liabilities								
Interest bearing loans and borrowings	22b	64,196	29,450	64,196	29,540	15,721	8,474	40,453
Contingent consideration		–	–	–	–	–	5,132	–
Trade and other payables	25	71,924	39,008	72,621	36,253	40,115	15,993	14,461
Tax payable		–	–	–	–	11,990	9,841	3,840
Total current liabilities		136,120	68,458	136,817	65,703	67,825	39,440	58,753
Total liabilities		184,368	90,849	182,811	86,722	111,532	88,161	70,797
Total shareholder equity and liabilities		**444,026**	**204,564**	**445,954**	**200,420**	**139,771**	**104,839**	**78,729**

Supplementary financial information (unaudited)
For the year ended 31 December 2014

1. Estimated quantities of proved plus probable reserves

	Oil & NGLs MMbbls	Natural Gas Bscf	Oil Equivalent MMboe
At 31 October 2013	111.5	663.3	225.8
Revisions	36.5	184.1	67.4
Discoveries	1.8	–	1.8
Production	(10.4)	(21.4)	(14.1)
At 31 December 2014	**139.4**	**826.3**	**280.9**

Reserves are those quantities of crude oil, natural gas and natural gas liquid that, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions.

As additional information becomes available or conditions change, estimates are revised.

2. Capitalised costs related to oil producing activities

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Capitalised costs:				
Unproved properties	–	–	–	–
Proved properties	188,528	111,531	174,370	119,810
Total capitalised costs	188,528	111,531	174,370	119,810
Accumulated depreciation	(33,080)	(21,532)	(32,608)	(25,329)
Net capitalised costs	**155,448**	**89,999**	**141,762**	**94,481**

Capitalised costs include the cost of equipment and facilities for oil producing activities. Unproved properties include capitalised costs for oil leaseholds under exploration, and uncompleted exploratory well costs, including exploratory wells under evaluation. Proved properties include capitalised costs for oil leaseholds holding proved reserves, development wells and related equipment and facilities (including uncompleted development well costs) and support equipment.

3. Concessions
The original, expired and unexpired terms of concessions granted to the Group as at 31 December 2014 are:

	Original	Term in years expired	Unexpired
Seplat OML 4, 38 & 41	10	5	5
Newton OML 56	10	5	5

4. Results of operations for oil producing activities

	The Group		The Company	
	2014 ₦'m	2013 ₦'m	2014 ₦'m	2013 ₦'m
Revenue	142,810	136,658	139,215	160,309
Other income	2,210	63	2,724	696
Production and administrative expenses	(90,190)	(58,433)	(84,003)	(71,171)
Depreciation & amortisation	(8,348)	(7,256)	(7,957)	(5,536)
Profit before taxation	46,482	71,032	49,980	84,298
Taxation	–	14,399	–	17,090
Profit after taxation	**46,482**	**85,431**	**49,980**	**101,388**

Notice of second Annual General Meeting

(Registered with the Corporate Affairs Commission of Nigeria under Number RC 824838)

NOTICE is hereby given that the second Annual General Meeting of Seplat Petroleum Development Company Plc (the "Company") will be held at The Civic Centre, Ozumba Mbadiwe Road, Victoria Island, Lagos, Nigeria at 11 a.m. on Tuesday 2 June 2015 for the transaction of the following business:

To consider and, if thought fit, to pass the following resolutions, which will be proposed as ordinary resolutions:

1. To receive the Company's annual financial statements for the financial year ended 31 December 2014, together with the Directors' report, the Audit Committee report and the Auditors' report on those accounts.

2. To declare a dividend recommended by the Board of Directors of the Company in respect of the financial year ended on 31 December 2014.

3. To reappoint Ernst & Young Nigeria as auditors of the Company from the conclusion of this Meeting until the conclusion of the next general meeting of the Company at which the Company's annual accounts are laid.

4. To authorise the Directors of the Company to determine the auditors' remuneration.

5. To re-elect those Directors of the Company who are eligible for retirement by rotation.

6. To elect members of the Audit Committee.

Copies of the Annual Report & Financial Statements for Seplat Petroleum Development Company Plc for the financial year ended 31 December 2014 will be mailed to the shareholders and will be available on our website: www.seplatpetroleum.com. Printed versions can also be obtained by contacting DataMax Registrars in Nigeria at 2C Gbagada, Express Way, Gbagada, Lagos/+234 1 2716090 or Computershare in the UK on +44 (0) 906 999 000.

By Order of the Board

Dr. Mirian Kene Kachikwu
General Counsel/Company Secretary
Seplat Petroleum Development Company Plc
Registered Office: 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

General information

Board of Directors

Ambrosie Bryant Chukwueloka Orjiako	Chairman
Ojunekwu Augustine Avuru	Chief Executive Officer (Executive Director)
William Stuart Connal	Chief Operating Officer (Executive Director)
Roger Thompson Brown	Chief Financial Officer (Executive Director)
Michel Hochard	Non-Executive Director
Macaulay Agbada Ofurhie	Non-Executive Director
Michael Richard Alexander	Senior Independent Non-Executive Director
Ifueko Omoigui Okauru	Independent Non-Executive Director
Basil Omiyi	Independent Non-Executive Director
Charles Okeahalam	Independent Non-Executive Director
Lord Mark Malloch-Brown	Independent Non-Executive Director Appointed 1 February 2014
Damian Dinshiya Dodo	Independent Non-Executive Director Appointed 30 June 2014

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 (Chartered Accountants)
10th Floor, UBA House
57 Marina, Lagos, Nigeria

Registrar
DataMax Registrars Limited
7 Anthony Village Road
Anthony
P.M.B 10014
Shomolu
Lagos, Nigeria

Custodian and Depositary
Computershare
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

Solicitors
Abhulimen & Co.
Anaka Ezeoke & Co.
D.D. Dodo & Co.
Jakpa, Edoge & Co.
Ogaga Ovrawah & Co.
Streamsowers & Kohn
Thompson Okpoko & Partners
Winston & Strawn London LLP

Bankers
Access Bank Plc
African Export-Import Bank
BNP Paribas Bank
Diamond Bank Plc
First Bank of Nigeria Plc
GT Bank Plc
Skye Bank Plc
Stanbic IBTC Bank Plc
United Bank for Africa Plc
Zenith Bank Plc
Union Bank of Nigeria Plc
Ecobank Nigeria Plc
Citibank Nigeria Limited
Standard Chartered Bank Nigeria Limited
HSBC Bank

Brokers
Citigroup Global Markets
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Canary Wharf,
Canary Wharf Group,
London E14 5LB

RBC Capital Markets
Riverbank House,
2 Swan Lane,
London EC4R 3BF

Glossary of terms

AGM
Annual General Meeting

bbls
Barrels of oil

boe
Barrels of oil equivalent

Bscf
Billion standard cubic feet of gas

bopd
Barrels of oil per day

boepd
Barrels of oil equivalent per day

bn
Billion

Development well
A well drilled specifically into a previously discovered field

Degrees API
A measure of how heavy or light a petroleum liquid is compared to water

DTR
The FCA's Disclosure and Transparency Rules

E&P
Exploration and Production

Farm in
To acquire an interest in a licence from another party

Farm out
To assign an interest in a licence to another party

FCA
Financial Conduct Authority

ft
Feet

GBP/£
Pound sterling currency

HSSE
Health, Safety, Security and Environment

Hydrocarbons
Compounds containing only the elements hydrogen and carbon; they may exist as solids, liquids or gases

H1
First half of the year

H2
Second half of the year

IPO
Initial Public Offering

Joint venture/JV
A group of companies who share the cost and rewards of exploring for and producing oil or gas from a Licence or Block

km^2
Square kilometres

LACT
Lease Automated Custody Transfer unit; facility used for accurately metering liquids production

Licence/Block
Area of specified size, which is licensed to a company by the government for production of oil and gas

LSE
London Stock Exchange

m
Metres

Major IOC
Major international oil company

MMbbls
Million barrels

MMboe
Millions of barrels of oil equivalent

MMscfd
Million standard cubic feet of gas per day

MOU
Memorandum of Understanding

NSE
Nigerian Stock Exchange

₦
Nigerian Naira currency

OML
Oil Mining Licence

OPL
Oil Prospecting Licence

Q1
First quarter

Q2
Second quarter

Q3
Third quarter

Q4
Fourth quarter

Operator
A company which organises the exploration and production programmes in a block or licence on behalf of all the interest holders in the block or licence

Spud
To commence drilling a well

STOIIP
Stock Tank Oil Initially In Place

TFP/TFS
Trans Forcados Pipeline/System

Tscf
Trillion standard cubic feet of gas

US$/$
United States Dollar currency

WI
Working interest

2D Seismic
Two-dimensional seismic

3D Seismic
Three-dimensional seismic

1P Reserves
Proven reserves

2P Reserves
Proven and probable reserves

3P Reserves
Proven, probable and possible reserves

Forward-Looking Statements

This document may include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company’s control and all of which are based on the Company’s current beliefs and expectations about future events. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s business, results of operations, financial position, liquidity, prospects, growth, strategies and the oil and gas business. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance.

Notes

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