

A unique investment proposition



Seplat is a leading independent 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).

A leading Nigerian
independent E&P



Read more:
page 08



A **clear** business
model and strategy



Read more:
page 16



Strong **operating**
track record



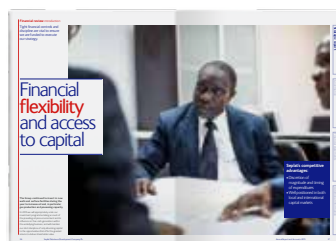
Read more:
page 28



Financial **flexibility**
and access to capital



Read more:
page 36



A special
feature on
our gas
opportunity

2015: A transformational year for our gas business





“

Welcome to this special feature section.

Here we will focus on one of our key strategic priorities, the commercialisation and development of our substantial gas reserves and resources.

Nigeria has one of the largest gas reserves globally and a fast evolving domestic market to which Seplat is a leading supplier.

We are very proud of the success of our gas story and the plan is to further increase gas production and processing capacity to meet Nigeria's growing demand, particularly in the gas to power sector.

Delivering on our commitment

In April 2014 Seplat became the first company to complete a dual-listing on the London and Lagos Stock Exchanges, raising US\$535 million. A compelling element of our investment proposition was, and continues to be, the robust growth strategy the Company has within which the commercialisation of gas assets to supply the domestic market is a core element. Now, two years on from IPO, Seplat has made tremendous progress towards monetising its significant existing gas reserves over and above its domestic supply obligations.

In 2010, at the time Seplat was founded, the Nigerian gas sub-sector was characterised by a number of constraints including poor pricing arrangements (the price of gas was around US\$0.3/Mscf), inadequate gas infrastructure, and the legacy of non-payment by major consumers.

Seplat was prompted to review its gas business and develop an expansion strategy when the Nigerian Government launched initiatives to improve the debilitating impact of poor power generation and supply in the country by opening the Domestic Supply Obligation pricing to market forces, and thus making it economic for E&P companies to invest to increase gas availability in the domestic market.

Rolling forward to the present, this expansion has seen Seplat become the second largest supplier of processed gas to the Nigerian market today and we have current expansion projects underway and new field developments in the pipeline that are set to make us the largest single supplier of gas to the domestic market in the years ahead. Over the past three years we have invested well in excess of US\$300 million to increase the Company's production capability and gas processing capacity, which has risen from an initial 90 MMscfd to in excess of 300 MMscfd, with 100% of our gas output going into the domestic market.

Nigeria's demand for power

Nigeria, which has the largest proven gas reserves in sub-Saharan Africa and ninth largest

globally, significantly falls behind its country peers in electricity production per capita, with almost 50% of the population having no access to electricity. Nigeria's electricity consumption per capita is below the average for sub-Saharan Africa and well below Angola, Ghana and Zambia. The global average power consumption per capita is 2,800 kWh compared to just 149 kWh in Nigeria.

This constraint on power access not only has a debilitating effect on the social welfare of the country but also results in considerable lost economic growth. To address this issue, the government has enabled the transition from a state monopoly in power generation to a private sector led power industry.

The government has set ambitious targets for increasing power generating capacity of which the vast majority (up to 80%) will need to come from gas-fired power plants. The IMF forecasts that by 2020 Nigeria will have added 11,000 MW of gas-fired generation capacity which in turn will require at least an additional 2 Bscfd of gas production over and above 2015 levels.

Whether or not these targets can be met, it is clear that there is going to be a significant increase in gas demand from the domestic market in the coming years.

Diversification for growth

Seplat's gas business has always been a key growth pillar for the Company and our development of it pre-dates the recent decline in the oil price. Having said that, 2015 has been a period of notable growth and progress for our gas business: the commissioning of the new 150 MMscfd Oben gas plant saw deliveries into the domestic market increase sharply, with peak gross deliveries hitting 332 MMscfd.

With 100% of volumes dedicated to supplying key demand centres within the domestic market, Seplat is strategically important to Nigeria's current and future security of gas supply and currently supplies enough to underpin around a third of current grid generation capacity.

The government must play its role to ensure all stakeholders in the gas to power chain respect contractual rules and it must also design incentives that encourage prospective investors to provide the necessary infrastructure improvements. For example, the FGN pipeline under construction (OB3) from the east to the west Niger Delta needs to be completed before the desired supply increase to Lagos and the north can happen. Seplat, as a listed company with strong operating credentials and access to local and international capital markets, is well positioned to play its part in delivering fast-track and cost-efficient field development and infrastructure projects to help boost domestic gas supply.

Since starting out in 2010 with 2P gas reserves of 406 Bscf Seplat has converted 459 Bscf gas from 2C resources to 2P reserves and acquired a further 795 Bscf which, adjusting for produced volumes, means 2P gas reserves stood at 1,573 Bscf at end 2015 (representing a compound annual growth rate of 31%) with 2C resources still of 239 Bscf.

With commercial pricing expected to increase further we are committed to continuing to increase gas supply to the domestic market, underpinning greater levels of power generation capacity in Nigeria and delivering further value for our shareholders.



A.B.C. Orjiako
Chairman



Austin Avuru
Chief Executive Officer

Meeting demand

Seplat's production and development plans will fuel Nigeria's 'Power Revolution'.

Nigeria has Africa's largest economy, a population in excess of 182 million and is projected to be the third most populous country in the world by 2050. Yet, half of Nigerians have little or no access to electricity and electricity consumption per capita is estimated to be just 149 kWh.

By comparison the global average is estimated to be around 2,800 kWh with the US being the highest at around 12,000 kWh. The Nigerian government has ambitions to transform the country's power generating capacity from the current level of approximately 4,000 MW to as much as 40,000 MW.

To achieve such aspirations natural gas will need to be the primary driver and could account for up to 80% of the overall power mix.

However, domestic gas supply will need to increase by multiples over and above current levels if significant growth in power generation is to be realised, and it is Nigerian independents, such as Seplat, that will need to deliver this. Seplat currently provides enough gas to underpin around a third of the country's current power generation and is set to become Nigeria's leading domestic gas producer in the coming years. As such, it is clear that Seplat is integral to Nigeria's planned power revolution.



Increasing overall gross production capacity at the Company's operated gas infrastructure

Capacity in 2017

525
MMscfd

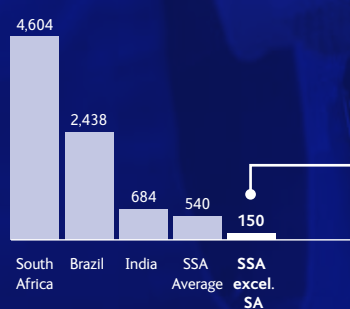
2015 Capacity

300
MMscfd

2014 Capacity

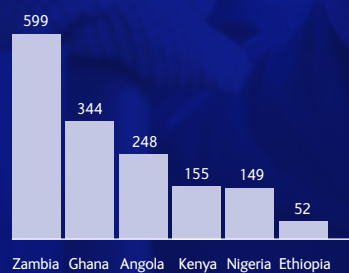
150
MMscfd

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

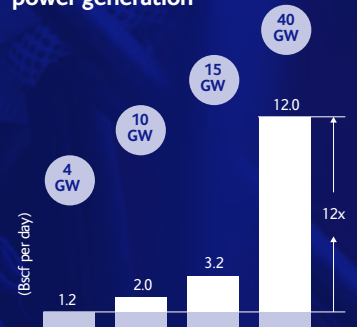


Source: McKinsey study, Company data

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



Gas supply required to scale up power generation





Developing our gas opportunity

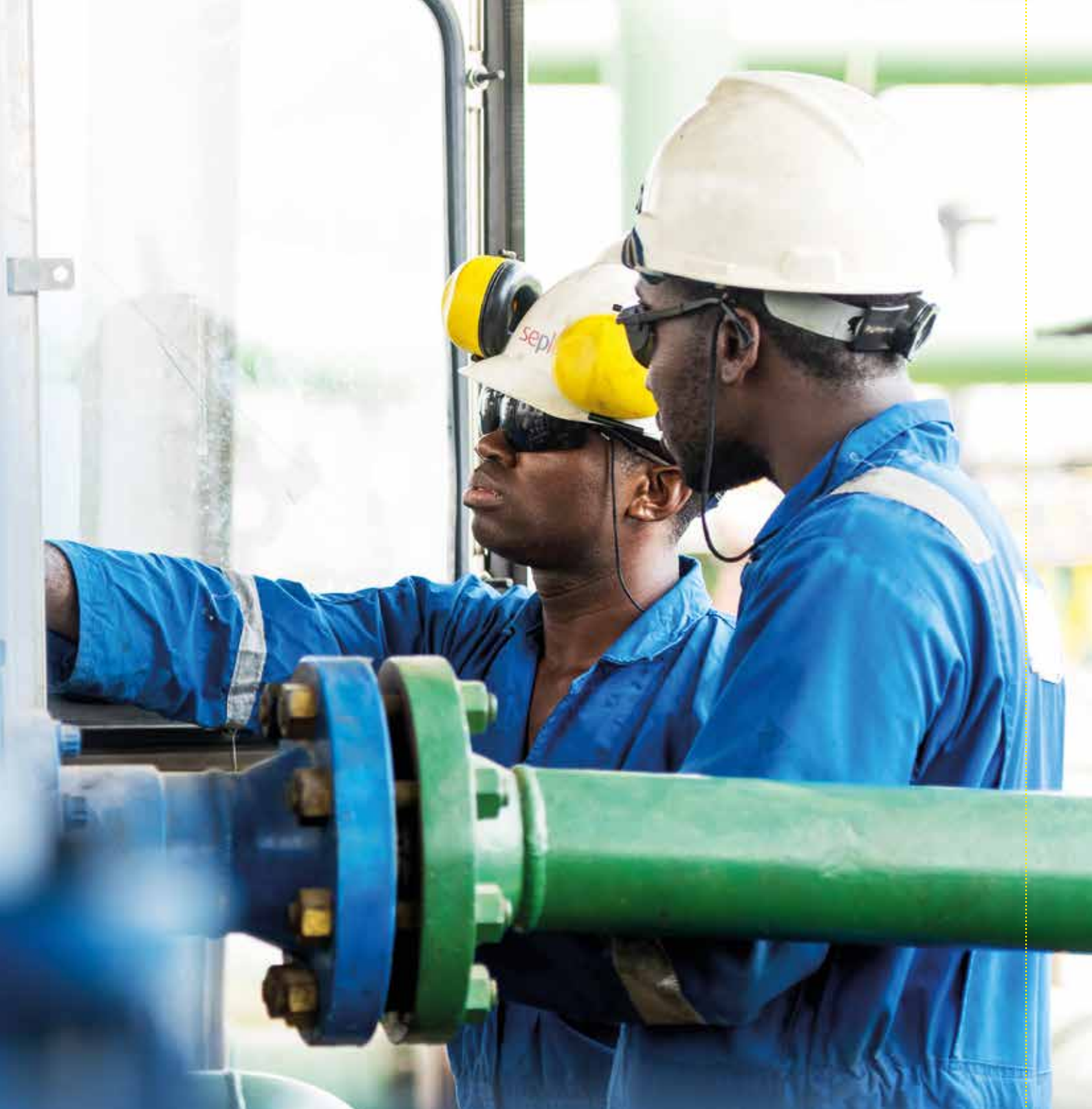
Delivering

2015 was a transformational year for our gas business as we commissioned the new Oben gas processing facility allowing us to more than double gas supply to the domestic market. Our production is sufficient to underpin around a third of current power generation in Nigeria.

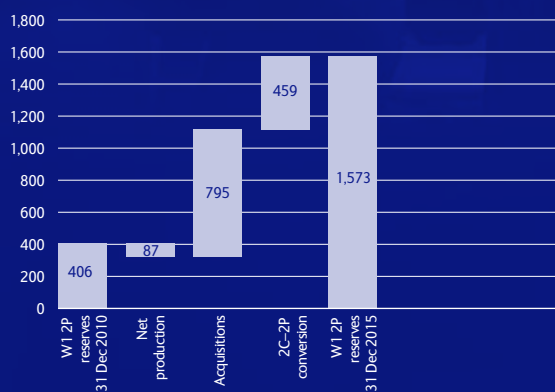
The Phase 1 expansion of the Oben gas processing facility was completed mid year doubling our overall gross capacity to 300 MMscfd. By the end of 2016, further increases will take Seplat's overall gross processing capacity to a minimum of 525 MMscfd. With 100% of volumes dedicated to supplying key demand centres within the domestic market, Seplat is strategically important to Nigeria's current and future security of gas supply.

Seplat has also worked to monetise associated gas that was previously flared through the installation and commissioning of three 10 MMscfd associated gas compressors and a compression station at Oben. A further expansion plan is being developed that will comprise the installation of an additional two compressor units to capture remaining excess associated gas volumes at the Oben station.

In 2015, Seplat delivered a 119% year-on-year increase in average gas production to 192 MMscfd gross (86 MMscfd net working interest).



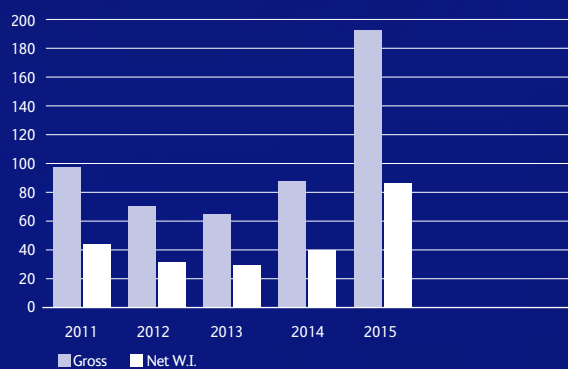
W1 2P Gas reserve base 2010 to 2015 (Bscf)^{1,2}



Source: Company information

- Volumes stated at 31 December 2010 based on independent estimates from Gaffney Cline & Associates
- Volumes stated at 31 December 2015 and for acquisitions based on independent estimates from DeGolyer & MacNaughton

Gas production supplied to the domestic market (MMscfd)



2015: A transformational year for our gas business

Maximising value

Gas revenues in 2015 grew by 185% year on year to US\$77 million with only a six month benefit from the capacity expansion at Oben. Furthermore, the 119% increase in gas production was accompanied by a 34% increase in the average realised gas price.

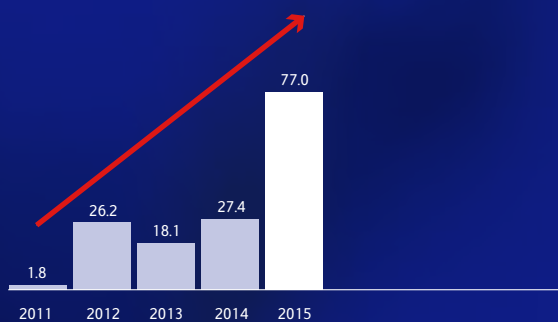
Seplat's working interest 2P gas reserves were independently estimated at the end of 2015 to be 1,573 Bscf, an increase of 90% year on year. Since 2010, Seplat has delivered a compound annual growth rate of 31% for working interest 2P gas reserves. The Company's significantly enlarged gas reserves base will allow it to commit additional volumes to more long-term supply contracts in the coming years.

During 2015, Seplat signed a new gas sales agreement with NGC to supply an additional 100 MMscfd at a price of US\$3.50/Mscf to the domestic market over and above its pre-existing contracts.

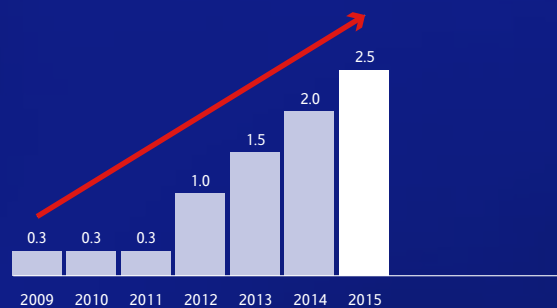
The new gas sales agreement will run until mid-2017, after which the volumes will be allocated towards the gas sales agreement with the Azura power project that was signed in 2014. The Company also signed an additional variable gas sales agreement with NGC to supply up to a further 140 MMscfd. It is envisaged that the variable contract will allow for any volumes not taken by the buyers under the domestic supply obligation to be placed elsewhere in the market together with any additional volumes that may be required.



Company gas revenues (US\$m)



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



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



Increased power generation is key to Nigeria's GDP growth and Seplat is on track to become the leading supplier to the domestic market as a result of substantial investments to expand gas production and processing capacity.



Stuart Connal
Chief Operating Officer

In 2015 we saw a real step-change in our gas business. Net working interest production increased by 119% year on year to 86 MMscfd, gross processing capacity was doubled to 300 MMscfd with work underway to increase it to a minimum of 525 MMscfd and our working interest 2P gas reserves increased by 90% to 1,573 Bscf.

Of particular note during the year was the installation and final commissioning of a new gas processing facility at the Oben field, adding an additional gross processing capacity of 150 MMscfd. Having committed to the expansion project in 2013, we opportunistically identified a new-build processing facility in Dubai that was originally destined for a project in Ukraine that had been cancelled. We were able to reach an agreement with the other counterparties to acquire and reconfigure the facility to our specific requirements, for a cost of around US\$110 million allowing us to achieve in a period of two years what would ordinarily have taken between five to seven years and cost in the order of US\$250 million. This move has allowed Seplat to capitalise on an early mover advantage and accelerated a major uptick in domestic supply to the benefit of Nigeria. This is evidenced by the notable uplift in power generation that coincided with commissioning of the new plant in July 2015 – the additional 150 MMscfd gas supply translating into around a 600 MW increase in power generation. As a result we now produce enough gas to underpin around a third of current power generation in Nigeria.

Another important decision we took was to pre-invest in the accommodation space and ancillaries necessary to give us headroom to further grow capacity. Our major focus at present is the Phase II expansion of the Oben gas processing facility. This will entail the installation of three more 75 MMscfd processing modules, adding a further 225 MMscfd gross capacity and taking our overall capacity to a minimum of 525 MMscfd. The additional processing modules, together with booster compression stations, have been ordered and delivery is anticipated towards the latter parts of 2016 for installation and commissioning by year end or in early 2017.

Completion of this next expansion phase will further set us apart as a preeminent supplier of gas to the domestic market and cement the Seplat operated Oben hub as a core strategic infrastructure link, connecting the major demand centres on the Lagos and Abuja axis with greater long-term gas supply. Other initiatives include the Sapele Rehabilitation project, the objective of which is to provide a sustainable 60 MMscfd NAG and AG solution through rehabilitating the existing Sapele Gas Plant or installing an export line to the Oben Gas Plant.

The increase in gas production has also presented us with the associated benefit of higher than expected condensate yields.

To handle this, and also facilitate the continuity of gas production and sales during periods when third party oil export infrastructure is in shut-in, we completed the construction of two x 50,000 barrel storage tanks at the Amukpe field in 2015 and plan to add additional storage capacity. To scale our gas business up and commit to more long-term gas sales agreements we need to ensure we have the reserves in the ground to match. To this end the acquisition of an interest in OML 53 in particular provides us with exactly this and places Seplat at the helm of what will be one of Nigeria's largest greenfield gas development projects.

In 2016, we will continue to prioritise the commercialisation and development of our gas business as natural gas increasingly becomes the fuel of choice for domestic power generation. We are strategically well placed to capitalise on growth opportunities in the gas sector and to work with the Government and other stakeholders in achieving the collective ambition of increasing gas-fired power generation to multiples of where it is today underpinned by a reliable and diversified gas supply.

Stuart Connal
Chief Operating Officer



“The growing revenue stream from our gas business is de-linked from the global oil price and remains on a strong growth trajectory.”



Roger Brown
Chief Financial Officer

Our gas business is making an increasingly important financial contribution for Seplat. In contrast to the oil business where the severe decline in oil price has more than offset the volume growth we have delivered, the gas business is an area where we have been able to realise the combined benefit of increasing price and increasing volume. Gas prices in the Nigerian domestic market are de-linked from the oil price and have shown a steady increase over the past four years in particular, with the domestic service obligation price increasing from US\$0.3/Mscf to the current US\$2.5/Mscf during this time. Beyond this we have entered into a number of additional gas sales agreements on a willing buyer/willing seller basis that saw commercial pricing in 2015 move towards the US\$3.5/Mscf level.

In H1 2015, we signed a new gas sales agreement with NGC to supply an additional 100 MMscfd at a price of US\$3.5/Mscf to the domestic market over and above the pre-existing contracts. This new gas sales agreement will run until mid-2017, after which the volumes will be allocated towards the gas sales agreement with the Azura power project that was signed in 2014 at a price of US\$3.0/Mscf. We also negotiated and signed an additional variable gas sales agreement with NGC to supply up to a further 140 MMscfd. It is envisaged that the variable contract will allow for any volumes not taken up under the domestic supply obligation to be placed elsewhere in the market together with any additional volumes that may be required. It must be noted that the gas pricing levels, despite the increases in recent years, remain just a fraction of the equivalent cost of running diesel fuelled generators which much of the country still relies on for power. It is widely recognised that gas in Nigeria can provide an affordable and locally abundant fuel source to provide power, which in turn is a key driver of GDP growth and development, with industry analysts predicting a continued upwards trend in gas pricing and potential for the domestic market to at least double in size over the next four to five years.

All of this is clearly reflected in the trajectory of our gas revenues in recent years. Having booked revenues of just US\$18 million from our gas business in 2013 we saw a 51% year-on-year increase in 2014 when revenues were

US\$27 million and in 2015 we saw a 185% year-on-year increase with gas revenues of US\$77 million, the step-change occurring as we commissioned the new Oben gas processing facility mid-year. In 2016 we expect to see another significant uptick in gas revenues as we derive the benefit of the new gas plant for the full 12 months and in 2017 we will realise the benefit of the current expansion phase underway to take our total processing capacity to a minimum of 525 MMscfd. As such, Seplat is well placed to deliver continued growth of its gas business while also increasing margins and thereby provide the Company with an increasing level of insulation to oil price volatility, as well as being a significant player in the gas-to-power market growth in Nigeria.

Our achievements to date and future delivery of new projects has been and continues to be driven by an aggressive investment programme and differentiates Seplat as a courageous early mover that is willing to commit significant capital and resources to improve the level and security of domestic gas supply.

In 2013, Seplat was awarded Pioneer Tax Status for an initial period of three years, with a review at the end of 2015 regarding a two-year extension. The review will consider whether Seplat has reinvested the tax savings to the advantage of the country's oil and gas sector. We believe that Seplat is an excellent example of the whole purpose of establishing the pioneer incentive scheme. We have fully invested the tax savings we derived from the grant and delivered verifiable results, not just from a gas perspective but across our oil business too where we have increased production by as much as 6x from OMLs 4, 38 and 41 since acquisition in 2010. As a leading independent Nigerian upstream E&P company we remain committed to meaningfully contributing to the growth and development of the Nigerian economy and generating superior returns for our shareholders.

A handwritten signature in black ink, appearing to read 'Roger Brown', followed by a horizontal line.

Roger Brown
Chief Financial Officer



The domestic gas opportunity in Nigeria is a compelling investment proposition.

Seplat is today a leading supplier of gas to the domestic market and is committed to further increasing supply to meet Nigeria's growing demand, particularly in the gas-to-power sector.



seplatpetroleum.com



ar2015.seplatpetroleum.com

Contents

Strategic report



**Operational
overview:
page 28**

02	Executive summary	02
	Chairman's statement	06
	Market overview	08
	Chief Executive Officer's statement	14
	Our business model and strategy	16
	Key performance indicators	24
	Additional performance metrics	26
	Operational overview	28
	Financial review	36
	Risk management	42
	Principal risks and uncertainties	44
	Corporate social responsibility	48

Governance



**Chairman's
overview:
page 54**

52	Chairman's overview	54
	Board of Directors	56
	Corporate governance report	60
	Board Committee reports	66
	Directors' remuneration report	78
	Report of the Directors	101
	Statement of Directors' responsibilities	105

Financial statements

106

Additional information

185

Expressed in US Dollars and Nigerian Naira

Independent auditor's report	108	Notice of third Annual General Meeting	185
Consolidated statement of profit or loss and other comprehensive income	109	General information	186
Consolidated statement of financial position	110	Glossary of terms	187
Consolidated statement of changes in equity	111		
Consolidated statement of cash flows	112		
Notes to the consolidated financial statements	113		
Company statement of profit or loss and other comprehensive income	155		
Company statement of financial position	156		
Company statement of changes in equity	157		
Company statement of cash flows	158		
Notes to the company financial statements	159		
Statement of value added	181		
Financial summary	182		
Supplementary financial information (unaudited)	184		

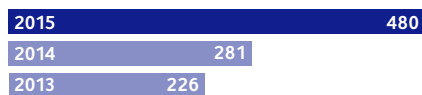
Overview of our business year

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

2015 highlights

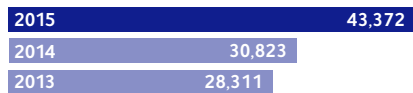
Total working interest 2P reserves (MMboe)

+71%



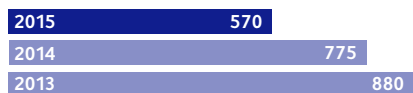
Working interest production (boepd)

+41%



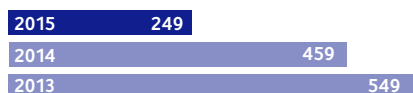
Revenue (US\$m)

-26%



Gross profit (US\$m)

-46%



Financial review:
page 36

Who we are

Since Seplat acquired its first blocks and commenced production in 2010, the Company has increased oil and gas production and grown reserves in each year of operation and is today widely recognised as a leading Nigerian independent oil and gas operator. Underpinning Seplat is a strong balance sheet and profitable production base with a balanced mix of oil and gas.

What we do

Seplat is a leading independent oil and natural gas producer in the prolific 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.

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

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 ranked as the largest for a sub-Saharan Africa 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 allowed Seplat to further implement the Company's business strategy, including the acquisition of additional blocks.

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.

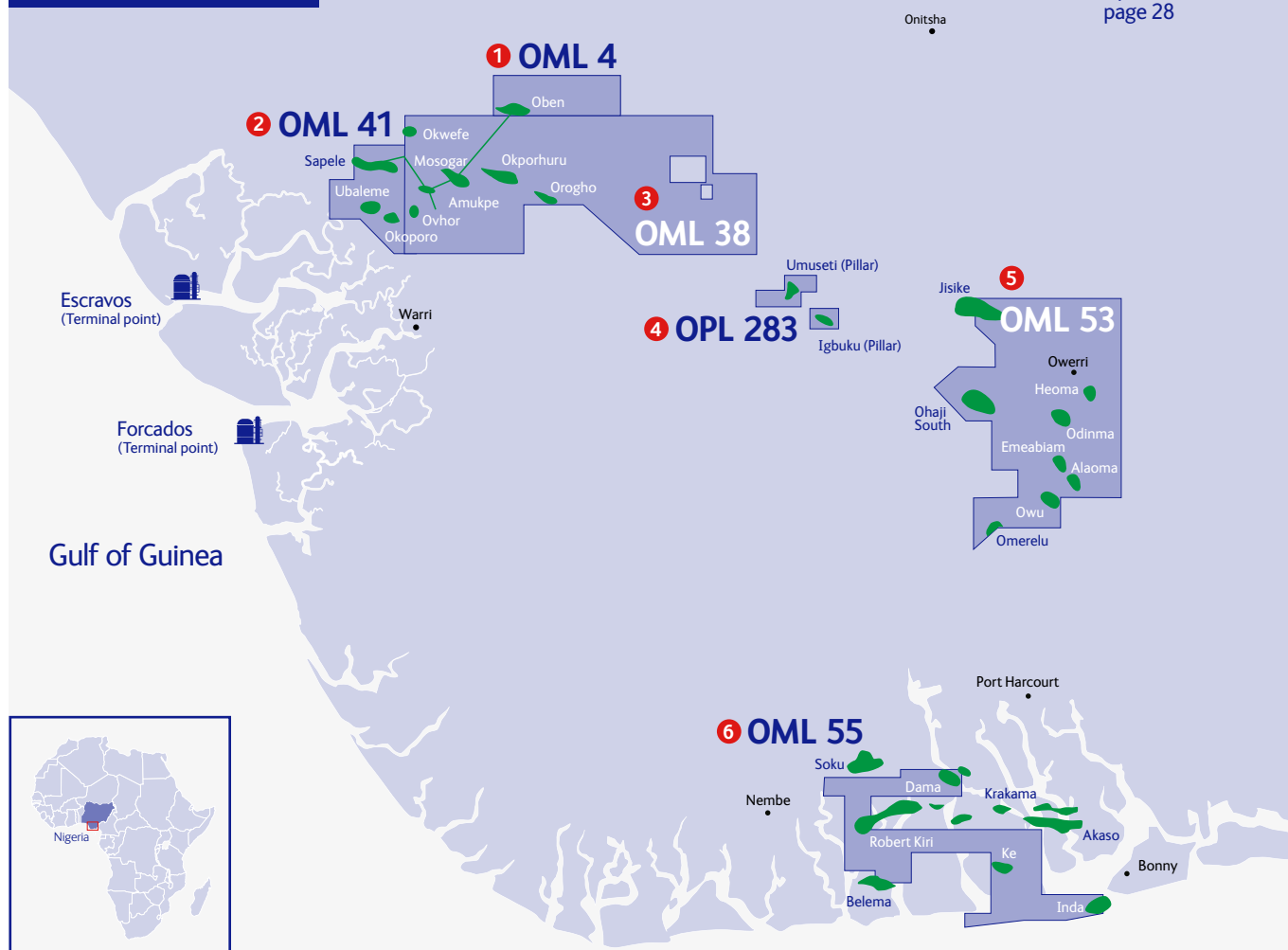
In June 2013, Newton Energy, a wholly owned subsidiary of Seplat, reached an agreement with Pillar Oil to acquire a 40% participating interest (non-operated) in the Umuseti/Igbuku fields (OPL 283 Marginal Field Area).

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, significantly expanding its inventory of production and development opportunities. OML 53 fits neatly within Seplat's strategy of securing, commercialising and monetising natural gas in the Niger Delta to supply the rapidly growing domestic market. OML 55 offers a number of attractive opportunities to boost oil and gas output, and is consistent with Seplat's strategy of prioritising opportunities that offer near-term production growth, cash flow and reserve replacement potential in the onshore and shallow water offshore areas of Nigeria.

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



Operational overview:
page 28



1 OML 4

2015 activities

- Production and development

Highlights

- Completed Phase I of the Oben gas plant expansion adding 150 MMscfd gross processing capacity and taking Seplat's gross processing capacity to 300 MMscfd
- Three additional processing modules ordered for Phase II expansion that will take gross processing capacity to a minimum of 525 MMscfd
- Completed installation of three 10 MMscfd associated gas compressors

2 OML 41

2015 activities

- Production and development

Highlights

- Commenced initial development of the large Sapele Shallow oil field which came onstream during the year
- Sapele Shallow represents a major upside opportunity
- Drilled and completed three oil development wells

3 OML 38

2015 activities

- Production and development

Highlights

- Constructed and commissioned two new 50,000 barrel storage tanks at Amukpe to store condensate and allow continuity of gas production when oil export infrastructure is shut-in
- Commenced a crude quality upgrade project to reduce crude handling charges and free up additional capacity
- Drilled one gas development well and one oil development well

4 OPL 283

2015 activities

- Production

Highlights

- Commissioned two 20,000 barrel storage tanks, installed an additional separator and undertook a de-bottlenecking exercise
- Export via NPDC pipeline commenced allowing flexibility if Agip pipeline becomes unavailable
- Detailed subsurface study to define optimal development strategy and seismic acquisition

5 OML 53

2015 activities

- Acquisition and production

Highlights

- Acquired a 40% working interest in February and designated operator
- Full completion and transfer of interest and operatorship completed in January 2016 following successful outcome of litigation
- Block contains the producing Jisike oil field and large undeveloped Ohaji South gas and condensate field and Ohaji South oil reservoirs

6 OML 55

2015 activities

- Acquisition and production

Highlights

- Acquired an effective 22.5% working interest in February and designated operator
- Full completion and transfer of interest and operatorship completed in January 2016 following successful outcome of litigation
- Block contains five producing oil fields with extensive infrastructure and offers numerous production enhancement and drilling opportunities

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 a peak rate of over 84,000 bopd in 2015, representing a six-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 established itself as the pre-eminent supplier of natural gas to the domestic market in Nigeria through substantial investments made in the commercialisation, development and monetisation of 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

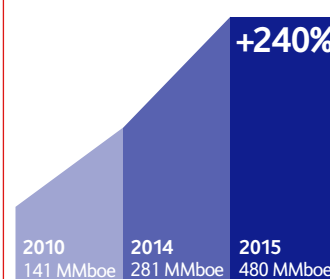
Since its inception, Seplat has acquired an attractive portfolio of assets in the prolific Niger Delta region. The Company's portfolio provides a robust platform of oil and natural gas reserves and production together with material upside opportunities through 2C to 2P conversion and exploration and 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 seven fields, namely Amukpe, Oben, Okporhuru, Ovhor, Orogho, Sapele and Sapele Shallow, 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.

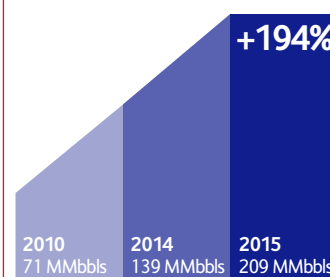
In February 2015, the Company acquired a 40% interest in OML 53 and a 22.5% effective working interest in OML 55 from Chevron Nigeria Limited ('CNL'). OML 53 covers an area of 1,556km² and is located onshore in Imo State, in the north eastern Niger Delta approximately 60km north of Port Harcourt. The 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.

Total working interest 2P reserves (2010 to 2015)



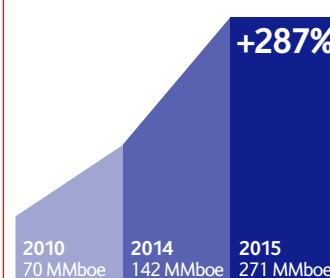
Movement in total working interest 2P reserves from end 2010 to end 2015.

Working interest 2P liquid reserves (2010 to 2015)



Movement in working interest 2P liquid reserves from end 2010 to end 2015.

Working interest 2P gas reserves (2010 to 2015)



Movement in total working interest 2P gas reserves from end 2010 to end 2015.

OML 55 covers an area of 840km² 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

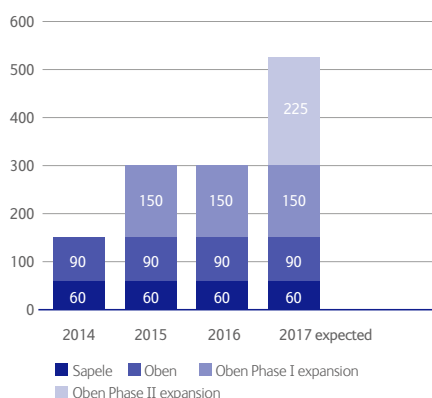
Seplat has built strong relationships with its key local communities, promoting trust and confidence amongst its various stakeholders, ultimately resulting in a stable operating environment that facilitates the creation of shared value. In December 2010, the Company entered into a Global Memorandum of 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.

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

“Seplat is fully focused on proactive engagement with the communities where it operates, implementing community projects based on sustainable development principles.”



Gas processing plant capacity (gross MMscfd)



Delivering despite headwinds

Despite the obvious headwinds facing the sector we have made progress on all aspects of our strategy delivering best-in-class production and reserves growth, and transforming our gas business which achieved 185% year on year revenue growth.



A.B.C. Orjiako
Chairman

2015, our first full reporting year since our historic dual listing in the Nigeria Stock Exchange ('NSE') and the London Stock Exchange ('LSE'), has been one of strong operational performance against a difficult oil price environment. We exceeded our production target for the year, delivering 43,372 boepd and a 41% production increase throughout 2015. Despite the considerably lower oil price during the period we have remained profitable, and maintained the core dividend and a strong balance sheet. We have also grown the business through the acquisition of working interests in two new acreages in OMLs 53 & 55 and, most significantly, ramped up developments in our gas business.

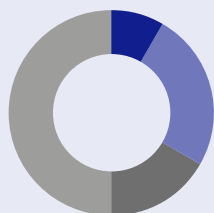
Like every other oil and gas company we have had to respond to the challenge of the collapsed oil price. We moved to reduce costs and pursued an extremely disciplined approach to capital expenditure. The strong fundamentals for the Nigerian E&P sector remain in place, and our strategy and business model remain unchanged. This year, we have demonstrated that even in a low oil price environment, Seplat's strategy and business model ensure that the Company remains profitable and well funded.

In March 2015, Nigeria held a peaceful general election, with the opposition party taking over the reign of power from the incumbent party, underlining the country's significant progress towards democratic stability. The new Government has set a key priority as the reform of the Nigerian National Petroleum Company ('NNPC'), improved security and the eradication of corruption. These are initiatives that we welcome. The indigenous oil and gas industry will benefit from the Government's desire to provide security and deliver improvements in pipeline network uptime, improve domestic refining capacity and performance, deliver guaranteed power supply to the nation, and create an environment that

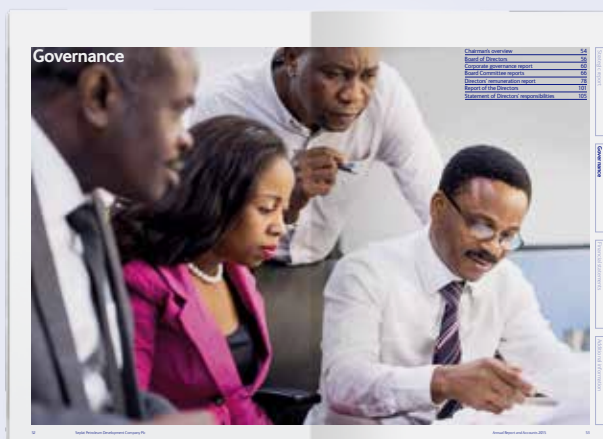
Governance

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.

Board composition



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



Governance:
page 52

encourages the availability of capital. The early signs are positive and our excellent production performance is partly due to increased pipeline uptime in the second half of the year.

At the macro level, a slowdown in economic growth was witnessed in the second half of the year largely due to the impact of the lower oil price. Given the pressure that this places on the Government's resources, we deem it essential to open up the economy to promote private-sector investment. For Nigeria to continue on its upward trajectory, pipeline security and an improved power supply are crucial. Seplat has been a key supplier of gas for power generation in Nigeria, providing 86 MMscfd in 2015, about 25% of the total domestic gas supply. To meet the Government's 2020 target for power generation would require a tenfold increase in domestic gas production. Even the more modest IMF estimate of power generating capacity in 2020 would require domestic gas production to increase 166% from the current 1.2 Bscf/d to 3.2 Bscf/d and Seplat is committed to being a major driver of that production increase.

Given this opportunity, one of our key objectives in 2015 was the development of our gas business, which saw our processing capacity double to 300 MMscf/d and our plan is to increase that by a further 75% in 2016 to 525 MMscf/d. By 2020, we expect to be the largest supplier of gas to the domestic market. Already, we have seen that the increased gas revenue helped to offset the impact of the lower oil price and, given our strategically advantageous position to benefit from the planned expansion of the national gas infrastructure, we expect to see significant further growth in our gas revenues in the years ahead.

It is important to acknowledge that Seplat would not have been able to invest as significantly in its gas business without the Pioneer Tax Status ('PTS') that the Company was awarded in 2013. Seplat has fully re-invested the tax savings from its PTS status, with over US\$300 million invested in the gas business alone in the past three years.

Our position as Nigeria's leading independent E&P company has been reinforced in the past 12 months during which we delivered on corporate performance target despite the oil price volatility. Our resilience is testament to the quality of our business, our strategy, our management team and staff, and our adherence to strong corporate governance policies.

Seplat has a strong board comprised of reputable experts in the Nigerian and international oil and gas industry. This enables us to benchmark our governance policies against international standards and we remain focused on attaining the highest levels of corporate governance. This year we made a number of enhancements including making available to all staff an easy-to-read Code of Conduct handbook that documents our policies and guidelines regarding ethical standards, bribery and corruption, conflicts of interest, related party transactions, share dealing, and whistleblowing, to reiterate and embed our policy of zero tolerance for any form of corrupt practice by any employee or business partner. In addition, our Whistleblowing procedures were further strengthened to include external reporting lines and hotlines.

In these challenging times, it is the Board's duty to balance the capital requirements of the business with shareholder returns. To this end, an interim dividend of US\$0.04 per share was approved by the Board and paid in November 2015, and we are recommending a final dividend of US\$0.04 per share that will bring total payment for the full year to US\$0.08 per share, in line with our promise of continuous delivery of value to shareholders. My Board colleagues and I are fully committed to protecting the interests of all our shareholders and as before, will retain discretion over future dividend payments in 2016 and beyond.

A resounding success for the Company since its inception, and further built upon this year, has been the shared value model that was developed and agreed with our host communities. Since 2013, Seplat has created over 250 new jobs directly within the business and over one thousand further jobs through the Company's commitment to using local suppliers, therefore creating a multiplier effect. In addition, several infrastructure development projects have been completed for the direct socio-economic benefit of the local communities, such as the construction of roads, provision of clean water supply facilities, school buildings and electrification. Furthermore, we remain committed to the Seplat signature CSR programs such as the 'Eye Can See' program for various sight ailments, the 'Safe Motherhood' program to reduce infant and maternal mortality, and Education Scholarship programs. We are a Nigerian business and it is our responsibility to create shared opportunities and benefits for our local stakeholders. Critically, as we grow, it is vital that we replicate the positive and mutually beneficial relationships with our local communities that have protected our licence to operate. This strength of our community relationships is a key differentiator among operating companies. Our commitment to our local stakeholders is stronger than ever.

As always, our achievements over the past year were the result of the continued support and commitment from our employees and wider stakeholders. The drive for excellence across our business has propelled Seplat to be the leading Nigerian independent oil and gas company and we continue to count on our collective commitment to the Company's strategic goals to ensure we maintain that leading position.

The Board approaches 2016 with an ongoing zeal to deliver value for our shareholders. Our continued profitability, strong balance sheet and excellent operational performance leave us well placed to operate successfully in this low oil price environment and take advantage of the value-enhancing opportunities that arise as a result of these circumstances.

I remain confident in Seplat's future and look forward to reporting on another year of progress in twelve months' time.

Thank you.



A.B.C. Orjiako
Chairman

Market overview introduction

A deep knowledge of the Nigerian oil and gas sector and energy market, combined with our strong operating credentials and access to local and international capital markets, differentiates Seplat as the partner and operator of choice.

A leading Nigerian independent E&P

Since the first commercial oil discoveries were made in Nigeria in the 1950s, the Major IOCs, either directly or within the state joint ventures, held a tight ownership of the vast majority of Nigeria's oil and gas reserves and production with minimal direct participation from Nigerian independents.

The turn of the millennium saw this trend start to reverse. Nigerian independent ownership began to increase initially through the relicensing of several undeveloped (marginal) fields and latterly through the coordinated divestment by the Major IOCs of much larger (mainly onshore) producing blocks driven by portfolio rationalisation, legacy issues such as oil theft, damage to infrastructure, and social and environmental impacts that increasingly meant production levels suffered and investments were scaled back.

Seplat positioned itself as an early mover and in 2010, through the acquisition of a 45% operated interest in OMLs 4, 38 and 41 from Shell, Total and Agip, became the first Nigerian independent to acquire a package of oil and

gas blocks directly from the Major IOCs as part of a disposal process. Since taking over operatorship of the blocks, the Company has increased oil and gas production by multiples and consistently grown reserves year on year. Following this landmark deal, Seplat further grew its portfolio through the acquisition of an interest in the OPL 283 marginal field area from another Nigerian independent, Pillar Oil, and in 2015 acquired further interests in OML 53 and OML 55 from Chevron Nigeria Limited.

Seplat also began to invest in its gas business in 2010 in response to the Nigerian Government's initiatives to improve the debilitating impact of poor power generation and supply in the country by opening the Domestic Supply Obligation pricing to market forces. Since then, the Company has invested more than US\$300 million to grow its gas business and in 2015 commissioned the new 150 MMscfd Oben gas plant, which saw deliveries into the domestic market increase sharply. With 100% of volumes dedicated to supplying key demand centres within the domestic market, Seplat is already supporting around a third of current grid generation.





Seplat's competitive advantages:

- Proven track record as operator
- Experienced Board and management
- Solid financial platform and access to capital
- Early mover advantage
- Nigerian gas sector exposure

Nigeria, the leading oil and gas country in Africa

Nigeria has proven geology, long-established infrastructure, and regulatory and fiscal regimes which combine to make it a high potential investment opportunity.

Africa's largest oil producer and twelfth largest globally

2.3 million
barrels per day



Africa's second largest (eleventh globally) remaining proven oil reserves

37 billion
barrels



Africa's largest gas reserve and ninth largest globally

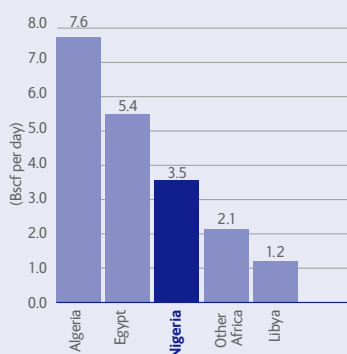
180 trillion ft³



Africa's

3rd

largest gas producer



Source: BP Statistical Review of World Energy, June 2015

“

Nigeria possesses one of the largest, yet least developed gas reserves on the continent coupled with domestic demand growing faster than ever.

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 km² 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 180 trillion cubic feet of gas, making it a globally significant source of long-term supply.

Nigerian ownership of the E&P sector

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

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



Operational overview:
page 28

9th

Nigeria is estimated to have the world's ninth largest gas reserve

Between 2009 and end 2014, Nigerian operators – including Seplat – had acquired oil and gas blocks with a total estimated aggregate transaction value of around US\$5 billion from the IOCs (the majority of which was debt funded), accounting for around 11% of total Nigerian oil production. However, despite this and the favourable policy changes that have been implemented, the sharp and extended decline in oil price is taking its toll by restricting access to further capital, eroding profitability and free cash flow generation such that balancing debt service obligations with capital investments required to increase output has become increasingly difficult for many companies to manage. The longer this situation persists the greater the risk becomes that Nigerian ownership of the oil and gas sector will begin to contract. Those that remain will only continue to succeed if they possess strong fundamentals that ensure low breakeven economics, balance sheet strength and access to capital so that they can invest to diversify and dilute asset concentration risk, for example in order to capitalise on the gas to power opportunity in the Nigerian market.

Gas opportunity

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

Although difficult to measure precisely, Nigeria's current share of total gas flared globally is estimated to be as much as 2.5 billion cubic feet per day meaning that, after Russia, it flares more gas than any other country in the world. Concurrently, Nigeria lags behind many of its frontier market peers in electricity production per capita despite considerable domestic demand and its power generation deficit is widely recognised as a critical constraint on growth. The Nigerian government has been implementing an ambitious strategy to triple natural gas production capacity to 12 billion cubic

feet per day to fulfil electricity generation and industrial development demand. Significant investment has been required to translate surplus gas production into gas-fired power generation. The prior awarding of Pioneer Tax Status to local Nigerian operators has allowed them to allocate significant capital expenditure into gas projects to further this development and generate employment. To this end, a more favourable policy environment for producers seeking to commercialise their gas reserves has been institutionalised.

Political change and the reform of the oil industry

Following 16 years of state rule by the People's Democratic Party ('PDP'), Nigeria's opposition party, the All Progressive's Congress ('APC'), won the state governorship elections in April 2015. The elections passed peacefully and democratically. The changing political landscape in Nigeria in 2015, coupled with the declining oil price causing a reduction in state tax revenues, has provoked a new commitment from the government to reform the country's energy sector. An audit, carried out by PriceWaterhouseCoopers and published in April 2015, urged an overhaul of the way the state managed its oil industry, which it described as unsustainable. A new management team has now been installed at the Nigerian National Petroleum Corporation ('NNPC'), Nigeria's state-owned oil corporation, which has been tasked with commercialising the entity in order to generate profit for the state. The restructuring plan has currently reorganised NNPC into seven new divisions each led by separate management teams. A strong commitment to institutionalising the highest standards of corporate governance has been communicated in the change of leadership at the NNPC with a focus on tackling internal corruption and alleviating the long-term threat of oil bunkering in the Niger Delta. Another key priority for NNPC is addressing the outstanding receivables owed to companies operating in the country. Measures are already being taken, with the NNPC looking at alternative funding models to remedy this issue.

Nigeria's Petroleum Industry Bill

Following the election of the new government in April 2015, the 2012 draft of the Petroleum Industry Bill ('PIB') remains in the Nigerian National Assembly under review whilst the new administration continues to consult with oil companies. It is widely predicted that the new government will modify the current draft of the PIB into sections, which will be passed individually. The purpose of a new PIB is to unify Nigeria's 16 petroleum laws under one bill and to improve transparency and governance processes and procedures at the NNPC.

Market analysis

Oil price

The backdrop of a prolonged market oversupply and sluggish global economic growth saw the oil price remain at a depressed level throughout the year, as E&P companies focused on survival in anticipation of an eventual upturn.

2015 was another challenging year for the oil and gas industry as persistently weak oil prices forced downward recalibrations to future market expectations, which in turn prompted the sector to scale back, cancel or defer capital investments and take steps to cut operating costs and reduce overheads. Brent crude started the year at the US\$55.38/bbl mark, and over the first six months traded between lows of US\$45.13/bbl and highs of US\$66.33/bbl. The second half of the year saw Brent crude trade steadily downwards to an exit price of US\$36.33/bbl, a 34% decline year on year, before retreating further to a ten year low of US\$27.36/bbl in January 2016. The average Brent crude price over 2015 was US\$52.29/bbl.

This price decline was driven by the combination of a drop in demand in key economies (particularly China where economic growth slowed considerably) and a global supply glut that OPEC failed to alleviate. The large Gulf State producers, Saudi Arabia in particular, elected to pursue a policy of defending market share and allowing prices to fall in the expectation that this would remove fewer economic barrels from the market. As the cartel members agreed to maintain current production, no guidance was forthcoming in the year on a ceiling level, a factor which further offset the impact of a decrease in non-OPEC production throughout the year and paints a bleak macro picture for the near term at least. However, against this difficult backdrop, efficiency gains and lower costs in the oil services sector have allowed many operators to push down breakeven costs as the oil price has fallen, although high cost projects typically in mature/deepwater/unconventional basins have continued to be hardest hit and generally left sub-economic.

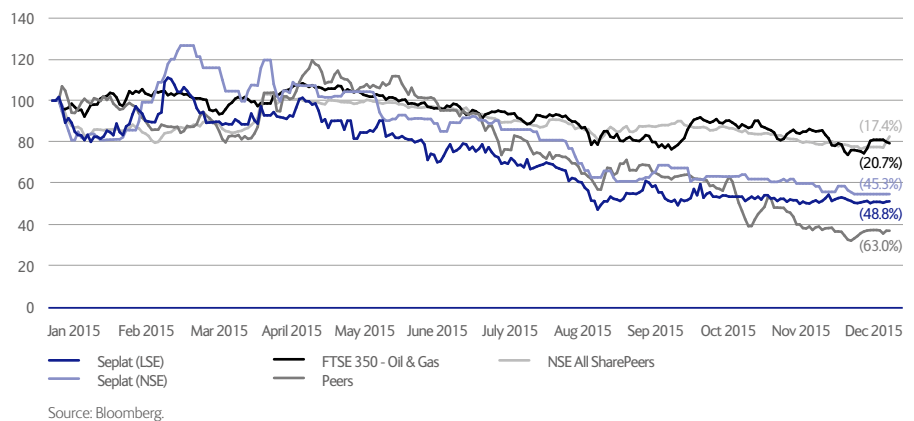
Nigerian economy

Over the past decade, Nigeria's economy has seen an average GDP growth rate of around 7% alongside single digit levels of inflation and in 2014 overtook South African as the largest sub-Saharan African economy. Although the Nigerian Government receives around 70% of its tax revenue from the oil sector, the oil industry only accounts for 13% of Nigerian GDP demonstrating the diversified nature of the Nigerian economy. However, Nigeria endured a challenging year in 2015 as the sharp fall in oil prices impacted on exports and foreign exchange income with further pressure exerted through uncertainty in the lead up to the Presidential election, a strengthening Dollar and insecurity in the north of the country.

Despite these headwinds in 2015, growth remained above the average for advanced economies at 3% and the outlook is one of a rebound on the back of greater policy stability, further economic diversification to reduce reliance on oil revenues (in particular through the mining, agriculture and telecoms industries) and an emphasis on more effective revenue collection by government agencies and parastatals.

While diversification efforts have been ongoing for several years, the urgency has increased in response to the strengthening of the US Dollar. The Central Bank of Nigeria held the naira at between NGN197:US\$1 and NGN199:US\$1 since March 2015, roughly 20% down from where it was in the prior year.

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



Brent oil price (dollars per barrel) 2010-2016



2050

The year Nigeria is projected to become the third most populous country on the planet behind India and China

However, with the state tapping into its foreign reserves – which had fallen 15% year on year to around US\$29bn in December 2015 – to make up for foregone oil revenues, it has sought to reduce dollar sales and curb speculation, introducing new capital controls. The result has been a spike in the parallel market exchange rate of an over 50% increase to the CBN official rate. However, given Nigeria's stable political environment, large population and growing middle class, the country is expected to weather challenges such as lower oil prices and downward pressure on the naira, and remain an attractive destination for foreign investment in the long term. Despite this, the World Bank still rated Nigeria poorly in its Ease of Doing Business Report citing power supply and transport infrastructure as key problems that need to be addressed.

Global economy

One of the consequences of a sustained low oil price is its ostensible beneficial impact for broader global economic growth, notwithstanding the loss of real income for oil producers. However, in spite of the lower oil and corresponding fuel costs, 2015 was another disappointing year for growth with the International Monetary Fund lowering its 2015 global gross domestic product forecast to 3.1% from 3.3%, citing a slowdown in emerging markets in part driven by the weak commodity prices. Moreover, China (the largest net importer of oil and other liquid fuels) saw its economy decelerate to a growth level of 6.9% in 2015 (compared to 7.3% in the prior year) – its slowest pace in 25 years.

Despite this slower growth rate, on a longer-term perspective, population growth, increases in income per person and economic growth will continue to be the key drivers behind the global demand for energy. By 2035, BP's Energy Outlook predicts that the world's population will have reached 8.7 billion, which means an additional 1.6 billion people will need energy. Over the same period, GDP is expected to more than double with China and India the key drivers of non-OECD growth. Continued long-term demand growth and falling production, reflecting lower investment in exploration and production, are expected to help bring about an eventual rebalancing in the market.

Global corporate activity trends in 2015

Global M&A volumes increased to approximately US\$5,000 billion in 2015, up over 40% on last year, as 69 mega deals (>\$10bn) were announced, both record highs. Consumer, financials and industrials sectors saw the highest value of deals with single transactions such as Pfizer's US\$160 billion merger with Allergan, the third largest M&A deal in history, an example of how the attractive free cash flow profile of the healthcare sector has driven deal making. Shell's US\$82 billion merger with BG Group was the third largest transaction of the year, with the deal closing despite the weakening commodities backdrop. An increase in cross-border flows was seen in 2015, as companies sought out M&A in a period where political and economic uncertainty, a delay of interest rate hikes and weak macroeconomic conditions led to volatility in markets, limiting the opportunity for solid organic growth prospects.

Despite the continued low interest environment, debt financing in the oil and gas industry specifically remained challenging whilst other sectors benefitted from increased availability.

Global equity markets in 2015

Global equity markets experienced a challenging year in 2015 with several general themes driving performance, including a divergence of monetary policy, continued weakness in commodities and widespread concerns over global growth.

In the US, speculation around the timing of an interest rate hike by the Federal Reserve largely drove sentiment for the majority of 2015, with expectations of an initial hike in Q1 continuously pushed back over the first half of the year due to continuing concerns over global growth, driven by the slowdown in China, and declining demand for commodities negatively impacting prices. Improving macroeconomic data in the final quarter of the year led the Federal Reserve to hike interest rates by 25bps in December, which together with sharp declines in oil prices

pushed equity markets lower. The S&P ended the year down 0.7%.

In the UK, the FTSE 100 index fell 4.9% over 2015 and was outperformed by mid-cap stocks as the FTSE 250 rose 8.4%. The FTSE O&G producing sector was one of the lower performing and saw a decline of 20.2% over 2015 as the market witnessed a continuing commodity sell-off. The expectation at the beginning of the year was for an interest rate hike in the UK broadly in line with timing of the US, although persistent deflation and weak wage growth data pushed expectations of this out beyond 2016.

Whilst the US tightened towards the end of the year, monetary policy in Europe continued to follow an opposite direction with the ECB announcing a higher than expected €60bn of bond purchases a month, until at least September 2016, which had a positive impact on European equities in January.

Weak macroeconomic data in China coupled with a devaluation of the yuan overshadowed the relief rally seen post the Greek bailout agreement in August, as European equities struggled towards the close of the year as the ECB failed to meet expectations on its quantitative easing programme. The DAX Index in Germany ended the year up 9.6% whilst the CAC 40 Index in France finished up 8.5%.

The NSE fell by 17.4% in 2015, as the index was impacted by the ongoing negative impact on an oil dependent economy caused by falling oil prices and post-election uncertainty. Seplat's London line ended the year 48.8% lower at 74p whilst the Nigerian line closed down 45.3% at 203 Naira.

Good progress with our strategic aims

In 2015 we delivered strong operational performance, grew our portfolio, remained firmly profitable and took our gas business across a transformational threshold with further expansion still to come. We acted quickly and decisively in response to the weak oil price environment, strengthened the core fundamentals of the business and have greatly enhanced long-term potential.



Austin Avuru
Chief Executive Officer

We are all acutely aware of the challenging oil price environment that dominated headlines in 2015, and the stresses it placed on the global industry. In response at Seplat we intensified our focus on making sure we delivered on what is under our control and on taking steps to mitigate against factors outside our control.

Beating production guidance

2015 saw Seplat deliver record net working interest production of 43,372 boepd, ahead of the upper range of 2015 full year guidance that was set at 32,000 boepd to 36,000 boepd and up 41% year-on-year. Within this oil and condensate production was 29,003 bopd and gas production 86 MMscfd for the full year.

This strong performance was primarily driven by an increase in oil, and particularly gas production at our core OMLs 4, 38 and 41 as a result of our aggressive drilling and infrastructure development programmes. We also saw an increase in oil output year-on-year at OPL 283 (Marginal Field Area) and recognised production from OML 53 and OML 55 for the first time. Interruptions to third party export infrastructure, that we rely on

to export our oil production, weighed on the business again in 2015. However, as a result of steps we took during the year to increase condensate storage capacity, and therefore de-couple oil and gas production, we are now much better positioned to withstand such interruptions than in prior years and can continue to produce and sell gas into the domestic market even when oil production is interrupted.

Growing reserves

Working interest 2P reserves as assessed independently by DeGolyer and MacNaughton at 31 December 2015 stood at 480 MMboe, comprising 209 MMbbls of oil and condensate and 1,573 Bscf of natural gas. This translates into an organic reserve replacement ratio of 2x in 2015, and taking into account inorganic growth we achieved a reserve replacement ratio of 14x. Since inception a core value driver of Seplat's has been the progressive conversion of 2C resources to 2P reserves, and in 2015 we continued this trend by re-categorising around 30 MMboe. Since 2010 we have converted around 179 MMboe of 2C resources to 2P reserves marking a compound annual growth rate overall of 28%. We have also for the first time booked working interest 2P reserves of 185 MMboe associated with OML 53 and OML 55, highlighting the materiality of these blocks and their importance to our long term plans.

Solid financial platform, profitability and flexibility

When oil prices started their abrupt decline back in mid-2014 we acted quickly and decisively in response to the decaying oil price environment and have continued to do so since. In 2015, we made adjustments to our work programme and cost structures to ensure that, against a bleak industry backdrop, we remained firmly profitable in the period and underpinned by a strong balance sheet – something the collapse in oil price has only served to highlight the importance of maintaining. We have not booked any material impairment charges, which again, underscores the quality of our portfolio and resilience to a weak macro environment. Furthermore, we maintain discretion over spend and have the flexibility to re-align expenditures with cash flow as appropriate, up or down, and work hard to find innovative ways to achieve more with less.

Revenue for 2015 was down 26% from 2014 at US\$570 million. Net profit for the year stood at US\$67 million following one-off costs of US\$77 million. Normalised for these charges, net profit would have totalled US\$144 million. Cash flow from operations before movements in working capital was US\$190 million, ahead of capital investments of US\$152 million. Cash at bank and net debt at year end stood at US\$326 million and US\$573 million respectively.

At end 2015, the net NPDC receivables balance stood at US\$435 million, down from US\$463 million at end 2014 and a peak of US\$504 million at HY 2015, after we entered into a signed agreement mid-year to start offsetting NPDC's share of gas revenues against the outstanding balance. In January 2015, we successfully refinanced our existing debt facilities with a new US\$700 million seven year secured term facility and US\$300 million three year secured revolving credit facility.



Our business model and strategy: page 16

Capitalising on the gas opportunity

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 commodity to be exported as LNG or a by-product to be disposed of, we are absolutely firm in our belief that supplying Nigeria's domestic market is an outright commercial opportunity in itself that we will continue to prioritise and that gas to power in particular is vital to future economic growth and diversification for Nigeria.

In 2015, we produced a gross volume of 192 MMscfd compared to 88 MMscfd in 2014, all of which was supplied to the domestic market where demand for our gas was exceptionally strong and we increasingly accounted for a growing portion of market share. The increase correlates to the installation and commissioning of the new Oben Phase I expansion gas processing facility mid-year which took the gross processing capacity we operate to 300 MMscfd. This in turn was reflected in our gas revenues for 2015 which were up 185% year-on-year at US\$77 million. With the full 12 month benefit of the Phase I expansion to be felt in 2016 and plans afoot to complete Oben Phase II expansion later in 2016 taking our gross processing capacity to a minimum of 525 MMscfd, we are well positioned to realise further step-change production and revenue growth from our gas business in coming years. You can read much more about our gas business in the special feature included within this report.

Strengthening through diversification

Diversification is an important part of positioning the business to make sure we have the building-blocks in place to deliver sustainable returns and value growth over the long term. There are numerous ways that we can benefit through greater diversification.

Firstly, asset diversification is key. Having started out with a concentrated portfolio comprising only OMLs 4, 38 and 41 we have to date grown our portfolio to six blocks, five of which we operate, all of which are in production and offer material future development upside opportunities to further grow and diversify output. Not only this, but an enlarged portfolio allows us to more rigorously benchmark and high-grade the inventory of investment opportunities available to us, thereby improving decision making and how we allocate our capital.

Secondly, over-reliance on a particular third party infrastructure system has been a long-standing issue for many producers onshore Nigeria in particular and we have been no different with a dependency on the TFS. Portfolio expansion can help dilute such a reliance as can the development of alternative options. Whilst deliveries so far via the pipeline linking OMLs 4, 38 and 41 to the Warri refinery have been modest, it is a focus of ours to establish a regular and mutually beneficial offtake arrangement and we will continue to work up additional potential alternatives.

Thirdly, exposure to a single commodity can leave the business overly susceptible to a prolonged down-turn in its price. Through growing our domestic gas business we are able to increasingly generate a revenue

stream that is de-linked from oil price and achieve revenue continuity in the event of disruptions to third party oil export infrastructure.

Fourthly, diversification into the offshore is something we have not yet built in to the business but hold ambition to. Whilst we have a strong track record operating onshore the Niger Delta we possess the skills and experience to transpose this into the shallow water offshore areas of the Niger Delta where, in general, high levels of uptime can be achieved with direct access to market and minimal losses, all of which would provide a high degree of complementarity to our onshore operations.

Focus on the fundamentals

There are a number of key attributes that have enabled Seplat to thrive and also provide the business with the stamina and resources to withstand any major downturns. Whilst we have invested in assembling and developing an extremely high quality portfolio of oil and gas blocks in the Niger Delta, we have also invested in making sure that we have the right people in place to manage and operate the business, and that we prioritise long-term relationships with all of our stakeholders including partners, host communities and government alike, ahead of short-term gains. Similarly, we take all of our responsibilities very seriously and are committed to running safe and secure operations across the board, as illustrated by our strong performance in HSSE management over the year.

This long-term approach is what sets us apart from many of our peers and, coupled with our strategic foresight to gain early mover advantage and positioning in the local and international capital markets, means that in five short years we have been able to establish Seplat as the leading Nigerian independent E&P and a partner of choice.

2016 outlook

There is much for us to look forward to in 2016, but still many challenges we must overcome. Our strong focus remains on protecting the business and managing for value through driving further cost reductions, optimising operations, deleveraging and strengthening the balance sheet in preparation for opportunities that will inevitably follow this current downturn. We will see the next growth instalment in our gas story and whilst we cannot predict the oil price will make sure we are well placed to benefit from any recovery.

Austin Avuru
Chief Executive Officer

Our business model and strategy have remained consistent since inception and have proven valid in both high and low oil price cycles.

A clear business model and strategy

Since inception we have been guided by a clear and consistent business model and strategy that have remained unchanged and are carefully designed to provide sustainable long-term value creation and growth for our shareholders and other stakeholders.

We aim to do this by leveraging our core strengths and expertise to capitalise on growth opportunities available to us across the upstream oil and gas value cycle.

Our business model sets out what we do and the fundamental structures, processes and resources we must have in place to deliver our strategy and manage risks to the business. Our strategy comprises the five key priorities that we have identified as essential in allowing us to run the business efficiently and responsibly in order to achieve our vision of being the leading African independent oil and gas company.





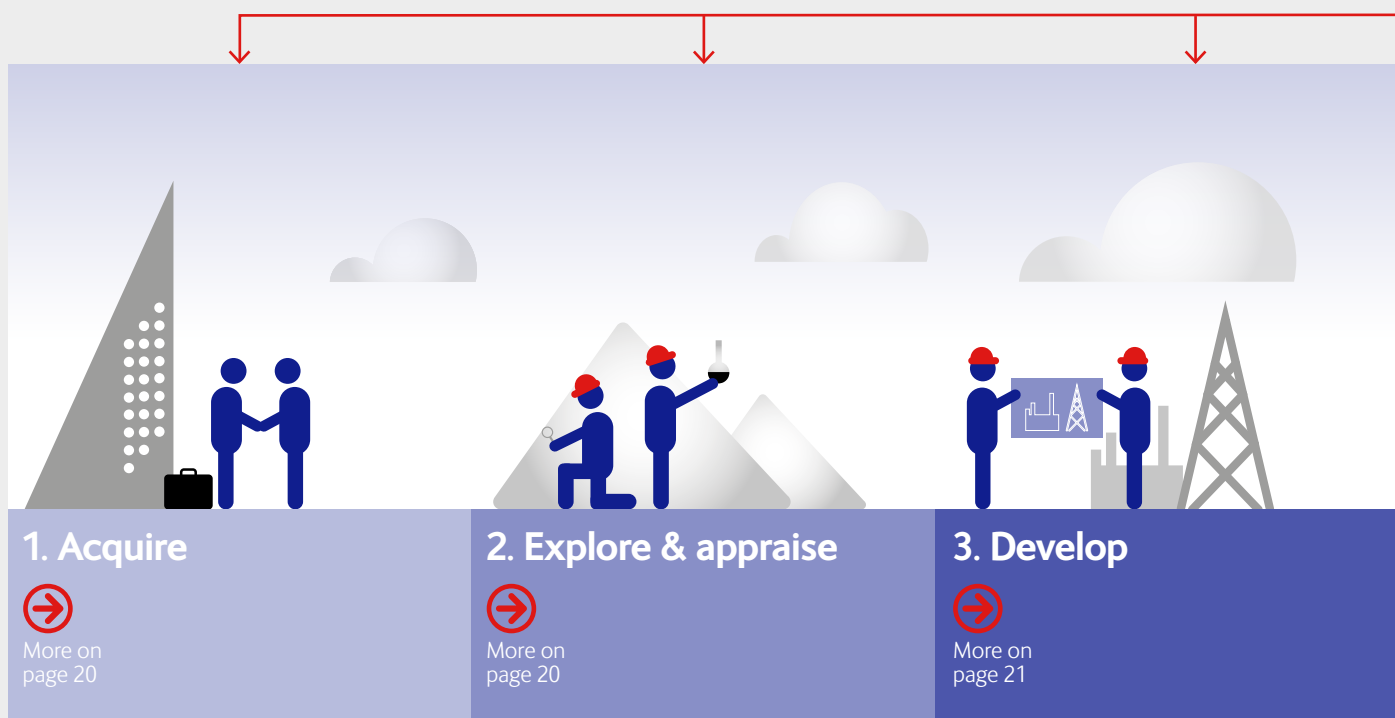
Seplat's competitive advantages:

- Strong margin cash flow
- Discretion over expenditures
- Access to deal flow and capital
- Diversification through gas business expansion

Leveraging our core strengths and expertise

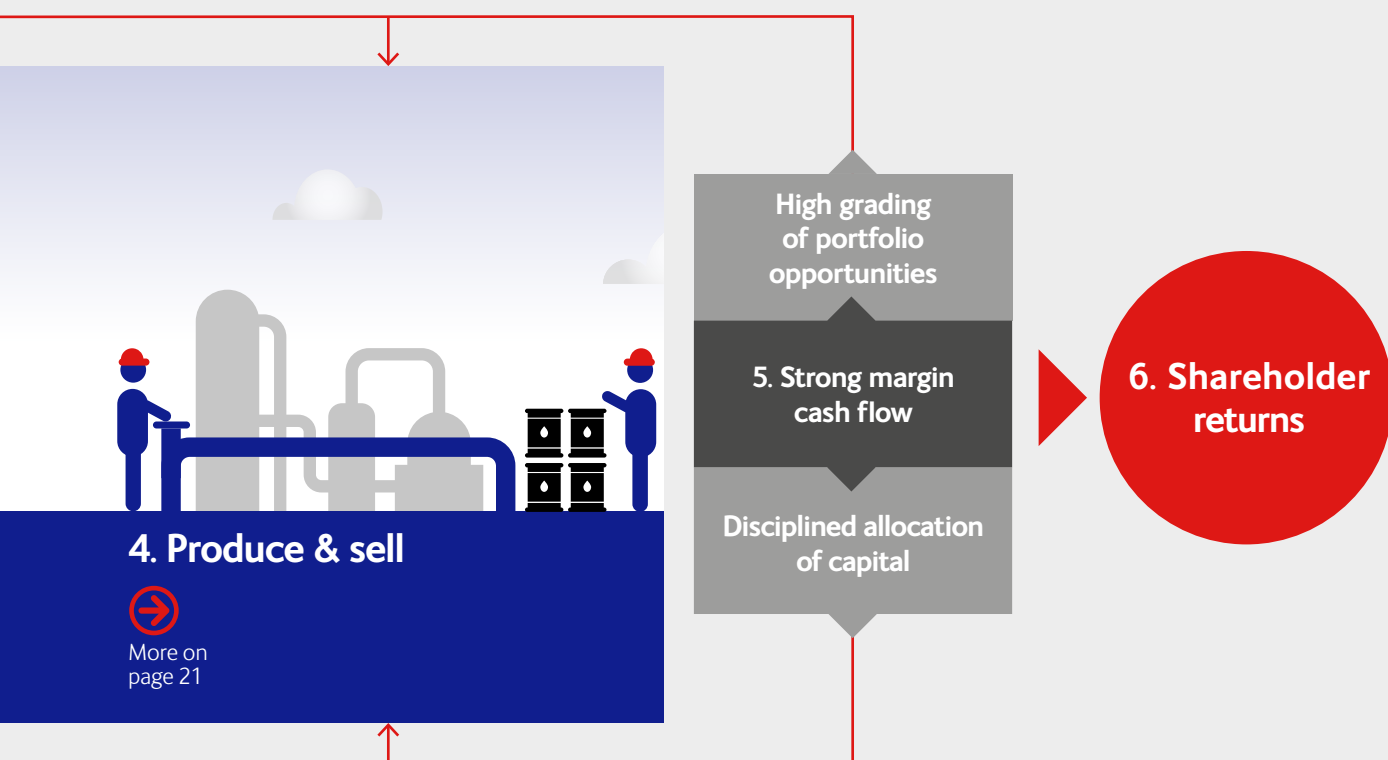
Our business model has been carefully designed to create long-term value and shared prosperity for our shareholders and other stakeholders, leveraging our core strengths and expertise to capitalise on growth opportunities available to us across the upstream oil and gas value cycle.

Corporate responsibility



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 areas 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 portfolio 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.



1. Acquire



To date, we have acquired interests in six blocks in the onshore and swamp areas of the Niger Delta, Nigeria, 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 to shallow water offshore areas of Nigeria that offer near-term production, cash flow and reserve replacement potential.

In 2015, Seplat acquired a 40% working interest in OML 53, onshore north eastern Niger Delta, and an effective 22.5% working interest in OML 55, coastal zone of south eastern Niger Delta. These acquisitions further expand our footprint in the Niger Delta and further cement our position as a leading indigenous independent E&P in Nigeria.

Access to capital is also key to fund the acquisition of new opportunities. In 2015 we successfully completed, in difficult market conditions, a US\$1 billion debt refinancing with a suite of Nigerian and international lending banks.

Key facts

- First Nigerian operator to acquire blocks from Major IOCs
- Six blocks acquired to date
- Ability to match opportunities with access to capital
- US\$1 billion debt refinancing completed in 2015



2. Explore & appraise



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

In 2015, we did not drill any exploration wells, electing to focus capital expenditures to development drilling opportunities that would offer the greatest cash returns and rapid payback.

The Ogegere-1 exploration well that was drilled in 2014 on OML 38 encountered oil bearing sands and indicated the potential for a new play, at greater depths than the primary target, which we continue to assess further on our acreage.

Through the acquisition of interests in OML 53 and OML 55 in 2015 we have not only extended our inventory of development opportunities but also our inventory of exploration leads and prospects. It is our intention to fully assess the exploration potential of the new blocks and incorporate into our overall planning in future years.

Key facts

- Evaluating potential for a new deeper exploration play in OMLs 4, 38 and 41
- OML 53 and OML 55 expand inventory of E&A growth opportunities
- Focus on opportunities close to infrastructure that can be monetised rapidly



3. Develop



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

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

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 and drilled 23 wells (more than any other company). In 2015 we had five rigs engaged over the course of the year and drilled eight wells, reflecting adjustments made to the discretionary work programme in response to the sharp drop in oil price.

Key facts

- Proven track record as a skilled operator
- Consistently one of the most active drillers in Nigeria
- Installed and commissioned the Oben gas plant Phase I expansion in just five months with Phase II underway to take gross processing capacity to a minimum of 525 MMscfd in 2017
- Full discretion over future work programmes and flexibility to respond to macro conditions



4. Produce & sell



Seplat has grown oil production every year since inception and has more than doubled gas production since the Oben gas plant Phase I expansion was commissioned. With a significant undeveloped resource base Seplat has a portfolio capable of yielding significant further growth in coming years.

At OMLs 4, 38 and 41 we have increased liquids production six-fold from an initial gross rate of 14,000 bopd at time of acquisition in 2010 to a 2015 peak rate of over 84,000 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 43,372 boepd in 2015.

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% to 12% compared to an average of around 18% to 2015 pre installation.

Seplat has grown its natural gas output dramatically and regularly supplies over 300 MMscfd gross exclusively to the domestic market, enough gas to underpin over a third of Nigeria's current power generation.

Key facts

- Grown oil production every year since inception
- Operates enough gas production to underpin over a third of Nigeria's current power generation
- Significant inventory of future development and appraisal projects in current portfolio to provide continued growth in coming years

A sound and consistent strategy for growth

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

Strategic pillar	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 and within budget. This enables us to generate strong margins and predictable cash flows from our production, which in turn underpins our ability to fund our work programme. At the same time, we seek to improve operational efficiency by maximising uptime, reducing reconciliation losses, mitigating asset concentration and sole reliance on third party export infrastructure.
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 reserves. It is our intention that we will return to our objective of drilling at least one exploration well per year when oil prices recover and stabilise, with a focus on prospects that if successful can offer rapid monetisation, utilising our existing infrastructure where possible.
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. During periods of oil price weakness, the gas business takes on added importance. Gas prices are de-linked from oil price and have steadily increased to commercial levels, meaning that we can confidently plan, finance and invest in gas opportunities independent of oil price dynamics.
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 amongst the independent E&P sector as liquidity in the secondary asset inevitably increases and future licensing awards occur. Our focus is on securing blocks in the onshore to shallow water areas of the Niger Delta that offer near-term production growth, cash flow and reserve replacement potential.
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 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.



Key performance indicators:
page 24



Risk management:
page 42

Measuring our performance

Risk

Outlook

- Working interest production
- Earnings before interest and tax ('EBIT')
- Opex per boe

Oil and gas production operations have a number of risks attached, above and below the ground. The Company has a skilled technical team with a detailed knowledge of the geology and reservoir dynamics to allow optimal production solutions to be implemented. Above the ground, the Company has clear systems and procedures in place to ensure the safe and secure operation of its oil and gas production, processing and transportation facilities.

- Disciplined allocation of capital to growth opportunities that offer strongest returns
- Enlarged portfolio offers greater optionality and more robust high-grading
- Right-sizing of capital investments to match prevailing environment and continued downward pressure on cost base

- Reserves replacement

Exploration activities are focused on determining the presence of hydrocarbons whilst appraisal activities are focused on better defining and assessing the commerciality of a hydrocarbon discovery. Both activities by definition carry significant geological risk, so the technical maturity of an E&A target is key to narrowing the range of risk and uncertainty. Seplat seeks to use available technologies including seismic analysis to minimise pre-drill risks and maximise chances of a successful drilling outcome.

- Continued evaluation and high-grading of the E&A potential within Seplat's portfolio
- Assessment of OML 53 and OML 55 E&A potential
- Resume plans to drill one exploration well a year when oil prices permit

- Gas reserves, production and revenues

Despite the abundance of resources in the ground, the natural gas sector in Nigeria is at a relatively nascent stage of development and requires significant ongoing investment to grow capacity. The pace at which the sector grows and scale of investment will to a large extent dictate the timing and magnitude of opportunities for producers such as Seplat.

- Oben Phase II expansion to take gross processing capacity to a minimum of 525 MMscfd in 2017
- Progress development of OML 53 strategic gas resource and aim to aggregate additional opportunities
- Increase supply to the domestic market

- Portfolio expansion
- 2P reserves and 2C resources
- Working interest production

Competition for upstream oil and gas blocks in Nigeria is intense and there are an increasing number of industry participants seeking to grow their presence in or gain access to the sector. High levels of competitive tension can drive acquisition prices higher. Oil price volatility also presents increased uncertainty when evaluating opportunities and access to capital can also constrain ability to successfully execute transactions.

- Continued pursuit of our focused acquisition strategy
- Price discipline and seek to implement innovative structures to protect the balance sheet
- Targeting both oil and gas

- Lost time incident frequency ('LTIF')
- Corporate responsibility initiatives

Failure to adhere to the highest standards of corporate responsibility can severely impede the Company's ability to efficiently operate its current portfolio, access new business opportunities, secure capital and ultimately deliver value accretion to its shareholders.

- Continually strive to improve environmental, health and safety performance
- Strict adherence and commitment to international governance standards
- Positively contribute to our host communities

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

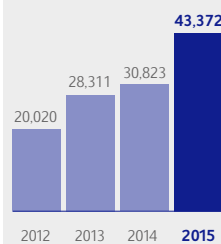
- 1 Maximise production and cash flows from operated assets
- 2 Move up 2C resources into 2P reserves category
- 3 Commercialise and produce gas reserves
- 4 Pursue a focused acquisition and farm-in strategy
- 5 Be a highly responsible corporate citizen



Our business model and strategy:
page 22

Net average working interest production (boepd)

43,372



Delivering on our strategic pillars:

1/3/4

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 (albeit at a reduced level) that has seen daily output capacity steadily increase year on year. The average annual production rate is also influenced by the number of days third party export infrastructure is shut-in. 2015 production performance reflects an uptime level of 79% over the full year.

Outlook

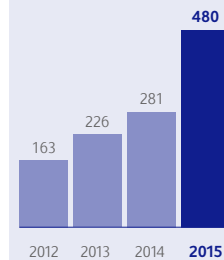
The Company expects net average daily working interest production of 41,000 boepd to 48,000 boepd in 2016.

Risk management

The Company has an in depth understanding of the subsurface and constantly monitors individual well and reservoir performance in order to optimise the drawdown rate on each well and maximise long-term economic recovery of oil and gas from the reservoirs.

2P reserves movement (% increase/decrease)

+71%



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, expressed as a percentage increase/decrease.

Relevance

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

Progress

Working interest 2P reserves at end 2015 stood at 480 MMboe, an increase of +71% year on year. An organic reserve replacement ratio of 2x was achieved in 2015. Taking into account inorganic growth the reserve replacement ratio was 14x.

Outlook

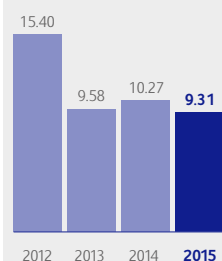
The Company has a significant working interest 2C resource base of 98 MMboe that offers good additional reserves growth potential. The Company will also continue to evaluate acquisition opportunities and over the long term undertake a focused E&A drilling programme.

Risk management

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

Production Opex (US\$/boe)

9.31



Delivering on our strategic pillars:

1/3/4

Definition

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

Relevance

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

Progress

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

Outlook

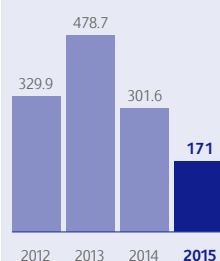
The Company remains focused on cost control. Whilst increases in certain cost components are expected to increase year on year, there are areas where downwards pressure can be applied with the objective of achieving a stable unit cost.

Risk management

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

EBIT (US\$ million)

171



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 2015 reflects the lower oil price realisations year on year and has also been impacted by a number of non-recurring charges, in particular a one-off crude handling charge to balance reserved capacity versus utilised capacity in prior periods and costs associated with the major US\$1 billion debt refinancing.

Outlook

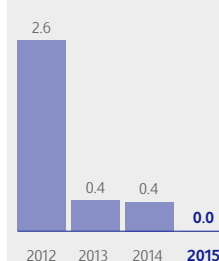
Strong current oil production levels, tight cost control and anticipated growth in gas production at OMLs 4, 38 and 41 will ensure robust earnings potential in the future. Development of the recently acquired OML 53 and OML 55 will also enhance the future earnings profile.

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.

LTIF (Number of incidents per million man hours)

0.0



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

2015 was a very busy year operationally. The Company drilled eight wells over the year and of particular note completed the Phase I expansion of the Oben gas processing facility, together with other capital projects. The Company achieved an LTIF of zero during the year.

Outlook

In 2016 efforts will continue to minimise the frequency of lost time incidents in all areas of operations. The Company will continue to ensure high HSSE standards are met and assess opportunities to constantly improve its HSSE systems and protocols.

Risk management

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

Tracking our performance

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

Strategic pillars

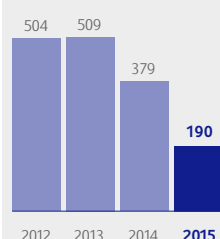
- 1 Maximise production and cash flows from operated assets
- 2 Move up 2C resources into 2P reserves category
- 3 Commercialise and produce gas reserves
- 4 Pursue a focused acquisition and farm-in strategy
- 5 Be a highly responsible corporate citizen



Our business model and strategy:
page 22

Operating cash flow (US\$ million)

190



Delivering on our strategic pillars:

1/3/4

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. However, the contribution of the gas business increased significantly during the second half of the year following installation and commissioning of the new Oben gas processing facility and gas sales agreements being secured at progressively higher pricing levels.

Outlook

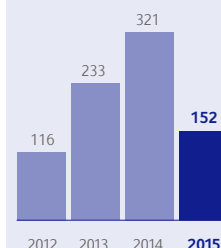
Strong current oil production levels and anticipated growth in gas production at OMLs 4, 38 and 41 will ensure robust cash flow generation in the future. Development of the recently acquired OML 53 and OML 55 blocks together with OPL 283 will also significantly augment future cash flow potential.

Risk management

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

Capital expenditure (US\$ million)

152



Delivering on our strategic pillars:

1/2/3/4

Definition

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

Relevance

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

Progress

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

Outlook

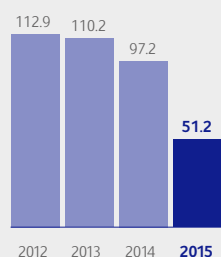
The Company will continue to invest in the development of its portfolio, allocating capital to the opportunities that offer the best returns and volume growth potential whilst scaling and timing investments at appropriate levels to closely match cash flow generation.

Risk management

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

Realised oil price (US\$/bbl)

51.2



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

Oil prices continued to deteriorate over the course of 2015. In April the Company put in place deferred premium put options covering a volume of 4.4 MMbbls to year end at a strike price of US\$52/bbl. This hedging programme has been rolled forward into 2016 when deferred premium put options covering a volume of 3.3 MMbbls have been put in place to mid year at a strike price of US\$45/bbl.

Outlook

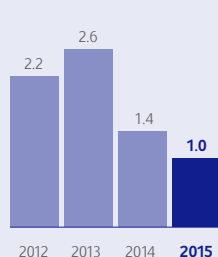
The Company sells its produced oil under the Forcados blend that has historically received a premium to a Brent marker price. Oil prices are expected to remain subject to macro-economic volatility.

Risk management

Management continue to closely monitor prevailing oil market dynamics and will consider further measures and take advantage of opportune periods to implement additional hedges to provide appropriate levels of cash flow assurance.

Staff turnover (%)

1.0



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.

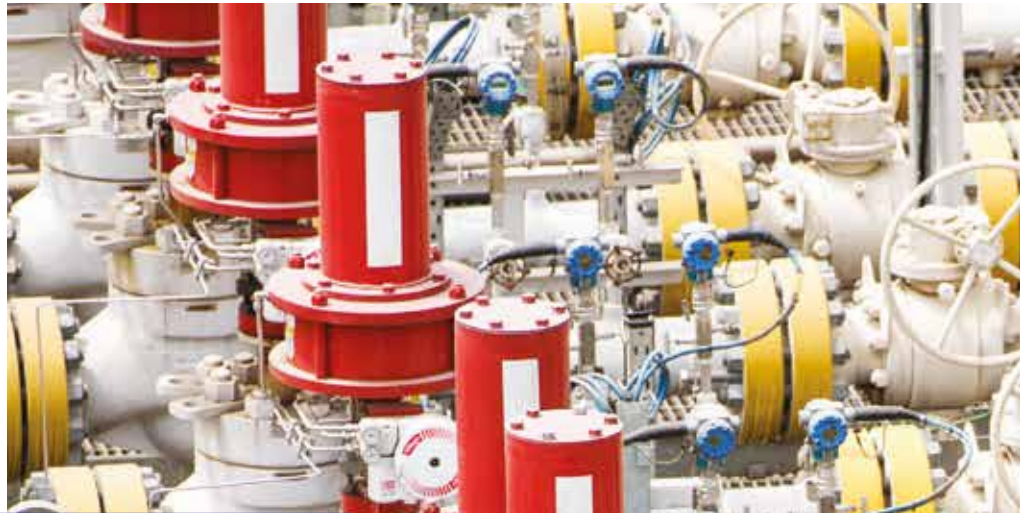
Outlook

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

Risk management

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

Our operating model enables Seplat to consistently deliver best-in-class production and reserves growth and maintain safe and secure operations.



Strong operating track record

Through adhering to a focused acquisition strategy, Seplat has assembled an attractive portfolio in the prolific Niger Delta region that presently stands at six blocks.

Despite the various headwinds the industry has faced over the past year we have again grown reserves and production at our core producing blocks and significantly expanded our inventory of growth opportunities with the addition of two new blocks. Of particular note, 2015 was a transformational year for our gas business as we commissioned the new Oben gas processing facility, allowing us to more than double gas supply to the domestic market, meaning we now supply enough gas to underpin over a third of current power generation in Nigeria.





Seplat's competitive advantages:

- Enlarged portfolio offers scope for greater diversification
- The Oben facility provides a core gas hub through which Nigeria's greatest demand centres can be accessed

Asset overview

Increased power generation is key to Nigeria's future and Seplat is on track to become the leading supplier to the domestic market, as a result of its substantial and ongoing investment programme to expand its gas processing capacity.



Stuart Connal
Chief Operating Officer

Overview

Seplat's current portfolio of six oil and gas blocks is located in the onshore to swamp areas of the prolific Niger Delta and provides the Company with 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. We also continue to view the shallow water offshore areas of the Niger Delta as an appealing opportunity set and one we hold ambitions to access in the future.

In common with the rest of the industry we were faced with several challenges over the course of the year. The abrupt decline in oil price to the lowest levels we have seen in over ten years meant we had to adjust our work programme to reflect this reality, and in the first half of the year in particular, we were impacted by the third party operated Trans Forcados System being shut-in for significant periods. Having been the most active driller in Nigeria in 2014 when we drilled 23 wells, we reduced our rig-based activity to eight development wells in 2015 (four oil and four gas wells) and one work-over of an oil well. However, despite these headwinds, 2015 full year average working interest production was 43,372 boepd, ahead of

guidance, which was set at 32,000 boepd to 36,000 boepd and up 41% year on year. Within this, liquids production was up 20% year on year and gas production was up by 119% year on year. The 2015 figures reflect an overall production uptime level of 79%. In the first half of the year, uptime stood at 65% but in the second half a marked improvement occurred, with uptime of 94% restoring good production momentum to the business. Excluding the unplanned downtime, average working interest production in 2015 was approximately 47,537 boepd (comprised of approximately 33,169 bopd of liquids and 86 MMscfd of gas). At the end of 2015, daily working interest production net to Seplat stood at around the 55,000 boepd mark (approximately 60% liquids and 40% gas).

Working interest 2P reserves as assessed independently by DeGolyer and MacNaughton were 480 MMboe at 31 December 2015, comprising 209 MMbbls of oil and condensate and 1,573 Bscf of natural gas. This represents an overall increase of 71% year on year and since 2010 a compound annual growth rate of 21% for oil and 31% for gas.

At our capital projects we completed the installation and commissioning mid-year of two new 75 MMscfd gas processing modules at the Oben plant, taking our overall nameplate processing capacity to the 300 MMscfd mark. As part of this expansion phase we also pre-invested in the required ancillaries and accommodation space for a further three 75 MMscfd processing modules (225 MMscfd aggregate additional capacity) that have been ordered with delivery and installation expected by year end, which will

further increase our gross processing capacity to a minimum of 525 MMscfd. This will further cement Seplat's position as the pre-eminent producer of natural gas in Nigeria, and the fact that 100% of volumes are dedicated to supplying key demand centres within the domestic market (enough to underpin over a third of Nigeria's estimated current active power generation) makes Seplat strategically important to Nigeria's current and future security of gas supply.

As a derivative of the increase in gas production, condensate volumes have significantly increased. Produced condensate is ordinarily spiked into the crude oil stream and exported via the Trans Forcados System ('TFS'). Following completion of the two 50,000 barrel storage tanks at the Amukpe field in 2015 we now have the means to store associated condensate volumes and achieve continuity of gas production and sales should the TFS be shut-in.

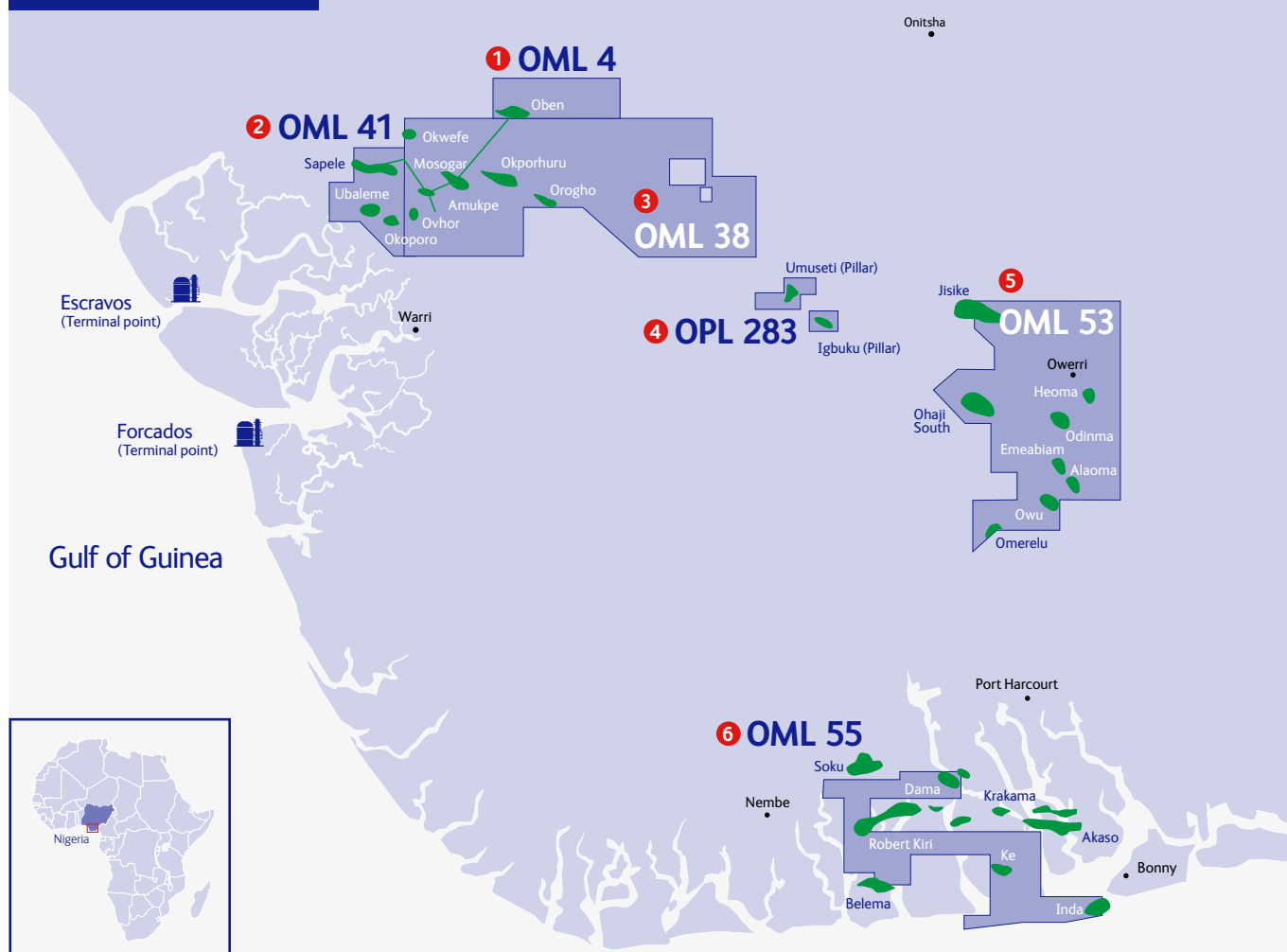
In 2016 we will continue to actively develop our portfolio, high grading our enlarged inventory of opportunities and maximising value by focusing on those that offer the best cash returns. We are in an exciting phase of Seplat's journey, and remain on track to further establish ourselves as a leading 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.

Stuart Connal
Chief Operating Officer

Block summary and production overview

Block	Seplat %	Operator	Major fields	Average gross 2015 production boepd	Average net 2015 production boepd
OML 4	45.0%	Seplat	Oben	43, 717	19, 673
OML 38	45.0%	Seplat	Ovhor, Amukpe, Okporhuru	23, 420	10,539
OML 41	45.0%	Seplat	Sapele, Ovhor	21, 374	9, 618
OPL 283	40.0%	Pillar	Umuseti, Igbuku	2,784	1,113
OML 53	40.0%	Seplat	Jisike, Ohaji South	1,715	686
OML 55	22.5%	Seplat	Robertkiri, Idama, Inda	7,746	1,743
				100,756	43,372

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



1 OML 4

2015 activities

- Production and development

Highlights

- Completed Phase I of the Oben gas plant expansion adding 150 MMscfd gross processing capacity and taking Seplat's gross processing capacity to 300 MMscfd
- Three additional processing modules ordered for Phase II expansion that will take gross processing capacity to a minimum of 525 MMscfd
- Completed installation of three 10 MMscfd associated gas compressors

2 OML 41

2015 activities

- Production and development

Highlights

- Commenced initial development of the large Sapele Shallow oil field which came onstream during the year
- Sapele Shallow represents a major upside opportunity
- Drilled and completed three oil development wells

3 OML 38

2015 activities

- Production and development

Highlights

- Constructed and commissioned two new 50,000 barrel storage tanks at Amukpe to store condensate and allow continuity of gas production when oil export infrastructure is shut-in
- Commenced a crude quality upgrade project to reduce crude handling charges and free up additional capacity
- Drilled one gas development well and one oil development well

4 OPL 283

2015 activities

- Production

Highlights

- Commissioned two 20,000 barrel storage tanks, installed an additional separator and undertook a de-bottlenecking exercise
- Export via NPDC pipeline commenced allowing flexibility if Agip pipeline becomes unavailable
- Detailed subsurface study to define optimal development strategy and seismic acquisition

5 OML 53

2015 activities

- Acquisition and production

Highlights

- Acquired a 40% working interest in February and designated operator
- Full completion and transfer of interest and operatorship completed in January 2016 following successful outcome of litigation
- Block contains the producing Jisike oil field and large undeveloped Ohaji South gas and condensate field and Ohaji South oil reservoirs

6 OML 55

2015 activities

- Acquisition and production

Highlights

- Acquired an effective 22.5% working interest in February and designated operator
- Full completion and transfer of interest and operatorship completed in January 2016 following successful outcome of litigation
- Block contains five producing oil fields with extensive infrastructure and offers numerous production enhancement and drilling opportunities

OMLs 4, 38 and 41

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

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 seven fields, namely Amukpe, Oben, Okporhuru, Ovhor, Orogho, Sapele and Sapele Shallow, 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% to 12%, compared to an average of approximately 18% to 20% prior to installation of the LACT unit.

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 ongoing 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)
2015 gross liquids production:	14,753 bopd
2015 gross gas production:	173.79 MMscfd
Gross remaining 2P oil reserves:	61 MMbbls
Gross remaining 2P gas reserves:	1,240 Bscf
2016 activities:	Production and development

Background

OML 4 covers an area of 267km² and is located 78km north east of Warri, Delta State. The Oben field is located in OML 4 and is the main producing field on the block. Facilities on the block include a 60,000 bopd capacity flow station, a 240 MMscfd capacity non-associated gas processing plant and an associated gas compressor station with three 10 MMscfd associated gas ('AG') compressors. Oil exports from the Oben flow station are routed via the Oben – Amukpe pipeline to the Amukpe facilities and onwards to either the Forcados terminal or Warri Refinery. Production operations and facilities are supported by the Oben Field Logistics Base. The Oben field in particular is central to the Company's future gas expansion plans and is strategically located as an important gas hub with access to Nigeria's main gas demand centres. The licence was renewed in 1989 for a further 30 years and is due to expire on 30 June 2019.



2015 activity

In 2015, the Company executed Phase I of the Oben gas expansion programme, which included the installation and integration of two new 75 MMscfd processing modules in addition to the pre-existing 90 MMscfd plant, bringing gross combined processing capacity at the Oben facility to 240 MMscfd. The scope of expansion Phase II is the installation of an additional three 75 MMscfd processing modules (225 MMscfd aggregate capacity), to take total gross processing capacity of the Oben plant to a minimum of 465 MMscfd by 2017. The second key project undertaken in 2015, aimed at eliminating and monetising associated gas that was previously flared, was completed with the installation and commissioning of three 10 MMscfd associated gas compressors and compressor station at Oben. A further expansion plan is being developed that will comprise the installation of an additional two compressor units to capture remaining excess associated gas volumes at the Oben station. During the year, the partners drilled and completed three gas development wells and one work-over of an oil well on the block.

OML 38



Operator:	Seplat
Working interest:	45.0%
Partner:	NPDC
Main fields:	Amukpe, Ovhor, Okporhuru (producing); Mosogar, Orogho and Jesse (discoveries)
2015 gross liquids production:	23,420 bopd
2015 gross gas production:	n/a
Gross remaining 2P oil reserves:	104 MMbbls
Gross remaining 2P gas reserves:	129 Bscf
2016 activities:	Production and development

Background

OML 38 covers an area of 2,094km² and is located 48km north of Warri, Delta State. There are currently three producing fields on the block, namely Amukpe, Okpohuru and Ovhor (which straddles OML 38 and OML 41). There are three further discoveries in OML 38: the Mosogar, Orogho and Jesse discoveries, which have not yet been brought into production. Facilities on the block include a 45,000 bpd capacity flow station, a Liquid Treatment Facility ('LTF') and two 50,000 bbls crude storage tanks, all located at Amukpe. The licence was renewed in 1989 for a further 30 years, expiring on 30 June 2019.

2015 activity

In 2015, the Company constructed and commissioned two new 50,000 bbls crude storage tanks at Amukpe to provide storage for condensate volumes associated with gas production in order to allow the Company to allow continuity of gas production during periods when the third party operated Trans Forcados System may be shut-in. Further to the commissioning of the LTF at Amukpe, the Company commenced a crude quality upgrade project aimed at achieving an export grade specification of 0.5 BS&W MAX, based on the crude handling agreement signed with SPDC. By doing this, Seplat would be eliminating the component of crude handling charges that incurs a charge for exporting wet crude to the Forcados terminal and also free up additional haulage on the export pipeline. On completion of the project, Seplat will also be able to guarantee export quality crude shipments to the Warri Refinery. During the year, the partners drilled one gas development well and one oil development well on the block.

OML 41



Operator:	Seplat
Working interest:	45.0%
Partner:	NPDC
Main fields:	Sapele, Ovhor, Sapele Shallow (producing); Ubaleme and Okoporo (discoveries)
2015 gross liquids production:	18,407 bopd
2015 gross gas production:	17.8 MMscfd
Gross remaining 2P oil reserves:	118 MMbbls
Gross remaining 2P gas reserves:	272 Bscf
2016 activities:	Production and development

Background

OML 41 covers an area of 291km² and is located 50km from Warri, Delta State. There are currently three producing fields on the block, namely Sapele, Sapele Shallow and Ovhor (which straddles OML 41 and OML 38), and two discoveries with contingent resources, the Ubaleme and Okoporo discoveries. Facilities on the block include a flow station with 60,000 bpd capacity, a 60 MMscfd capacity non associated gas processing plant and a 26 MMscfd NGC owned gas compressor station. Produced oil is exported via the Sapele – Amukpe delivery line to the Amukpe facilities and onwards to either the Forcados terminal or Warri Refinery. The condensate stream is combined with the oil for export and produced gas is exported via the NGC owned Oben-Sapele pipeline system which feeds into the Sapele power plant. The licence was renewed in 1989 for a further 30 years, expiring on 30 June 2019.

2015 activity

The main focus at OML 41 in 2015 was the initial development of the Sapele Shallow field. During the year, the partners drilled and completed three oil development wells on the block. The Sapele Shallow field, which overlies the productive reservoirs in the main Sapele field, is considered to hold a significant accumulation of oil (around 500 MMbbls STOIP) and was brought onstream in 2015 following the completion of three new development wells. Prior to this Sapele Shallow had remained largely undeveloped due to the heavier nature of the oil (21° API) relative to that in neighbouring blocks. The Company believes that the full development of Sapele Shallow currently being pursued represents a material upside opportunity.

OPL 283 Marginal Field Area (Pillar)

OPL 283



Produce



Explore & appraise

Operator:	Pillar Oil/OPGC
Working interest:	40.0%
Partner:	Pillar Oil
Main fields:	Umuseti and Igbuku
2015 gross liquids production:	2,784 bopd
2015 gross gas production:	n/a
Gross remaining 2P oil reserves:	23 MMbbls
Gross remaining 2P gas reserves:	199 Bscf
2016 activities:	Production and appraisal



Background

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

2015 activity

There were no drilling activities during 2015, the operational focus being on production efficiency and minimising operating costs. In the first quarter of 2015, two 20,000 bbls crude storage tanks and a 5 Mbbls fire-water tank were fully commissioned. Following the installation of an additional separator and a de-bottlenecking exercise, production from Umuseti peaked at around 4,650 bopd gross. Export via NPDC's line commenced in June allowing some flexibility should the Agip export route be unavailable. A detailed subsurface study was completed during the year which will be used to define the optimal development strategy to access additional oil reservoirs in the Umuseti field. Technical work also continued on Igbuku, planning wells and the monetisation of its gas reserves.

Negotiations with contractors for the acquisition of 106km² of 3D seismic data over the southern section of the Igbuku field were concluded during 2015 with the contract planned to be awarded in 2016. The seismic will allow full definition of the Igbuku structure required for future development drilling activities.

OML 53 and OML 55

OML 53



Operator:	Seplat
Working interest:	40.0%
Partner:	NNPC
Main fields:	Jisike (producing) and Ohaji South (discovery)
2015 gross liquids production:	1,715 bopd
2015 gross gas production:	n/a
Gross remaining 2P oil reserves:	115 MMbbls
Gross remaining 2P gas reserves:	1,333 Bscf
2016 activities:	Production and development

Background

OML 53 covers an area of approximately 1,585km² and is located onshore in the north eastern Niger Delta. The Jisike oil field, located in the north western area of the block, is currently the only producing field on OML 53. Existing infrastructure at Jisike comprises flow-lines, phase one separation facilities and a flow station with a design capacity of 12,000 bopd and 8 MMscfd. Oil production is sent for further processing at the nearby Izombe facilities on OML 124 from where it is exported via pipeline to the Brass oil terminal. The block also contains the large undeveloped Ohaji South gas and condensate field, the development of which will be coordinated with the SPDC operated Assa North field on adjacent OML 21, together referred to as the 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. Pursuant to the Joint Operating Model, Seplat was designated operator of OML 53.

2015 activity

On 5 February 2015, the Company announced that it had acquired a 40% working interest in OML 53 from Chevron Nigeria Limited ('CNL'). However, the full completion and transfer of the block and operatorship was hindered by a litigation brought against CNL and Seplat by one of the counter bidders that also sought to acquire the assets from CNL and contested the outcome of the sales process. The litigation ultimately reached the Supreme Court, the apex court in Nigeria, in January 2016 when the Supreme Court delivered its judgment and ruled in favour of CNL and Seplat. This ruling allowed CNL to conclude the full transfer and operatorship of the block to Seplat with immediate effect meaning the Company is now free to implement a forward work programme to realise the block's full potential.

OML 55



Operator:	Seplat
Working interest:	22.5% ¹
Partners:	NNPC, Belemaoil
Main fields:	Robertkiri, Idama, Inda, Belema North and Jokka (producing)
2015 gross liquids production:	7,764 bopd
2015 gross gas production:	n/a
Gross remaining 2P oil reserves:	74 MMbbls
Gross remaining 2P gas reserves:	768 Bscf
2016 activities:	Production and development

Background

OML 55 covers an area of approximately 840km² and is located in the swamp to shallow water offshore areas in the south eastern Niger Delta. The block contains five producing fields (Robertkiri, Inda, Belema North, Idama and Jokka). The majority of production on the block is from the Robertkiri, Idama and Inda fields. The Robertkiri field is located in swamp at a water depth of five metres and has a production platform and utility platform installed. Production capacity at the Robertkiri facilities is 20,000 bpd and 10 MMscfd. Production facilities at the Idama field comprise a jack-up mobile offshore production unit ('MOPU') and riser platform that have a capacity of 30,000 bpd of total fluids and 34 MMscfd. The Jokka field is produced through a manifold tied-back to the Idama facilities. Production facilities at the Inda field comprise a MOPU with a capacity of 30,000 bpd of total liquids and 34 MMscfd. Overall, the infrastructure on OML 55 comprises four flow stations, a network of flow-lines, and two eight-inch pipelines that connect to third party operated infrastructure. The Belema field is unitised with OML 25 and is produced via a flow station on that block. All produced liquids from OML 55 are delivered via third party infrastructure to the Bonny terminal for processing and shipping. In addition to the oil potential on the block there is

also an opportunity to develop the significant gas resources that have also been identified. Pursuant to the Joint Operating Model, Seplat was designated operator of OML 55.

2015 activity

On 5 February 2015 the Company announced that it had concluded negotiations to purchase 56.25% of the share capital of Belemaoil Producing Limited ('Belemaoil'), a Nigerian special purpose vehicle that had completed the acquisition of a 40.0% interest in the producing OML 55, from CNL. Seplat's effective working interest in OML 55 as a result of the acquisition is 22.5%. However, the full completion and transfer of the block and operatorship was hindered by a litigation brought against CNL and Seplat by one of the counter bidders that also sought to acquire the assets from CNL and contested the outcome of the sales process. The litigation ultimately reached the Supreme Court, the apex court in Nigeria, in January 2016 when the Supreme Court delivered its judgment and ruled in favour of CNL and Seplat. This ruling allowed CNL to conclude the full transfer and operatorship of the block with immediate effect meaning the Company is now free to implement a forward work programme to realise the block's full potential.

¹ Economic interest adjusting for carry arrangement is 36.5%.

Tight financial controls and discipline are vital to ensure we are funded to execute our strategy.

Financial flexibility and access to capital

The Group continued to invest in new wells and surface facilities during the year to increase oil and, in particular, gas production and processing capacity.

In 2016 we will appropriately scale our investment programme taking account of the prevailing oil price environment and its influence on free cash generation within the underlying business, and will maintain our strict discipline of only allocating capital to the opportunities that offer the greatest returns to deliver shareholder value.





Seplat's competitive advantages:

- Discretion of magnitude and timing of expenditures
- Well positioned in both local and international capital markets

Investing in our future

Our financial strategy continues to be driven by preservation of the financial capability, and also flexibility, that is required to realise the value of our enlarged asset base. We are focused on cash generation and will prioritise capital investments to projects that provide the highest return per dollar invested.



Roger Brown
Chief Financial Officer

Revenue

Despite reporting a 41% overall increase in production year on year (with liquids production up 20% and gas production up 119%), the full effect has not been reflected in revenues primarily due to the continued decline in oil prices throughout the year. Revenues were further impacted by third party operated infrastructure being shut-in for significant periods of time, giving a production uptime level of 79% for the full year. The majority of shut-ins were experienced in the first half when production uptime was 65%, after which we saw a marked improvement in the second half when uptime was restored to a more normalised level of 94%. The increase in gas production and sales in the year did provide a partial offset to the impact of oil price decline, with gas pricing in Nigeria being de-linked to oil price. Consequently, revenue in 2015 was US\$570 million, a decrease of 26% from 2014 (2014: US\$775 million).

Oil revenues (after stock movements) of US\$494 million continued to account for the majority of revenues in 2015 (2014: US\$748 million). The global oil price decline has negatively impacted the Group's realised oil price with an achieved average price of US\$51.2/bbl (2014: US\$97.2/bbl) before royalties. The average premium to Brent achieved in 2015 was US\$1.02/bbl (2014: US\$2.4/bbl). Working interest liquids production in 2015 increased to 29,003 bopd from 24,252 bopd in 2014. The total volume of crude lifted in the year was 8.129 MMbbls compared to 7.999 MMbbls in 2014. Also in 2015, revenues from OML 53 and OML 55 were recognised from February onwards.

In April, the Group put in place deferred premium put options covering a volume of 4.4 MMbbls to year end at a strike price of US\$52.0/bbl. The net amount paid out during the year was US\$15.6 million. We will continue to closely monitor prevailing oil market dynamics and will consider further measures to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility. In line with this tactic, we have rolled the hedging programme into 2016 and put in

place dated Brent put options covering a volume of 3.3 MMbbls over H1 2016 at a strike price of US\$45.0/bbl and have post year end covered an additional 2.2 MMbbls over H2 2016 at a strike price of US\$40/bbl.

The shut-in of third party operated infrastructure that we rely on to evacuate produced liquids, together with the associated time required to re-establish full production levels, resulted in deferred liquids production of approximately 2.2 MMbbls assuming all other factors constant. To assist in minimising the impact of future pipeline shut downs, the Group continued efforts to optimise the use of its alternative export route to the Warri Refinery which was commissioned in 2014. A total of 388,000 barrels was sent through this route in 2015.

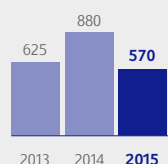
Gas revenues increased significantly year on year to US\$76.9 million (2014: US\$27.4 million). This trend was driven by a 34% increase in the average realised gas price to US\$2.55/Mscf (2014: 1.90/Mscf) and a 119% increase in volumes. Working interest production for the year was 86 MMscfd (31.3 Bscf) compared to 39 MMscfd (14.4 Bscf) in 2014. The increase in volume is a direct result of the successful installation and commissioning of the new 150 MMscfd Oben gas processing facility mid-year that doubled overall gross processing capacity to 300 MMscfd and allowed for a sharp increase in gas sales throughout the second half of the year.

Gross profit

Gross profit for the year was US\$249 million, a decrease of 46% on the prior year (2014: US\$459 million). This principally reflects the decline in revenue, primarily attributed to the oil price, the additional field costs related to OML 53 and 55 together with the increase in the rate of DD&A. Direct operating costs, being crude handling fees, rig-related costs and other field expenses, decreased to US\$3.30/boe in 2015 (2014: US\$3.52/boe), principally reflecting the decrease in work-over costs and higher production, offset by increased levels of field expenditures and crude handling charges (including a balancing one-off crude handling charge of US\$25 million recognised in 2015 for the period 2010 to 2014).

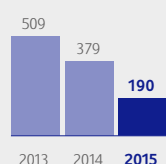
Revenue

US\$570m



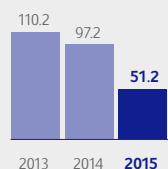
Cash from operations before working capital

US\$190m



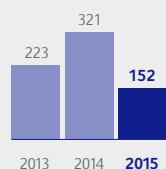
Realised oil price

US\$51.2/bbl



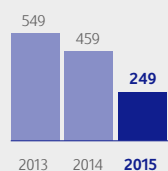
Capital expenditure

US\$152m



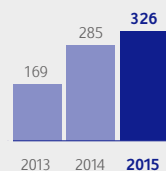
Gross profit

US\$249m



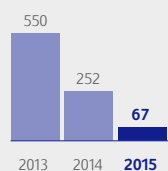
Cash position

US\$326m



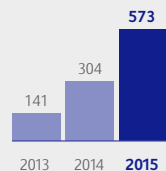
Net profit

US\$67m



Net debt

US\$573m



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 2015 to US\$68 million (2014: US\$41 million) reflecting field investments made in the year, acquisition costs associated with OML 53 and OML 55, forecast levels of production and estimates of future capital commitments. These increases were partly offset by the reduction in the level of royalties in 2015, which despite the higher production year on year stood at US\$102.5 million compared to US\$149.7 million in 2014. The reduction in well work-over activities also translated into a decrease in rig related expenses to US\$8.64 million in 2015 compared to US\$29.9 million in 2014.

Operating profit

Operating profit for the year was US\$157 million, a decrease of 46% on the prior year (2014: US\$290 million).

Partially offsetting the impact of lower gross revenues was a 21% decrease in G&A expenses to US\$121 million. Included within the reported G&A figure are finance costs of US\$24.2 million, depreciation of US\$5.5 million and other costs in relation to business development activities and advisory fees totalling US\$7.4 million. Additionally, the Group has also taken steps to reduce recurring G&A expenses and in the full year has realised a decrease of US\$5 million through reductions in contract labour, travel costs, facilities costs and IT costs.



Financial statements:
page 106

Tax

The Group continued to benefit from pioneer tax status in 2015 which resulted in the effective tax rate remaining consistent with 2014 (2014: nil%). The Group has completed the first three years of the tax incentive and has applied for the final two years under the provisions of the Industrial Development ('Income tax Relief') Act. The Group considers that it has met or exceeded the requirements of the scheme, 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. In 2015, a deferred tax charge of US\$21 million has been recognised in the accounts representing the tax of a timing difference which will reverse in the future.

Profit attributable to parent

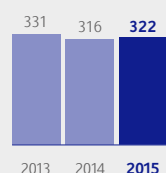
Profit for the period was US\$67 million, a decrease of 73% on the prior year (2014: US\$252 million). The resultant EPS for 2015 was US\$0.12 (2014: US\$0.5). In 2015, adjustments have been made in respect of a balancing crude handling charge reconciling actual capacity usage with reserves capacity for the past five years of US\$25 million, payments made in association with the Group's successful US\$1 billion refinancing of its debt facilities of US\$24 million and other costs of US\$7 million which mainly include business development costs.

Dividends

The Board has decided to recommend a final dividend of US\$0.04 per share (2014: US\$0.09 per share) bringing total dividends for the year to US\$0.08 per share (2014: US\$0.15 per share).

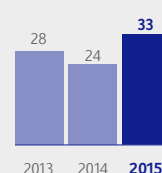
Cost of sales

US\$322m



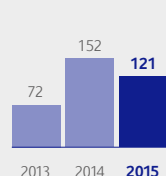
Gearing (total debt/total assets)

33%

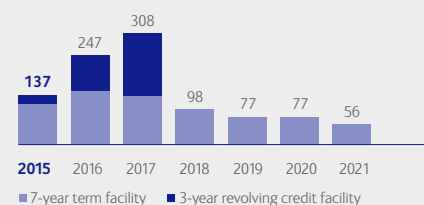


G&A

US\$121m



Debt maturity profile (US\$m)



Reconciliation of net NPDC receivables balance

	US\$ million
Opening balance at 31 December 2014	463
Receipts in 2015	(163)
Payments in 2015	246
NPDC gas revenues withheld in 2015	(55)
Headline receivable at 31 December 2015	491
Crude handling charges withheld in 2015	(56)
Net receivable at 31 December 2015	435

Net debt at 31 December 2015

	US\$ million	Coupon	Maturity
7-year secured term facility	588	L+8.75%	January 2022
3-year secured RCF	275	L+6.00%	January 2018
Gross debt at parent	863		
Net Belemoil subsidiary debt ¹	36	L+10.5%	
Total gross debt	899		
Cash and cash equivalents	326		
Net debt	573		
Accordion facility (undrawn)	700	L+8.75%	

1. Net of capitalised interest of US\$16 million.

“The low oil price has impacted financial performance but we remained profitable, dividend paying and preserved a strong balance sheet.

Cash flows and liquidity

Cash flows from operating activities

Operating cash flow before movements in working capital was US\$190 million (2014: US\$379 million). The outstanding net NPDC receivable at year end, after offsetting NPDC's share of gas revenue and further adjusting for crude handling charges that have also been withheld, stood at US\$435 million (2014: US\$463 million). In July the Group entered into a signed agreement with NPDC on terms for the payment of receivables due to Seplat and also for the future structure of joint venture funding to mitigate the risk of the receivable. Pursuant to the agreement outstanding sums owed to Seplat in relation to expenditures up to 31 December 2014 will be settled by offsetting gas revenues attributable to NPDC's 55% share of contracted gas sales.

Furthermore, NPDC and Seplat have agreed to jointly source loan facilities, up to an envisaged limit of US\$300 million, to fund joint venture cash calls. Under the agreed structure, once such facilities are in place, NPDC and Seplat will each contribute crude oil production commensurate with their respective obligations.

Cash flows from investing activities

Net cash flows from investing activities were US\$79 million (2014: US\$780 million). In February, the Group closed the acquisition of a direct 40.0% interest in OML 53 and effective 22.5% interest in OML 55 (through the purchase of 56.25% of the share capital of Belemaoil Producing Limited ('Belemaoil') from Chevron Nigeria Limited. Payments made by the Group at completion amounted to US\$190.4 million for OML 53 (for which a deposit of US\$69.0 million had previously been paid in 2013) and US\$132.2 million for OML 55. Both transactions also carry an element of deferred consideration (US\$18.8 million for OML 53 and US\$11.6 million for OML 55) that is contingent on oil price averaging US\$90/bbl or above for 12 consecutive months within the next five years.

In respect of OML 55, the Group also advanced certain loans amounting to US\$80.0 million to the other shareholders of Belemaoil to meet their share of investments and costs associated with Belemaoil.

Under the agreed terms the Group will recover the loaned amounts, together with an uplift premium of up to US\$20.6 million and annual interest of LIBOR plus 10.00%, from 80.00% of the other shareholders' oil lifting entitlements.

Capital expenditure ('Capex') attributed to oil and gas assets in the year amounted to US\$152million (2014: US\$321 million). These expenditures include drilling costs in relation to seven development and appraisal wells, facility costs in relation to the new Oben gas processing facility, flow lines and additional crude oil and condensate storage tanks installed at the Amukpe field. Other non-drilling and facility related capex of US\$4.9 million (2014: US\$10 million) includes expenditures for crude oil pumps, generators, motor vehicles, office and IT equipment and other leasehold improvements.

In July, the Group reached agreement for release of the sums from escrow that had previously been allocated as a refundable deposit against a potential investment by a consortium. The net funds returned to the Group, and reinstated as unrestricted cash at bank, were US\$368 million. A sum of US\$45 million remains in escrow as a deposit with the potential vendors whilst negotiations with the consortium continue, and US\$29 million was placed into a new escrow account in London pending outcome of the ongoing negotiations. The Company also agreed to pay a portion of previously incurred consortium costs, amounting to US\$11 million, US\$3.5 million of which has been paid and US\$7.5 million of which is payable on a deferred basis and is presently also held in the escrow account (total amount in escrow US\$36.5 million).

Cash flows from financing activities

Net debt at the year-end was US\$573 million, compared to US\$304 million at December 2014. Net cash inflows from financing activities were US\$82 million (2014: US\$671 million). These principally reflect the refinancing of the business during the year through the debt markets.

In January 2015, the Group successfully refinanced its pre-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

Our financial strategy continues to be driven by preservation of the financial capability and also flexibility that is required to realise the value of our enlarged asset base. We will continue to closely monitor the oil price, performance of our strongly productive asset base and the implications these factors have on cash generation over the near, medium and long term allowing us to scale and phase our future investments appropriately. Our enlarged asset base provides greater optionality and will allow us to more rigorously benchmark and high grade the extensive inventory of drilling and development opportunities we have, making sure that each dollar invested goes to the highest cash return projects.

We will continue to prioritise expansion of our domestic natural gas business which provides a revenue stream that is de-linked from the oil price, and underpinned by the strong fundamentals of high demand and increasing pricing. Continuing to reduce the outstanding NPDC receivables balance remains an absolute priority, and we have measures in place that will achieve this and allow us to further strengthen and improve our balance sheet. The combination of all these factors will ensure we have a sound financial platform from which we can build and grow further, both through organic means and also capitalising on inorganic opportunities as and when they may arise.



Roger Brown
Chief Financial Officer

Protecting our business

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



Basil Omiyi
Chairman, HSSE and Risk Management Committee

Managing risk in protecting our business

Risk management is an integral part of all business activities of Seplat. The Company's risk management policy is focused on the early identification of risks and future risks that are central to achieving its strategy, 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, understanding the key risk exposures and what level of risk is acceptable

for Seplat to bear. The Board focuses on risk management in discharging its role over strategic matters and oversight over key business activities, including approving the Company's annual budget and five-year business plan and potential risk to the achievement of the plan as well as defining key operational and non-operational targets in monitoring business performance and growth.

The HSSE and Risk Management Committee assists the Board of Directors in overseeing the Company's risk management framework and the risk/reward strategy as determined by the Board. The Committee meets at least three times each year when it analyses and evaluates Seplat's key risk profiles, proposed mitigation strategies, mitigation actions taken by management and any residual risk exposures. The Committee also evaluates the deployment and implementation of the risk management systems and ways to streamline processes throughout the business to promote a unified and standardised approach to risk management. Reports on the Company's corporate risk register, key risk exposures and reviews of its risk management systems are compiled and presented to the Board of Directors.

The Committee meetings are attended by Executive Directors who have accountability for ensuring that risk identification is comprehensive and proposing mitigating measures that are effective in achieving the desired objectives.

Reporting to the Committee is the Enterprise Risk Management Coordinator who works with management and functional risk champions in maintaining and implementing the systems of risk management, including risk identification, evaluation and assessment, monitoring and reporting of risks across the business and key risk reporting to the Committee. The Risk coordinator has functional responsibility for maintaining the Corporate Risk Register.

The Business unit heads and specified risk owners have primary responsibility for managing individual risks and implementing approved mitigating actions in maintaining effective day-to-day internal controls over their activities, with adequate 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.

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 the business.
- Accountability of staff and/or key personnel.
- Regular and timely reporting.
- Clear system of internal controls.
- Monitoring and independent reviews.

Activities in 2015

2015 has been a challenging year for the oil and gas industry in general with the plummeting crude oil pricing and the attendant challenges on the industry. As such, we continued to closely monitor the risk to the business throughout 2015, as we will continue to do into 2016.

The activities in 2015 focused on analysing and evaluating the various key risk exposures for the Company, evaluating proposed mitigation strategies and plans and discussing same with the Board. In doing so, we reviewed the Corporate Risk Register and the risk reports presented by management. These reports detail the key risks, the potential impact of the risks and the likelihood of occurrence. Mitigating strategies were comprehensively considered, including but not limited to those related to current low oil price and associated volatility, reliability of our third party crude oil evacuation route, funding challenges with the majority joint venture partner and contractual related risks and attendant litigation. The status and effectiveness of mitigation actions taken by management were reviewed and any residual gaps or follow-up actions were identified. Key performance indicators and other risk indicators and trends were monitored. Key risks requiring risk tolerance

considerations and strategic actions were presented to and debated by the Board.

The Committee reviewed the risk management systems implementation and deployment of the risk dashboard and enhanced assessment tables approved in quarter four of 2014. The Committee gave further consideration to the achievements made with the appointments of risk champions in unifying risk management approaches within the organisation.

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

identified and HSSE performance on industry benchmark scorecards.

One of the initiatives in the second half of the year was a physical inspection by the Committee members of some of the Company's field infrastructures, including the newly installed gas plant carried out by the Company as part of its gas strategy in integrating oil reserves and gas reserves. The visit identified operational risk matters which have been reported and are being addressed by management.

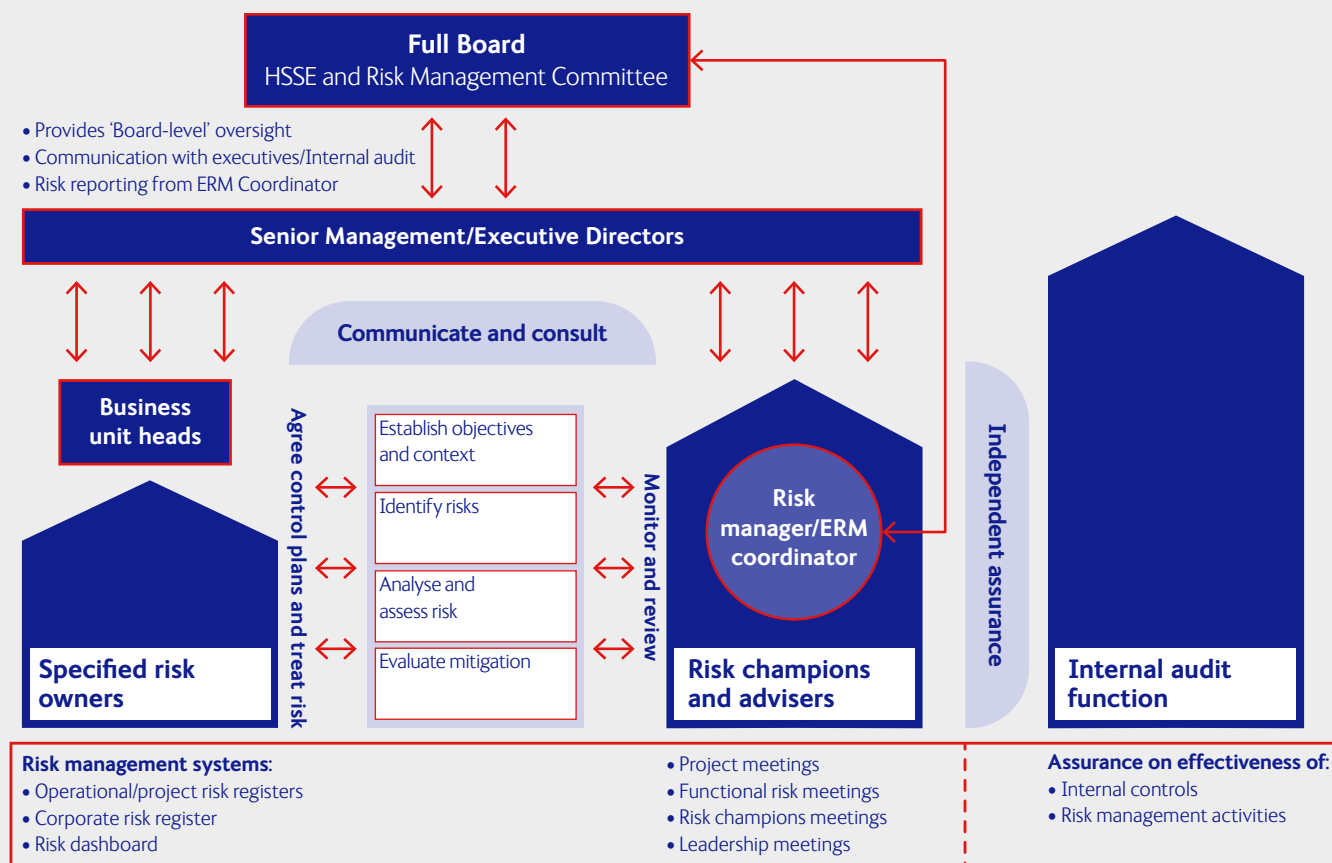
As part of assessing fraud mitigation efforts, the Committee reviewed the operations of the whistleblowing system to obtain assurance about its effectiveness within the organisation.

Overall, the Committee is satisfied that the Company now has fully deployed a Risk Management System that would serve to ensure integrity of business processes, business decisions and activities going into the future. The Company's HSSE Management System is also mature and reliable and has continued to deliver excellent HSSE performance year on year.



Basil Omiyi
Chairman, HSSE and Risk Management Committee

Risk management framework



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 project deliverability	Failure to manage operational activities in line with planned expectations can lead to production misses, project delays and cost overruns, high production costs and earlier than expected field decommissioning.
Third party infrastructure downtime	An over-reliance on third party operated transportation infrastructure can expose the Company to extended periods of production shut-in and reduced earnings.
HSSE risks	Oil and gas activities carry significant levels of HSSE risks if not properly managed. As activity levels continue to increase there is a strong focus on preventing major environmental, health or safety incidents.
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	Failure to manage stakeholders can result in business disruptions and interference. The Company prioritises the effective management of relationships with all stakeholders including host communities, government, 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 and produce gas reserves
- 4 Pursue a focused acquisition and farm-in strategy
- 5 Be a highly responsible corporate citizen



Our business model and strategy:
page 22



Mitigation	KPI/Performance metric	Strategic pillars	Assessment	Trend
Focus on risk management at planning phase and mitigations plans activated. Compulsory 'peer-to-peer' review for high-value projects and better project management techniques. Protracted land acquisition, preparation and rig startup have been contributory factors which have received focused attention and significant process improvements and improved communications with JV partner and approving regulators to mitigate delays. Use of smart/intelligent wells to improve recovery and improved rig performance monitoring and reporting to manage NPTs.	<ul style="list-style-type: none"> Net working interest production Operating costs per boe 	1/2/3	High	Whilst this risk still remains, there have been significant improvements in the contributory areas of land acquisition and preparation.
Built two contingency tanks in Amukpe for partial storage during shut-in over shorter periods. Discussions are underway for in-country supply versus exportation via own pipeline infrastructure. Management is further exploring economics of other avenues for crude evacuation to reduce dependency on major export route.	<ul style="list-style-type: none"> Net working interest production Days downtime EBIT 	1/3	Very High	Variable. With periods of good uptime levels interspersed with unpredictable shut-ins of varying severity.
Deployment of an HSSE Management System in line with best practices. Monitoring and reporting of HSSE performance scorecards at management level and Board level. Our HSSE systems and process have been subject to independent review and identified improvement initiatives are being deployed. Continual focus on HSSE training and initiatives focused on incidence prevention. Emergency Response plan set for any eventuality and comprehensive Incident Review panels to identify and channel lessons learnt to improvement activities.	<ul style="list-style-type: none"> HSSE scorecards LTIF TRIR 	5/1/3	High	Steady. Though the risk is inherent, we have improved HSSE scorecards as compared to prior year.
Strict compliance with reservoir management guidelines. Building internal capacity with skilled subsurface expertise.	<ul style="list-style-type: none"> Reserve replacement 	1/2/3	High	No change. Reduced E&A activities but we will monitor the outcomes of further studies.
Continuous security monitoring and intelligence. Quick mechanism for security advisory to staff and movement restriction for high alert situations.	<ul style="list-style-type: none"> LTIF TRIR Security incidents 	5/1/3	Medium	Steady. We will continue our monitoring and vigilance.
Successful operation of the GMOU agreement with host communities, periodic engagement and feedback forums. Tailored CSR programmes, capacity building and infrastructure developments with the host communities. Organisational focus and clear strategy to deliver shareholder value pursued by the Board and management. Corporate governance and transparency in dealings with regulators.	<ul style="list-style-type: none"> Net working interest production LTIF TRIR Host community incidences 	5/1	High	No change. We continue to enjoy good working relations with all stakeholders.
Scenarios and response option plans set. Crisis management team over the high alert political periods. Business continuity plans actioned in light of current geo-political situation.	<ul style="list-style-type: none"> Occurrences of civil unrest and terrorism 	5/1/3	High	No change. Our operations have not been directly affected and we will continue to monitor situations closely.

Strategic pillars

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



Our business model and strategy:
page 22

Key risk	Description
Financial risks	
Oil price volatility	Oil prices have exhibited a history of volatility and can fluctuate sharply in line with external factors.
Changes to tax status and legislation	If the tax regime/legislation and incentives under which the Company operates its assets were to change, profitability will be impacted.
Availability of capital	The oil and gas industry is highly capital intensive. Significant amounts of capital are required to continue development activities and fund M&A. Non funding of cashcalls by JV partners impacts activities and liquidity.
Ineffective cost control	Increasing operating cost and ineffective capital cost control negatively impacting operating cash flows and profitability.
Strategic risks	
Portfolio concentration risk	High dependency on a concentrated portfolio of producing blocks and limited number of wells can leave the Company more susceptible to declining long-term growth and reserves depletion.
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 competition within the industry to secure talent and highly-skilled and experienced personnel in core areas.
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 and information technology security breaches could result in loss or compromise of sensitive proprietary information, communication and business continuity disruption across operations.



Mitigation	KPI/Performance metric	Strategic pillars	Assessment	Trend
Hedging continues to be an option, with the Company benefitting from the strike price hedged in Q4 2015. Price sensitisation on project economics and cost discipline for capital projects sanctioning. Aggressive focus on cost reduction.	<ul style="list-style-type: none"> Realised oil price 	1	Very High	Increasing with the very low oil prices in recent times. We will continue to take hedge positions and apply cost reduction strategies.
Perform evaluation of business plan and performance metrics exclusive of any tax benefits. Project economics determined on maximum tax basis to mitigate impact of any potential change in tax status. Impact assessment of potential tax legislature monitored at the Board level.	<ul style="list-style-type: none"> Effective tax rate Tax status 	1/3	Very High	Increasing. New government in Nigeria has resumed the review of the PIB and tax status and we will continue to monitor the situation.
Working on alternative funding arrangement with JV partner. Board review and approval of financial strategy and debt refinancing arrangements with strong banking relationships.	<ul style="list-style-type: none"> JV receivables Capital expenditures New M&A activities 	1/3/4	Very High	Steady. Discussions on alternative funding continue to progress.
Comprehensive budgeting process approved by the joint venture partner and the Board. Clear cost management targets. Grading of portfolio opportunities and project ranking for capital allocation. Focus on reducing drilling costs at well design phase. Cost monitoring and periodic reporting. Focus on effective contracting strategies for cost reduction.	<ul style="list-style-type: none"> Operating cost per boe EBIT Capital expenditure Well costs 	5/1/3	Very High	Increasing, with the associated pressures from low oil pricing requiring greater cost discipline.
Focus on portfolio expansion strategy from the Board level to diversify current portfolio. Integrated long-term planning on crude oil and gas business.	<ul style="list-style-type: none"> Successful execution of new acquisition and farm-in opportunities 	1/3	High	Steady, as the Company is currently in a portfolio expansion phase.
Extensive training on anti-bribery and corruption. Embedding corporate governance principles with key focus on all areas of the business which may be more susceptible to corruption such as the contracting and procurement process. Processes exist to guide dealing with public officials.	<ul style="list-style-type: none"> Whistleblowing reports Number of disciplinary cases 	5	High	No change, as geographical location continues to be susceptible to corruption.
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.	<ul style="list-style-type: none"> Staff turnover 	1/4	Low	Declining, with attendant reduction in capital spend in general response to low oil prices.
Extensive whistleblowing campaign. Continuous monitoring and improvement of the system of internal controls by all lines of defence with strong internal audit activity. Automation of processes where possible to reduce manual intervention.	<ul style="list-style-type: none"> Number of reported cases 	5	High	Risk is still high and management continues to maintain a zero tolerance policy.
We monitor and regularly upgrade the Company's information technology and security systems. The Company has a clearly defined employee user policy and control of access rights. Our information security framework and infrastructure have been externally reviewed in line with requirements of ISO27001. A business continuity plan is in place for quick deployment.	<ul style="list-style-type: none"> Information security identification and containment reports 	5/2	Medium	No change. While cyber security continues to hold international attention, there has been no material IT breach on our operations.

Building long-term partnerships

Since inception, Seplat has been committed to a shared-value approach to its investment in Nigeria. Our local communities have been central in fulfilling this commitment.

Unwavering commitment to local stakeholders

Despite the market challenges that 2015 presented to the wider oil and gas industry, Seplat's strong relationships with its host communities have been unaffected. Sustainable community development remains a priority and we have continued to work collaboratively with our local partners to foster positive social and economic development. As an operator, creating positive partnerships has been central to the success of the business as it has allowed Seplat to invest in, develop and commercialise its assets with critical community support.

The original Global Memorandum of Understanding ('GMOU') Seplat entered into with the local communities that host its operations in 2010 has provided the framework within which both parties can work together to support impactful social investment. Under the terms of the GMOU, the Community Development Committee ('CDC'), which includes representation from each host community, coordinates the implementation of the social investment programmes. The selection process for these programmes is designed to prioritise local development objectives whilst remaining aligned to Seplat's business objectives. Following the expiration of the original GMOU in December 2015, the framework was jointly reviewed by

both parties and a new agreement was signed in January 2016 for another five-year period, with Seplat contributed funds to local social development programmes increasing from 300 million naira to 350 million naira.

Over the past five years, Seplat has invested US\$48.1 million in its social investment programmes, positively impacting stakeholders at the community level through immediate impact projects identified following the completion of all Environmental and Social Impact Assessment ('ESIA') studies. These programmes have extended across skills development, education, healthcare, infrastructure development and environmental stewardship initiatives.

Health, Safety and Environment – 2015 Performance Review:

Seplat's commitment to upholding industry best practice in all its activities is particularly relevant to its health and safety practices as well as its environmental performance. We have a strong health and safety culture and a sustained commitment to minimising the environmental impact of our operations. Our performance in these areas is measured and evaluated year on year to ensure Seplat continues to achieve industry-high standards.

Health and Safety – 2015 Performance Review

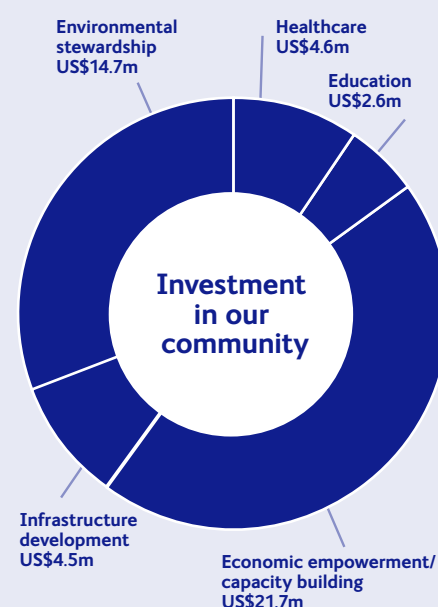
	2014	2015	2016 Targets
Fatalities (Employee and contractor)	0	0	0
Lost Time Injury Frequency ('LTIF')	0.4	0	0.0
Man hours without Lost Time Injury (% total)	67%	100%	100%

Environment – 2015 Performance Review

	2014	2015	2016 Targets
Flaring – million standard cubic feet ('MMscf')	9,465	7,642	6,200
Volume of oil spilled through own operations (thousand tonnes)	0.0004	0.1089	0.05
Volume of oil spilled through sabotage (thousand tonnes)	0.0014	0.0021	0.001
Groundwater contamination	Nil	Nil	Nil
Freshwater consumption (MMbbls)	1.18	1.5	1.5
Total Greenhouse Gas Emissions (mm tonnes CO ₂ equivalent)	N/A	0.01	<0.01

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.





Four strategic principles of the HSSE policy:

Safety and 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

Environmental safeguarding 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

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

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

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

608

During 2015, our staff retention rate increased to

97.98%

During 2015, over

98%

of our employees were Nigerian

Zero

tolerance approach to bribery and corruption, and committed to transparency

Spotlight on Seplat's Post-Primary Scholarship Programme



Seplat remains committed to leaving behind a positive legacy from its operations in Nigeria. Investing in education, skills development and capacity building programmes has and will continue to be instrumental in delivering on this commitment. Equipping individuals with the skill set, knowledge and technical understanding to operate within the industries that thrive in their local communities will support local social and economic growth and create local content fulfilment opportunities for investors in the region. To better equip children within our local communities with the cognitive capabilities and skills to become catalysts for social and economic growth, Seplat has invested in post-primary education in the Niger Delta since 2010. A total of 847 post-primary school placements have been sponsored to date.

Ensuring mutual respect
with host communities
and local stakeholders



847

post-primary school
placements have been
sponsored to date



Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 7, United Nations Sustainable Development Goals



85million

estimated number of people in Nigeria that lack access to electricity

The role of gas in powering social and economic growth in Nigeria

The gas opportunity within Nigeria does not only make commercial sense for Seplat, but in terms of fulfilling our commitment to leaving a positive legacy behind for our communities and the country, the case for scaling up our gas production is overwhelming. Africa is the most underpowered continent in the world, with six out of ten people lacking access to electricity. Whilst Nigeria has the largest GDP in Africa, electricity consumption in the country is almost one fifth lower than the Sub-Saharan Africa average at 126kWh per person compared with 150 kWh. South Africa and Nigeria will remain the largest commercial and industrial consumers of electricity over the next two decades, with both countries together accounting for more than 50% of 2040 demand.



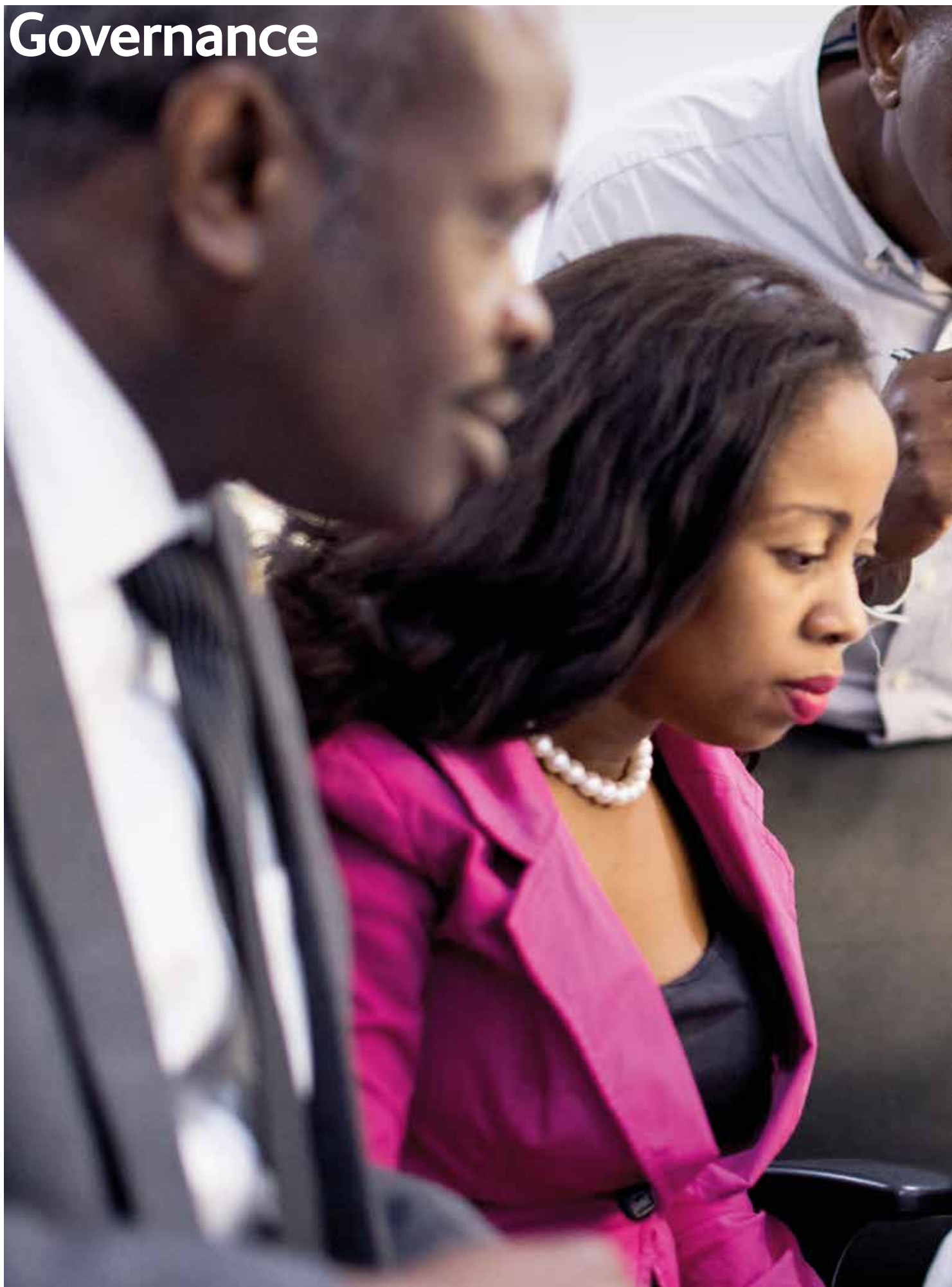
Seplat's Eye Can See Programme

- The Eye Can See programme is in its fourth year of providing premium eye care to our host and neighbouring communities
- In 2015, the programme provided 3,000 reading glasses and carried out 350 cataract surgeries

Availability of power is the key to powering prosperity in Nigeria. The economic and social benefits from a country's electrification are undeniable. A third of all health centres and primary schools lack any access to electricity on the continent, translating into 90 million students and 255 million patients that are being educated and are receiving healthcare from places that have no power. Without reliable access to electricity from a national grid, many local businesses must run costly generators to keep operations functioning, costing somewhere between three and six times what electricity from the grid costs worldwide. Recognising the importance of power for sustainable development, it is the role of companies operating in the private sector within these markets, such as Seplat, to work together with the government and our communities to support transformational efforts to develop capacity and play a role in supporting universal energy access in the country.

The current state of the power sector in Nigeria is acting as a brake on development at present. Seplat is committed to increasing its gas supply to the domestic market, underpinning greater levels of power generation capacity.

Governance

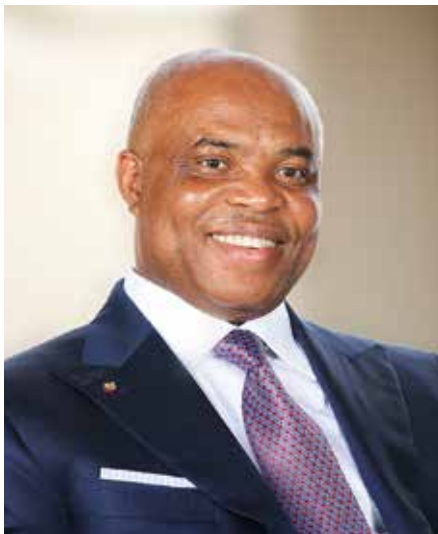




Chairman's overview	54
Board of Directors	56
Corporate governance report	60
Board Committee reports	66
Directors' remuneration report	78
Report of the Directors	101
Statement of Directors' responsibilities	105

Strengthening to adapt

As we adapt to the rapidly changing landscape, we at Seplat recognise that strong corporate governance and enhanced risk identification and mitigation are more important than ever.



A.B.C. Orjiako
Chairman

Dear shareholders,

This section of the Annual Report describes how our Company has complied with Nigerian corporate governance regulations and observed the UK corporate governance regulations throughout the year. It outlines key activities of the Board and its Committees, demonstrating our resolve to uphold strong and effective corporate governance practices, while pursuing long-term sustainable value for our shareholders. As a dually listed company, Seplat complies with the requirements of the Nigerian corporate governance regulations, while observing those of the UK including the Companies and Allied Matters Act ('CAMA'), the Nigerian Stock Exchange ('NSE') Amended Listing Rules, the Securities and Exchange Commission Code of Corporate Governance for Public Companies in Nigeria (the 'Nigerian Code') and the UK Corporate Governance Code (the 'UK Code').

The turmoil in the global market in 2015 presented a very tough operating environment for our industry, dragging down equities and significantly impacting financial results. As we adapt to the rapidly changing landscape, we at Seplat recognise that strong corporate governance and enhanced risk identification and mitigation are more important than ever. Our Board has demonstrated stronger awareness to these imperatives by stringently adhering to corporate governance regulations and best practices in carrying out our responsibilities. The Board works with management to ensure that the Company has the right strategies, financial strength, people, culture and structures in place to adapt adequately to market challenges, while balancing long-term sustainable growth and short-term objectives.

Corporate governance performance in 2015

During the year in view, in addition to reviewing and updating all our corporate governance policies in line with current Nigerian and UK corporate governance regulations, the Company undertook some key initiatives to further strengthen corporate governance and Board effectiveness.

They include, but are not limited to, the following:

- 1) External consultants, Heidrick & Struggles of London, conducted an independent appraisal to evaluate Seplat's Board effectiveness. This consisted of questionnaires, peer reviews and one-to-one interviews, including key management staff. The ensuing recommendations for areas of improvement have been and are being implemented to ensure continuous development, as a Board and as individual Directors.
- 2) Board compliance on corporate governance regulations and best practices was regularly evaluated to ensure 'tone from the top' compliance.
- 3) The Company improved engagements with its regulators and contributed to general sessions on corporate governance reporting and disclosure.

- 4) All Board members made declarations to the Company regarding their share dealing activities, in compliance with Nigerian and UK regulations and the Company's policy on share dealing.
- 5) An easy-to-read Code of Conduct handbook was developed and circulated to all staff with a statement of acknowledgment to be signed by recipients. It documents the Company's policies and guidelines regarding ethical standards, bribery and corruption, conflicts of interest, related party transactions, share dealing, whistleblowing, etc.
- 6) Furthermore, a corporate governance-dedicated team was constituted by management to focus on developing and executing activities to strengthen and embed corporate governance awareness and culture amongst all employees, including contract staff, contractors and business partners.
- 7) Our Code of Conduct policy has zero tolerance for any form of corrupt practice by any staff or our business partners. This year, the Company's whistleblowing procedures were further strengthened to include external reporting lines and hotlines.

I am proud to say that the Seplat Board remains among the strongest in our market, comprising reputable experts in the Nigerian and international oil and gas industry. This enables us to benchmark our organisational structure and governance policies against international standards. We will continue to make deliberate efforts to uphold the spirit of strong corporate governance, whilst pursuing our strategies to deliver long-term sustainable value to our shareholders, staff, the community and other stakeholders.

A handwritten signature in black ink, appearing to read 'A.B.C. Orjiako'.

A.B.C. Orjiako
Chairman

Board of Directors

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

Board members

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

A.B.C. Orjiako
Non-Executive Chairman

Michael Alexander
Senior Independent Non-Executive Director

Ifueko Omoigui-Okauru
Independent Non-Executive Director

Austin Avuru
Chief Executive Officer

Basil Omiyi
Independent Non-Executive Director

Damian Dodo
Independent Non-Executive Director

Stuart Connal
Chief Operating Officer

Lord Mark Malloch-Brown
Independent Non-Executive Director

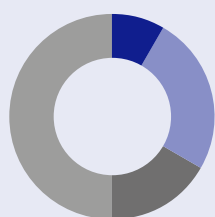
Macauley Agbada Ofurhie
Non-Executive Director

Roger Brown
Chief Financial Officer

Charles Okeahalam
Independent Non-Executive Director

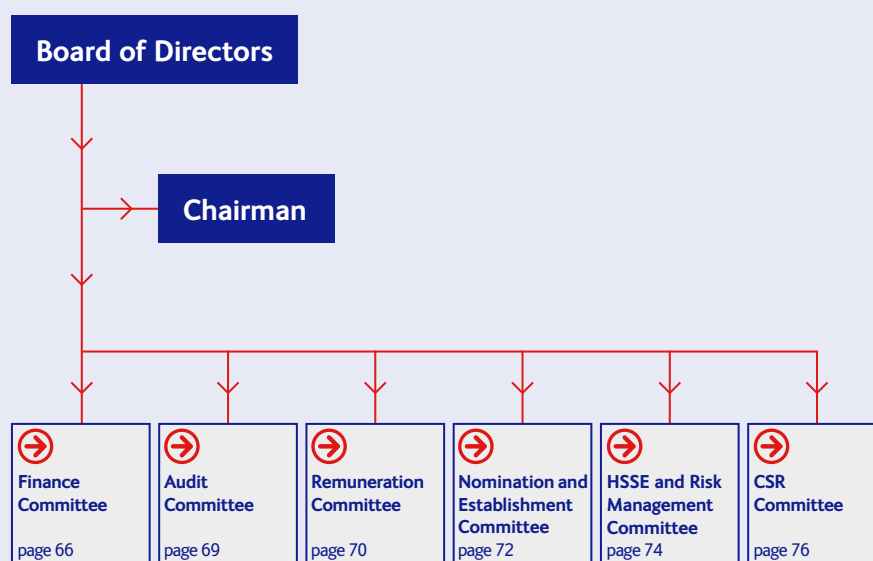
Michel Hochard
Non-Executive Director

Board composition



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

Board Committees structure



Committed to sound corporate governance



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



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



Stuart Connal
Chief Operating Officer;
Executive Director

Biography

Dr ABC Orjiako is the Chairman of Seplat, which he co-founded in 2009. His extensive experience in the oil and gas industry has seen him establish and manage various companies in the upstream, downstream and oil services sectors in Nigeria.

Dr Orjiako is qualified as an orthopaedic and trauma surgeon. He ventured into business and has developed extensive experience in the Nigerian oil and gas sector, having established and managed various companies, including Abbeycourt Trading Company Ltd, Abbeycourt Energy Services Ltd, Zebbra Energy Ltd and Shebah Exploration and Production Company Ltd.

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

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.

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.

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

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

Board meetings attended

- 6/6

Committee membership

- Nomination and Establishment Committee (Chairman)

Independent

- Not applicable

Date of appointment

- 1 May 2010

Board meetings attended

- 6/6

Committee membership

- Not applicable

Independent

- Not applicable

Date of appointment

- 1 March 2013

Board meetings attended

- 6/6

Committee membership

- Not applicable

Independent

- Not applicable



Roger Thompson Brown
Chief Financial Officer;
Executive Director

Biography

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

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

Experience

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

Date of appointment

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

Board meetings attended

- 6/6

Committee membership

- Not applicable

Independent

- Not applicable



Michael Richard Alexander
Senior Independent
Non-Executive Director

Biography

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

Experience

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

Date of appointment

- 1 June 2013

Board meetings attended

- 6/6

Committee membership

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

Independent

- Yes



Basil Omiyi
Independent Non-Executive Director

Biography

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

Mr. Omiyi 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

- 6/6

Committee membership

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

Independent

- Yes



Lord Mark Malloch-Brown
Independent Non-Executive Director

Biography

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

Experience

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

Date of appointment

- 1 February 2014

Board meetings attended

- 4/6

Committee membership

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

Independent

- Yes



Charles Okeahalam
Independent Non-Executive Director

Biography

Dr. Okeahalam is a co-founder of AGH Capital Group, a private equity and diversified investment holding company based in Johannesburg, with assets in several African countries. Prior to co-founding AGH Capital Group in 2002, he was a Professor of Financial Economics and Banking at the University of the Witwatersrand in Johannesburg.

His other roles have included advising a number of African central banks and government ministries, the World Bank and the United Nations. He has held several board positions and is a former non-executive chairman of Heritage Bank Limited, Nigeria.

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

- 6/6

Committee membership

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

Independent

- Yes



Ifueko Omoigui-Okauru
Independent 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

- 6/6

Committee membership

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

Independent

- Yes



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

Biography

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

- 4/6

Committee membership

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

Independent

- Yes



Macaulay Agbada Ofurhie
Non-Executive Director

Biography

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

- 6/6

Committee membership

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

Independent

- Not applicable



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

- 6/6

Committee membership

- Audit Committee (Member)

Independent

- Not applicable

During the year, the Board directed an extensive review of the Company's corporate governance framework and policies to ensure continued alignment with the current Nigerian and UK corporate governance regulations.

Board processes

Board meetings are supported by 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 discussions held and decisions taken at meetings. In addition to supporting the Board and Committee meetings, the Company Secretariat team also advises Directors in performing their duties within the bounds of Nigerian and UK laws and regulations. Members of the Board are also given access to independent professional advisers at the Company's expense, where necessary for them to discharge their duties.

The roles and responsibilities of the Chairman and the CEO are clearly separated and outlined under service contracts with the Company. During the year, Hedrick & Struggles evaluated the effectiveness of this role separation (as part of the Board evaluation process) and made some recommendations to strengthen the role separation. Implementation of the recommendations was monitored by the Senior Independent Non-Executive Director ('S.I.D.'). During the year, the Chairman and the 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 Code and the UK Code, it is the policy and practice of Seplat that no Director is involved in any deliberation pertaining to his/her remuneration.

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 and in the Company's best interest, failure to exercise his/her powers for a proper purpose or use his/her skill reasonably, failure to comply with the law, etc. The Company regularly reviews this insurance coverage to ensure adequate protection of its Directors.

On 25 March 2014, Seplat entered into a Relationship Agreement with its founding shareholders to regulate their degree of control over the Company so that the rights of minority shareholders and the independence of the Board are protected.

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;
- 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 US\$10 million or being otherwise material to the interests of the Company;
- appointment of Seplat's banks and approval of bank mandates; and

- establishment and maintenance of the Company's system of internal control procedures and review of its effectiveness.

During the year, the Board Charter was reviewed to ensure continued alignment with the provisions of the Nigerian Code and the UK Code as well as international best practice.

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 and delegated aspects of its responsibilities to the following Board Committees, details of which are contained in the individual Committee reports later in this corporate governance section:

- Finance Committee.
- Audit Committee.
- Remuneration Committee.
- Nomination and Establishment Committee.
- HSSE and Risk Management Committee.
- 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 the matters reserved for Board approval.

Board meetings

During 2015, the Board held six meetings, the dates and attendance of which are summarised as follows:

Dates of 2015 Board meetings:

- 24 March 2015.
- 24 April 2015.
- 1 June 2015.
- 21 July 2015.
- 22 October 2015.
- 4 December 2015.

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

1. Independent Non-Executive Directors

During 2015, highlights of the Board's activities included:

- review and approval of the 2014 Annual Report and Accounts;
- consideration of revisions to the 2015 budget and work programme in response to the low oil price environment, and review and approval of the 2016 budget and work programme;
- review and approval of quarterly and full-year financial results announcements;
- approval of dividend payments;
- review and approval of the Company's strategy for key asset acquisitions and managing litigation/dispute resolution pertaining to certain assets;
- review of updates on current reserves positions and production trends;
- review of corporate risk framework, high-level risks, and risk response actions;
- review of quarterly corporate performance;
- review of the Company's business strategy in response to the year's challenging business environment;
- review and approval of updated and new corporate governance policies, including regular evaluations of compliance with Nigerian and UK corporate governance regulations on the part of each Director;
- review and approval of process documents for the 2015 Annual General Meeting ('AGM');

- nomination of Board representatives to the Audit Committee and re-election of Directors scheduled for retirement at the 2015 AGM;
- joint Board and management strategy session primarily to review the Company's five-year Business Plan;
- review of proposals for development of the gas business;
- review and approval of strategy to recover debt owed to the Company;
- review and approval of re-financing proposals;
- review and adoption of reports received from Board Committees; and
- approval of engagement of external consultant to conduct 2015 Board appraisal, and participation in and review of results of the appraisal.

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, electronic information and communication systems, etc., 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 observance of the Model Code by the Directors. As observance of 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 observance of the Model Code or to impose sanctions in respect of any breaches. The Company nevertheless is committed to observing the Model Code in order to demonstrate its commitment to good corporate governance practices.

Appointment, development, evaluation and rotation 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, induction, training and evaluation processes as well as 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 learning opportunities for its Directors.

As part of the Company's cost management initiatives in response to the low oil price environment, each Director undertook to pursue personal development opportunities in the place of a Company-sponsored training programme. These personal development efforts were supported by Executive Memos issued by the Company Secretariat team and other management teams, informing the Board of critical legal and business changes as well as their implications for the Company.

During the year, the Board engaged an external consultant (Heidrick & Struggles) to conduct an independent and rigorous evaluation of the ongoing effectiveness of the Board's processes and culture, the Board's alignment with the Company's strategy, and some wider corporate governance review, in order to set a progressive agenda for the development of the Board. Heidrick & Struggles also evaluated the performance of the Board Committees and each individual Director.

Under the directive of the Board, the Executive Management Team established a cross-functional Corporate Governance Embedding Team to focus on strengthening the corporate governance compliance awareness and culture of Directors, employees, contract staff and business partners.

In performing this evaluation, Heidrick & Struggles was given unhindered access to communicate with Directors and key members of management, and access to observe Board and Board Committee meetings. At the end of the evaluation, Heidrick & Struggles prepared a final report, which was discussed first with the Chairman and Senior Independent Director ('S.I.D'), then between the Chairman and each Director, followed by a general discussion with the Board. In summary, the Board evaluation report confirmed that each Director continued to contribute effectively and to demonstrate commitment to their roles on the Board. The report also confirmed that the Committee chairs and members were strategically positioned to address the relevant issues that were presented to the Committees.

In addition to conducting the Board evaluation, Heidrick & Struggles was engaged by the Company to assist in the recruitment of some members of management.

Seplat stated at the time of the IPO that it would comply with the provisions of section 259 of CAMA, regarding the re-election of applicable Directors each year at the AGM, which would not follow provision B.7.1 of the UK Code. During the 2016 AGM, the following two Independent Non-Executive Directors, who have stayed longest in office will retire and stand for re-election: (1) Ifueko Omoigui Okauru; and (2) Damian Dodo (SAN).

Disclosure of Directors' age

In compliance with section 252 of CAMA, the Company hereby discloses to its members that the following Directors are at the age of 70 years and above: (1) Macaulay Agbada Ofurhie; and (2) Basil Omiyi. As verified by the 2015 Board and Individual Director performance appraisal, these Directors have continued to execute their directorial duties with significant oil and gas expertise and experience.

Accountability

Details of the Directors' responsibility for preparing the Company's financial statements and accounts, and a statement that they consider the financial statements and accounts, taken as a whole, to be fair, balanced and understandable and to contain

the information necessary for shareholders to assess the Company's position and performance, business model and strategy, are given on page 105 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 16 to 23 and page 105 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 66 to 69. The Board has also established the HSSE and Risk Management 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 pages 74 to 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 pages 70 to 71. 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 80 to 100.

Seplat stated at the time of the IPO that remuneration for certain Non-Executive Directors may include performance-related elements and certain Executive Directors' service contracts may include an initial fixed term of more than one year. Thus, this practice would not be in compliance with provisions D.1.3 and D.1.5, respectively, of the UK Code. In compliance with both the Nigerian Code and the UK Code, no Executive Director is a member of the Remuneration Committee and no Director is involved in any deliberation pertaining to his/her remuneration. The Company's remuneration policy and practices are outlined on pages 90 to 100 of this Report.

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 Accounts. 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 second AGM was held on 2 June 2015 in Lagos, Nigeria, and was attended by some 402 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 Company's AGM affords 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 2016 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.

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

The Company conducts an active investor relations programme with institutional investors and analysts. This includes participation at conferences, both 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. In 2015, the Company held over 270 meetings with institutional investors and expanded its analyst coverage.

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

The Board welcomes enquiries from shareholders and encourages attendance at the Company's AGM and participation in its results presentations and webcasts. The Board further encourages shareholders to subscribe to 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 framework and compliance initiatives

The Board recognises the importance of good corporate governance in the success of the Company and the integrity of its operations. The Board has overall responsibility for developing and embedding the corporate governance framework for the Company, and does so with "tone from the top" compliance. During the year, the Board directed an extensive review of the Company's corporate governance framework and policies to ensure continued alignment with the current Nigerian and UK corporate governance regulations and international best practice. In line with its "tone from the top" approach, the Board subjected itself to frequent evaluations of its level of corporate governance compliance, and took remedial actions to resolve any areas of potential or perceived non-compliance.

A dedicated Corporate Governance Unit works in partnership with the Business Integrity Unit, external consultants and the Company's regulators (when necessary) to maintain a robust corporate governance framework. Members of the Corporate Governance Unit and the Company Secretariat Unit frequently attended engagement sessions with the Nigerian regulators, including the NSE session on the Corporate Governance Rating System that was scheduled to launch in 2016.

Under the directive of the Board, the Executive Management Team established a cross-functional Corporate Governance Embedding Team ('CG-ET') to focus on strengthening the corporate governance compliance awareness and culture of the Company's Directors, employees, contract staff and business partners. The CG-ET has already developed a Board approved embedding plan for implementation in 2016.

During 2015, the Company conducted another round of corporate governance training for those employees and contract staff who were unable to attend the 2014 training. In 2016, it is expected that a corporate governance re-certification programme will be implemented for all employees and contract staff. 2016 will also see strengthened corporate governance embedding activities within the Company.

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

- Board Charter.
- Code of Conduct.
- Anti-Bribery and Corruption Policy.
- Conflicts of Interest for Employees Policy.
- Conflicts of Interest for Directors Policy.
- Related Party Transactions Policy and Guidelines.
- Share Dealing Policy.
- Inside Information Policy.
- Risk Management Policy.
- Electronic Information & Communication Systems Policy.
- Corporate Communications Policy.
- Political and Charitable Contributions Policy.
- Community Relations Policy.
- Whistleblowing Policy.
- Complaint Management Policy.

During the year, the Board mandated an extensive review of all corporate governance policies to ensure their continued relevance and compliance with the current Nigerian and UK corporate governance regulations as well as international best practice.

1) Board Charter

The Board Charter was adopted by the Board on 22 March 2013. As earlier mentioned, the Board Charter sets out the responsibilities of the Board, the establishment of the Board Committees with clear delegated responsibilities, the matters reserved for the exclusive approval of the Board, and the conduct of Board proceedings.

2) Code of Conduct

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

3) Anti-Bribery and Corruption Policy

The Anti-Bribery and Corruption Policy was adopted by the Board on 13 December 2012. The Policy demonstrates Seplat's zero tolerance commitment to the eradication of bribery and corruption. It 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 Policy includes reporting, documentation and whistleblowing provisions as well as provisions regarding zero tolerance disciplinary action for any breach.

Due diligence process

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

4) Conflicts of Interest for Employees Policy

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

To ensure compliance, submission of this Declaration Form is tied to receipt of financial incentives by employees and contract staff.

5) Conflicts of Interest for Directors Policy

Following the explanation above, a stand-alone Policy addressing conflicts of interest for Directors was formally adopted by the Board in 2016, although the Board began incorporating its provisions in 2015. This Policy applies to Seplat Directors and the shareholder representatives on our Audit Committee. The Policy clearly sets out the legally imposed duties on the Board and its members, along with some ethical requirements adopted by the Company. Particular attention is given to conflicts involving Independent Directors to ensure compliance with both the letter and spirit of corporate governance regulations on such Directors. The Policy outlines a clear disclosure, review and documentation process for all conflicts of interest involving a Director, beginning with a yearly declaration to the Company, for the consideration of a dedicated conflict of interest review panel. To ensure compliance, submission of this Declaration Form is tied to receipt of financial incentives by Directors.

6) Related Party Transactions Policy and Guidelines

Aligning with the increasing attention to related party transactions, the Company developed a stand-alone document for such transactions as well as transfer pricing guidelines. The Related Party Transactions Policy and Guidelines is a live document that is revised in real-time with changes to the Nigerian and UK transfer pricing regulations. For example, the Policy was most recently revised to incorporate the requirements of the Nigerian Stock Exchange rules governing transactions with interested persons or related parties that was issued at the end of 2014. The Policy was mostly recently reaffirmed by the Board on 24 April 2015. It outlines a stringent process for disclosing, reviewing/approving and recording all related party transactions as well as business relevant guidelines for ensuring arm's length conduct of approved transactions.

Seplat's list of related party transactions is outlined in note 34 to the consolidated financial statements and note 66 to the company financial statements of the Annual

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

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 2015 for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria in 2015. These have been disclosed in note 34.

Change: Last year, we reported that Director, Lord Malloch-Brown was the Chairman of EMEA for FTI Consulting, a London based firm that provides investor and analyst services to Seplat. Lord Malloch-Brown has since stepped down from his role in FTI Consulting. Thus, the FTI Consulting transaction is no longer listed in this section of the Report.

Damian Dodo is a Partner at D.D. Dodo & Co. The firm represents Seplat in the Brittania-U litigation.

The Brittania-U litigation arose after Damian Dodo was nominated for directorship. 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. This determination was made after the Board satisfied itself that Mr. Dodo's legal representation would not interfere with his independence on the Board. Thereafter, the Board's appointment of Mr. Dodo and D.D. Dodo & Co.'s representation of Seplat in the Brittania-U litigation was disclosed during the IPO. 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 was managed in accordance with arm's length principles and good corporate governance practices. The Board has now taken the decision that after the conclusion of the Brittania-U Supreme Court hearing, D.D. Dodo & Co. would no longer act as legal counsel to Seplat for as long as Mr. Dodo remained an Independent Non-Executive Director on the Board.

7) 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 2015.

8) Inside Information Policy

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

9) Risk Management Policy

The Risk Management Policy was adopted by the Board on 29 August 2013. 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.

10) 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.

11) Corporate Communications Policy

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

12) Political and Charitable Contributions Policy

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

13) Community Relations Policy

The Community Relations Policy was adopted by the Board on 13 December 2012. 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.

14) Whistleblowing Policy

The Whistleblowing Policy was adopted on 22 March 2013. In addition to this Policy, whistleblowing provisions are entrenched in all Seplat corporate governance policies. Seplat has a dedicated whistleblowing hotline for employees and other stakeholders to confidentially report unlawful and unethical conduct involving the Company, its employees or Directors. The Business Integrity Unit, 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.

In 2015, following the Board's directive, an external Whistleblowing system (managed by KPMG) was deployed to run along-side the internal system managed by the Business Integrity Unit.

15) Complaint Management Policy

The Company established a Complaint Management Policy ('Policy') in line with the Rules of the Nigerian Securities & Exchange Commission ('SEC') that was released on 16 February 2015 and the subsequent directive of the Nigerian Stock Exchange to all listed Companies in Nigeria. The Policy outlines the procedures established by Seplat to address the complaints and other communications received by its shareholders and the public in relation to specific matters. The Policy is available on the "Corporate governance policies" page of the Company's website.

Business integrity initiatives

Having successfully achieved the short-term objective of arresting any drift towards impunity, the Business Integrity Unit has now embarked on its long-term goal of embedding a strong corporate governance culture in Seplat, in collaboration with the Corporate Governance Unit and other business units. This will be achieved through a combination of continuous awareness campaigns, trainings and application of consequence management, with strong adherence to zero tolerance for corruption and unethical conduct.

Directors' declarations

None of the Directors have:

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

Finance Committee report



2015 Members Attendance

Charles Okeahalam ¹ , Chairman	5/5
Michael Alexander ¹ , Member	5/5
Lord Mark Malloch-Brown ¹ , Member	5/5
Ifueko Omoigui-Okauru ¹ , Member	4/5

1. Independent Non-Executive Director.

Charles Okeahalam and Ifueko Omoigui-Okauru have recent and relevant financial experience, as highlighted in the profile of Directors on pages 58 and 59 respectively.

In the financial year ended 31 December 2015, the Finance Committee held five meetings on the following dates:

- 17 March 2015
- 21 April 2015
- 20 July 2015
- 20 October 2015
- 20 November 2015

The meeting attendance record of the Committee members can be seen in the table above.

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

The Finance Committee was constituted in 2013 in compliance with the UK Code's requirement for an audit committee, and consists wholly of Independent Non-Executive Directors as listed 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. During the year, the Committee regularly reviewed the financial strategies of the Company in response to the challenging operating environment. I am happy to report the success of the Company in realising profit in spite of the low oil price environment. I shall be available at the AGM of the Company to be held on 1 June 2016 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 Okeahalam¹
Chairman of the Finance Committee

1. Independent Non-Executive Director.

The Finance Committee consists of four members, all of whom are Independent Non-Executive Directors. The 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 2015

The Committee met five times during 2015. 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.
- debt recovery: the Committee reviewed various strategies to recover debts owed to the Company to buttress the Company's financial performance;
- cost management: the Committee reviewed revisions to the budget and continuous efforts by management to efficiently manage costs in response to the low oil price environment;
- oil hedging: the Committee reviewed and recommended the implementation of an appropriate oil hedging strategy to protect against volatile oil prices, after ensuring that appropriate levels of revenue protection were considered at the same time as ensuring that the risk and costs of hedging were manageable;
- internal and external audit: a review and approval of the internal and external audit plan and the work done by internal and external audit and how the results of the findings were remediated by management in terms of extent and timing of tightening of controls;
- review of business risks: the Committee reviewed the business risks including the management and mitigation of financial risks and the timeline for remediation;
- corporate governance compliance: the Committee reviewed the corporate governance framework including the implementation and effectiveness of the Company's anti-bribery and corruption policies and procedures. In particular, the Committee directed the deployment of an external whistleblowing system to be managed by KPMG. The Committee also reviewed the activities of the Business Integrity Unit and constantly monitored the findings of the whistleblowing procedure;
- funding strategy: the Committee considered the major transactions impacting the liquidity of the Company, and recommended strategic ways to increase funds flow from those transactions; and
- budgets: the Committee reviewed the annual budget 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:

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

Internal audit

During 2015, the Finance Committee on behalf of the Board reviewed the audit plan and received quarterly reports on the internal audit activities. The internal audit department was formed in 2014. Prior to 2014, the internal audit activities were outsourced to PwC. PwC continues to assist the internal audit 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; and
- assisting business integrity in monitoring and evaluating areas of the business susceptible to fraud.

In 2015, 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. Internal audit also conducted checkpoint remediation reviews to ensure that management was effectively closing out identified control gaps.

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 2015, the main non-audit services were related to work done in connection with the 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. This is to ensure that the Committee has a thorough understanding of the higher risk areas designed to ensure that there are no material misstatements in the financial statements.

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

Audit Committee report



2015 Members	Attendance
Chief Anthony Idigbe S.A.N., Chairman and shareholder member	5/5
Dr. Faruk Umar, Shareholder member	5/5
Sir Sunny Nwosu, Shareholder member	5/5
Charles Okeahalam ¹ , Director member	3/5
Ifueko Omoigui-Okauru ¹ , Director member	5/5
Michel Hochard, Director member	4/5

1. Independent Non-Executive Director.

In the financial year ended 31 December 2015, the Audit Committee held five meetings on the following dates:

- 20 March 2015
- 21 April 2015
- 20 July 2015
- 21 October 2015
- 3 December 2015

The meeting attendance record of the Committee members can be seen in the table above.

In compliance with Section 359(6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004 ('CAMA'), we the members of the Audit Committee have reviewed the financial statements of the Company for the year ended 31 December 2015 and reports thereon, and confirm as follows:

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

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

- review of the implementation of the Company's corporate governance framework;
- review of the proposal for engaging the external auditor, including an assessment of the auditor's independence, 2015 audit plan and proposed fees; and
- review of the proposed 2016 budget and work programme.

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

Remuneration Committee report



2015 Members Attendance

Michael Alexander ('S.I.D.') ¹ , Chairman	4/4
Charles Okeahalam ¹ , Member	4/4
Basil Omiyi ¹ , Member	3/4
Damian Dodo ¹ , Member	4/4

1. Independent Non-Executive Director.

In the financial year ended 31 December 2015, the Remuneration Committee held four meetings on the following dates:

- 3 March 2015
- 21 April 2015
- 20 July 2015
- 20 October 2015

The meeting attendance record of the Committee members can be seen in the table above.

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

The Remuneration Committee is established to ensure that remuneration arrangements for Seplat's Chairman, Executive Directors, Non-Executive Directors, and senior management support the strategic aims of the business and enable the recruitment, motivation and retention of relevant skilled personnel while satisfying the expectations of shareholders. Details of the Company's remuneration policy are outlined on pages 80 to 100 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.')¹
Chairman of the Remuneration Committee

1. Independent Non-Executive Director.

All members of the Remuneration Committee are Independent Non-Executive Directors in order to preserve the transparency and integrity of remuneration processes. The Remuneration Committee meets at least 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 advisers upon invitation.

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

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

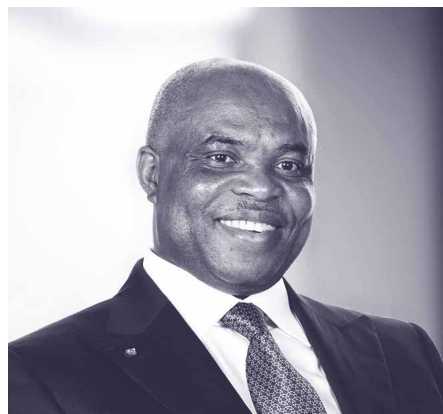
The Remuneration Committee assists the Board in:

- determining the framework for the remuneration of the Chairman, Chief Executive Officer, Executive Directors, Non-Executive Directors, and members of senior management, including without limitation the schemes of performance-based incentives (including share incentive plans), awards, and pension arrangements and benefits for the Executive Directors and senior management;
- ensuring that contractual terms and payments in respect of dismissal, loss of office or termination (whether for misconduct or otherwise) are fair and not excessive to the individual;
- providing appropriate input on Directors' remuneration for the Company's Annual Report;
- 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:

- monitoring the implementation of the Company's remuneration policy and practice;
- ensuring the appropriate cascade of the remuneration policy to the senior management grades;
- initiating a comprehensive review to understand payments made to Directors in 2014 and 2015;
- considering the use of an all-employee share plan;
- reviewing the appointment contracts for Non-Executive Directors;
- granting awards under the Company's LTIP as well as monitoring performance progress of outstanding awards;
- determining the level of bonus payments in respect of the current financial year;
- determining the vesting outcome for the remaining 50% of the one-off admission awards; and
- drafting the Company's Directors' Remuneration Report and improving the level of disclosure in light of the aforementioned payment review.

Nomination and Establishment Committee report



2015 Members Attendance

A.B.C. Orjiako, Chairman	3/3
Michael Alexander ¹ , Member	3/3
Basil Omiyi ¹ , Member	2/3
Damian Dodo ¹ , Member	3/3

1. Independent Non-Executive Director.

In the financial year ended 31 December 2015, the Nomination and Establishment Committee held three meetings on the following dates:

- 3 March 2015
- 20 July 2015
- 20 October 2015

The meeting attendance record of the Committee members can be seen in the table above.

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

Under the recommendation and supervision of the Committee, an external consultancy firm, Heidricks and Struggles ('H&S') was engaged to conduct a Board evaluation exercise on the Board as a whole, the six Board Committees, individual Directors and the Board's relationship with senior management. During this exercise, the Committee ensured that Heidrick & Struggles was given unhindered access to the Directors and members of senior management.

The 2015 activities of the Committee are outlined below. For further clarification, I shall be available at the AGM of the Company to be held on 1 June 2016 in Lagos, Nigeria to speak with shareholders. If you are not able to meet me at this year's AGM, I can be contacted via the Company Secretary.

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

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

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.

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

- review of the new organisational structure of the Company;
- strategic recruitment of senior management roles;
- consideration of placement of new hires;
- consideration of senior management succession plan;
- consideration of Board evaluation exercise;
- review of changes to the job description of the Executive Directors in line with their performance appraisals;
- assessment and ranking of the top 20 performers in the Company;
- implementation of cross-functional movements of functional heads to improve job performance and effectiveness as well as the overall deliverables; and
- consideration and implementation of a company-wide leadership development programme.

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 exercise.

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 judgement as a director.

Diversity at Seplat

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

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

The Board also promotes diversity throughout the business. Seplat's senior management team consists of men and women from different cultures in Nigeria and internationally, who have varying skills and experience in the different sub-sectors of the oil and gas industry. The Board is proud of the increasing number of women within the senior management team. Overall, the Company's full-time workforce comprises 27% women and three different nationalities.

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

HSSE and Risk Management Committee report



2015 Members Attendance

Basil Omiyi ¹ , Chairman	3/3
Macaulay Agbada Ofurhie, Member	3/3
Ifueko Omoigui-Okauru ¹ , Member	3/3

1. Independent Non-Executive Director.

In the financial year ended 31 December 2015, the HSSE and Risk Management Committee held three meetings on the following dates:

- 9 March 2015
- 15 July 2015
- 19 October 2015

The meeting attendance record of the Committee members can be seen in the table above.

The role of the HSSE and Risk Management Committee is to assist the Board in overseeing the Company's risk management processes, key business risks including the risk appetite and risk strategies for the Company. It also reviews the adequacy and effectiveness of risk management and controls, has the oversight of the Company's process for identification of significant risks across its business operations and the adequacy of prevention, detection and reporting mechanisms. The Committee also carries out a periodic review of changes in the economic and business environment, including trends and other factors relevant to the Company's risk profile.

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

The activities of the HSSE and Risk Management Committee are summarised below with highlights on certain key activities carried out in 2015.

I shall be available at the AGM of the Company to be held on 1 June 2016 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 Omiyi¹
Chairman of the Risk Management and HSSE Committee

1. Independent Non-Executive Director.

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

The HSSE and Risk Management Committee assists the Board to:

- set risk management strategies taking into account credit, market, operational and certain other risks, including without limitation: health, safety, security and environmental risks, capital risk framework and risk-reward strategy;
- at least annually, conduct a review of the effectiveness of the Company's risk management and internal control systems (including financial, operational and compliance), which is then used to update the risk management framework of the Company;
- ensure compliance with all applicable health, safety, security and environmental laws in providing a safe and healthy workplace. The Committee also reviews management's processes in getting contractors and sub-contractors to comply with the Company's safety requirements and standards;
- conduct periodic audits and assessments of safety risks and establishment of appropriate controls to minimise risks and monitor Seplat's environmental performance, in partnership with government agencies, contractors and communities;
- ensure appropriate response to security incidents that could affect Seplat's personnel or assets giving consideration to inputs from local law enforcement authorities and security advisers;

- oversee the mechanism for monitoring and reporting risk factors or risk related issues for and to the Board;
- receive and evaluate information from the CFO, COO, Business Risk and Controls Unit, Company Secretary, other members of senior management, and Seplat's independent auditors, regulators and outside experts as appropriate regarding matters related to risk management;
- evaluate the effectiveness of Seplat's policies and systems for identifying and managing environmental, health and safety risks within its operations; and
- review 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 2015, the HSSE and Risk Management Committee held three meetings, the dates of which are listed above in this report.

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

- review of the high risks in the risk matrix chart and associated risk responses;
- review of the risk dash reports;
- highlights of high-level technical, operational and financial business activities;
- review of report on HSSE Performance activities and Community Relations operations;
- review of report on risk framework and policy deployment in the Company; and
- physical inspection of field assets.

CSR Committee report



2015 Members Attendance

Lord Mark Malloch-Brown ¹ , Chairman	4/4
Macaulay Agbada Ofurhie, Member	4/4
Ifueko Omoigui-Okauru ¹ , Member	3/4

1. Independent Non-Executive Director.

In the financial year ended 31 December 2015, the CSR Committee held four meetings on the following dates:

- 13 March 2015
- 21 April 2015
- 20 July 2015
- 19 October 2015

The meeting attendance record of the Committee members can be seen in the table above.

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

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

Although the Company's CSR activities began when the Company commenced operations in 2010, the CSR Committee was constituted in 2014 to strengthen the Company's CSR commitment and initiatives. You will see below details of the activities carried out during the year. Further details of the Company's CSR activities during 2015 are also contained on pages 48 to 51.

I shall be available at the AGM of the Company to be held on 1 June 2016 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-Brown¹
Chairman of the CSR Committee

1. Independent Non-Executive Director.

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 regularly by the Seplat Chairman as well as 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 advisers upon invitation. The Committee is strongly supported by the consultancy services provided by Madame Nathalie Delapalme.

The CSR Committee assists the Board to:

- oversee the implementation of Seplat's Community Relations Policy and CSR programmes while ensuring that Seplat maintains a cooperative relationship with relevant environmental and health and safety agencies as well as with community representatives, having considered the information and recommendations of the CSR Committee;
- develop a comprehensive Environmental Sustainability policy/strategy and monitor its total compliance by all parties with respect to protecting the sanctity of the environment;
- assess the performance of Seplat with regard to the impact of CSR decisions and actions upon employees, communities, other third parties and the reputation of the Group, based on the information and recommendations of the CSR Committee;
- evaluate the quality and integrity of any reporting to shareholders and external stakeholders concerning community relations issues and ratify the annual CSR report for publication;
- review the results of any independent audits of Seplat's performance in regard to community relations matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same;

- oversee and monitor the implementation of the newly executed Global Memorandum of Understanding ('GMOU') between Seplat and its host communities, and to ensure due regard in allocation of CSR initiatives is given to other communities impacted by Seplat's operations not necessarily designated as "host communities"; and
- lay down policy guidelines for charitable donations and corporate social responsibility of Seplat, in line with Seplat's corporate social strategy and as allowed by the Memorandum of Incorporation and Articles of Association, having considered the recommendations of the CSR Committee.

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

- adoption of the CSR terms of reference;
- review and evaluation of Seplat's CSR projects;
- activated a Company-wide Seplat Incident Response Plan for foreseeable emergencies;
- commissioned and activated a new Company website for upload of more insightful information on CSR activities;
- executed revision of the GMOU with the host communities;
- adoption of international standards for CSR activities; and
- engagement of external consultants to conduct a review of the Company's CSR activities and benchmark against industry peers.

Remuneration Committee Chairman's Annual Statement



Michael Alexander
Chairman, Remuneration Committee

“
Despite very challenging external market conditions throughout the year and the continued decline in oil prices, Seplat has continued to perform well. This combination is reflected in the 2015 remuneration outcomes. The Board Directors' salary and fees have been frozen for 2016 and the executive annual bonuses constrained despite excellent cost control and asset management.

Dear shareholder,

As the Chairman of the Remuneration Committee, I am pleased to present the report of the Board covering our remuneration policy and its implementation for the year ended 31 December 2015.

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 UK remuneration reporting regulations. At the 2015 AGM we received 86% shareholder support for our remuneration policy and practice through the acceptance of our 2014 Annual Report and Accounts and it is worth noting that our approach to executive compensation has not changed since that vote.

The remuneration policy as set out in this report became effective from the 2015 AGM and applies for a period of three years from that date.

Company highlights for the 2015 financial year

Despite very challenging external market conditions throughout the year and the continued decline in oil prices, the Company has continued to perform well. The highlights of FY15 performance included the following:

- Net working interest production was up 41% year on year.
- Working interest 2P reserves at 31 December 2015 were up 71% year on year at 480 MMboe.
- We achieved an organic reserves replacement ratio of 2x total production.
- We acquired interests in OML 53 (40%) and OML 55 (22.5%, with a financial interest of 36.5%), which were finalised in January 2016.
- We continued to diversify our revenue streams through advancing the strategic gas operation.
- The Company continued to outperform the FTSE 350 E&P index throughout 2015 in terms of Total Shareholder Return.
- Dividends continue to be paid to shareholders, with an overall payment of US\$0.08 per share in 2015.

Remuneration outcomes for the 2015 financial year

The Remuneration Committee has ensured that 2015 remuneration outcomes reflect our corporate performance and the wider operating environment. The main outcomes are given below:

- Base salaries and fees frozen for 2016 for the Executive and Non-Executive Directors.
- Annual bonuses were constrained despite excellent cost control and asset management – 46% of maximum for the CEO, 46% for the COO and 45% for the CFO.
- Given Seplat's strong relative TSR and reserves growth performance, the remaining 50% of the one-off Admission awards vested in full.

Payment review in the 2015 financial year

Following approval of the remuneration policy by shareholders at the 2015 AGM and in line with best practice procedure, the Committee undertook a comprehensive review of all payments made to Directors in 2015 in order to ensure consistency of approach across both Nigerian and UK remuneration practice and to ensure alignment with the approved policy. This review highlighted some historic practice and commitments, the majority of which had been embedded prior to IPO, which needed to be aligned and disclosed where necessary. Following this review, the Committee expects that our remuneration disclosure will be fully representative of the approved policy.

In light of the Committee's desire to maintain an open and transparent approach with regards to remuneration disclosure, details in relation to the outcome of this review have been set out on page 92.

Key activities of the Committee

The Committee's key activities during the 2015 financial year were:

- Monitoring the implementation of the Company's remuneration policy and practice (as set out above);
- Ensuring the appropriate cascade of the remuneration policy to the Senior Management grades;
- Initiating a comprehensive review to understand payments made to Directors in 2014 and 2015;
- Considering the use of an all-employee share plan;
- Review of the appointment contracts for Non-Executive Directors;
- Making awards under the Company's LTIP as well as monitoring performance progress of outstanding awards;
- Determining the level of bonus payments in respect of the current financial year;
- Determining the vesting outcome for the remaining 50% of the one-off Admission awards;
- Drafting the Company's Directors' Remuneration Report and improving the level of disclosure in light of the aforementioned payment review.

In 2016, 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 of the Remuneration Committee

Notes

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

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

The report consists of 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 applies for three years from 2 June 2015, the date of our previous AGM; 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 2015 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 2015 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 impacted.

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	<p>To ensure we act as a team, the Remuneration Committee, on behalf of the Board, sets management a challenging annual bonus performance scorecard.</p> <p>Whilst many scorecard elements are financial and operational at the Executive Director level, they do contain a number of quality targets (for example, around health and safety and corporate governance) designed to ensure we deliver the longer-term goals as a responsible and sustainable company.</p> <p>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.</p>
LTIP	Rewarding sustained shareholder value creation	<p>Our overall strategic goal is to be a high performing oil & gas company – a shareholder stock of choice, within our sector and region.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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 83 to 91.

Element	Operation of element
Salary	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.
Pension	Provided in line with local market practice in the country or territory in which the individual is employed, reflecting the significant differential between benefit and cash allowance provision in the UK and Nigeria.
Benefits	
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. The Committee will take into consideration corporate performance, as well as shareholder outcomes, in determining the level of award. Awards will vest at the end of three years subject to the achievement of performance measures where the Company's TSR is compared to a group of listed oil and gas companies. 50% of awards are also subject to a Reserves growth underpin. Subject to satisfaction of the performance measures, 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 2015

As set out above, the Remuneration Committee determined both the annual bonus outcome and the vesting level of the remaining 50% of the one-off Admission awards in respect of 2015 (which was subject to approval by the Nigerian Stock Exchange, received on 4 November 2015). To provide context for these pay decisions, we set out below a summary of the 2015 corporate metrics scorecard used for calculation of the annual bonus payments, together with details of how the one-off Admission awards vesting was calculated. Further details are set out in the Annual Report on Remuneration.

2015 Corporate metrics scorecard outcomes

Performance measure	Specific	Performance achieved				Resulting level of award for element (% of maximum opportunity)
		Below Threshold	Threshold to Target	Target to Maximum	Maximum	
Production, sustainability and efficiency	Oil production volume		✓			45%
	Gas sales	✓				0%
	Reserves replacement			✓		80%
	OPEX per boe	✓				0%
Financial efficiency	FY15 EBIT	✓				0%
	Outstanding JV cash call at y/e	✓				0%
Health, safety and environmental performance	LTIF rate				✓	100%
Corporate governance	Internal control and ethics procedures			✓		90%

Directors' remuneration report continued

One-off Admission awards

The remaining 50% of the one-off Admission awards effectively vested on 4 November 2015 following approval by the Nigerian Stock Exchange (and is subject to a lock-in period ending on 9 April 2016 during which the Directors cannot sell their shares) after satisfaction of the relative TSR and reserves growth performance conditions as set out below:

TSR performance vs comparator group (median performance required for full vesting)		2P Reserves growth		Final Vesting (for each component and in total)
Comparator group Median TSR performance	Seplat TSR performance	For year end 31 Dec 2014	Required to fully satisfy underpin	
-52%	Above median -37%	24%	10%	100%

These outcomes resulted in the following remuneration receivable for the Executive Directors in 2015 (with comparatives for 2014 given below):

Executive Directors	Period	Salary US\$'000	Taxable benefits US\$'000	Bonus US\$'000	LTIP	Pension US\$'000	Other	Total US\$'000
	2015	1,097	510	755	0	187	455	3,004
Austin Avuru (CEO)	2014	1,065	441	745	0	160	455	2,866
	2015	749	229	346	0	165	381	1,870
Stuart Connal (COO)	2014	783	303	509	0	172	381	2,148
	2015	749	75	339	0	112	612	1,887
Roger Brown (CFO)	2014	783	82	859	0	117	700	2,541

Notes:

- Some of the 2014 comparative figures have been restated for the Executive Directors (with the main difference being the 2014 'Other' column being updated for the actual date of approval of Admission awards by the Nigerian Stock Exchange). The total single figure of remuneration stated in the 2014 Directors' Remuneration Report for the CEO was US\$3,523,000 (a difference of US\$657,000), US\$2,728,000 for the COO (a difference of US\$580,000) and US\$3,166,000 for the CFO (a difference of US\$625,000).
- For the CFO and COO's 2014 remuneration (salary, benefits, bonus and pension), the average 2014 USD:GBP exchange rate of 1.65 has been used. The average 2015 USD:GBP exchange rate of 1.53 (rounded to two decimal places) has been used to calculate salary, benefits, pension and bonus figures for 2015 for the CFO and COO. For the CEO, the July 2014 exchange rate has been used to calculate 2014 and 2015 salary, benefits, pension and 2015 bonus (see clarification of remuneration disclosures section on page 92). The 2014 bonus was calculated by reference to the prevailing exchange rate at the time of payment. Although salaries were increased for 2015 by 3%, salaries expressed in USD have actually decreased from 2014 for the CFO and COO, reflecting the 7% decrease in the average USD:GBP exchange rate for 2015 compared to 2014.

Further detail regarding the disclosure in the table above is presented in the Annual Report on Remuneration on page 93.

Composition and terms of reference of the Remuneration Committee

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

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

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

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

Advisers to the Remuneration Committee

The Committee continues to engage the services of PricewaterhouseCoopers LLP ('PwC') as independent remuneration adviser. Other services received by the Company from PwC during the financial year included those in relation to payroll, personal/corporate tax advice and internal audit.

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

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

Directors' remuneration policy

Introduction

The Directors' Remuneration Policy (the 'Policy') as set out below became 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 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 is considered by the Committee to be appropriate for the size, nature and aspirations of the business, having taken specialist, independent advice where necessary, in order to ensure that the policies and remuneration structure are appropriate for the listed company environment.

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 Policy is in line with the UK Corporate Governance Code. 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.	<p>The Company operates an LTIP with a three-year performance period, with a four or five-year total holding period applying to 40% of awards.</p> <p>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.</p> <p>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.</p>
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.	<p>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 awarded under the LTIP and so will be subject to the malus/clawback provisions contained within the LTIP rules.</p>
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.	<p>40% of the annual awards under the LTIP incorporate post-vesting holding periods, with final release of awards only occurring five years after award. In addition, 25% of the bonus earned will be deferred into shares payable over three years.</p> <p>Further to the Company's resolution last year to consider adopting shareholding guidelines, the following shareholding requirements have been introduced for the Executive Directors:</p> <ul style="list-style-type: none"> • CEO: 150% of annual base salary • COO/CFO: 100% of annual base salary <p>Executive Directors will be given five years from the date of the policy implementation to satisfy their individual shareholding requirements.</p> <p>The Committee believes that the introduction of these guidelines will promote strong long-term alignment between the interests of management and shareholders.</p>

Discretion

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

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

These discretions, which in certain circumstances can be operated in both an upward and downward manner, are consistent with market practice and are necessary for the proper and fair operation of the plans so that they achieve their original purpose. 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 if in line with the approved remuneration policy. Those areas that differ are being addressed to bring them into line with the approved policy, where appropriate. Details around these areas are disclosed later in this report.

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 Committee has approved the cascade of the Company's LTIP in 2016 to management grades below its purview, ensuring a consistent reward framework. The Group also operates variable pay plans on a discretionary basis, with pension provisions provided for all Executives and employees.

Remuneration Policy

The policy described in this part applies for three years starting from 2 June 2015.

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.	<p>An Executive Director's base salary is set on appointment and is aimed to provide a competitive base salary relative to an appropriate benchmark.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> • 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 benchmarking¹; and • the economic environment. <p>It is reviewed annually or when there is a change in position or responsibility.</p> <p>Any subsequent salary increases will take into account factors such as:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p> <p>Base salary increases will be capped at 10% p.a.</p> <p>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.</p> <p>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 99).</p>	N/A
Benefits	Provides a level of benefits consistent with local market practice to support individuals in carrying out their roles.	<p>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.²</p> <p>Benefits can be provided either in the form of a cash allowance or as the actual benefit itself.</p> <p>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.</p>	<p>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.</p>	N/A
Pensions	Provides a competitive level of retirement benefit.	<p>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.</p>	<p>A maximum pension contribution of 22% of salary.</p> <p>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 99).</p>	N/A

- Salaries are set compared to a comparator group of international companies including: Amerisur, Bonanza Creek Energy Inc, Cairn Energy, Delek US Holding, Enquest, Exillion, Genel, Gran Tierra Energy, Halcon Resources, Matador Resources, Nostrum, Ophir Energy, PBF Energy, PDC Energy, Premier Oil, Sanchez Energy, Sandridge Energy, Soco International and Stone Energy.
- All Executive Directors receive medical insurance, club membership and car allowance (the CFO also receives life assurance and critical illness cover). 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, child education support, 13th month allowance and, for the COO only, an in-country allowance. Please see page 92 in the Annual Report on Remuneration for more details regarding the 13th month and in-country allowances. These allowances have been part of the remuneration policy pre and post IPO, but were omitted from the 2014 Directors' Remuneration Report due to an administrative error – hence 2014 remuneration figures have been restated.

Directors' remuneration report continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity	Performance metrics
Annual Bonus	<p>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.</p> <p>In particular, it supports the Company's objectives allowing the setting of annual targets based on the Company's strategic objectives at that time, meaning that performance conditions will change to mitigate short-term pressures and exploit short-term opportunities – all aligned to deliver the longer-term objective.</p>	<p>The Committee will determine the maximum annual participation in the annual bonus for each year, which will not exceed 200% of salary.</p> <p>75% of any bonus earned will be paid in cash at the end of year 1.</p> <p>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.</p> <p>The Company operates an annual bonus scorecard of performance metrics, incorporating the Company's KPIs as well as individual performance targets.</p> <p>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.</p>	<p>Maximum bonus opportunity of 200% of salary.</p> <p>Percentage of bonus maximum earned for levels of performance:</p> <ul style="list-style-type: none"> • Threshold – 30% • Target – 60% • Maximum – 100% 	<p>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.</p> <p>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.</p> <p>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 awarded under the LTIP and so will be subject to the malus/clawback provisions contained within the LTIP rules.</p>
Long-Term Incentive Plan	<p>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.</p> <p>The use of relative TSR measures the success of the implementation of the Company's strategy in delivering an above market level of return.</p> <p>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.</p>	<p>Awards are made annually to Executive Directors. These will vest at the end of a three-year period subject to:</p> <ul style="list-style-type: none"> • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. <p>The Committee may award dividend equivalents on awards to the extent that these vest.</p> <p>To the extent that awards vest:</p> <ul style="list-style-type: none"> • 60% of the awards will be exercisable on vesting, three years after award; • 20% of the awards will be exercisable four years after award; and • 20% of the awards will be exercisable five years after award. 	<p>Maximum value of 250% of salary p.a. based on the market value at the date of award set in accordance with the rules of the Plan.</p> <p>There is no requirement to make this level of award every year.</p>	<p>100% of the award will vest based on relative TSR performance as assessed against a bespoke comparator group of E&P companies. Further details of the 2015 comparator group are provided in the Annual Report on Remuneration on page 97.</p> <p>25% of the award will vest for median performance.</p> <p>100% of the award will vest for upper quartile performance.</p> <p>There will be straight line vesting between these points.</p> <p>50% of the award will also be subject to a reserves growth underpin, which will operate as follows:</p> <ul style="list-style-type: none"> • 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. <p>The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. Details of the performance conditions for awards made in the year will be set out in the Annual Report on Remuneration and for future awards in the statement of implementation of remuneration policy in the future financial year.</p> <p>The LTIP contains clawback and malus provisions.</p>

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.	<p>The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors.</p> <p>Non-Executive Directors are paid a base fee and additional fees for chairmanship/membership of committees/senior independent directorship.</p> <p>Fees are reviewed annually based on equivalent roles in UK listed companies taking account of the Company's location and sector.</p> <p>Non-Executive Directors do not participate in any variable remuneration arrangements.</p>	<p>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.</p> <p>The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.</p>	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 (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	<p>The Committee's policy is not to provide buy outs as a matter of course.</p> <p>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:</p> <ul style="list-style-type: none"> • the proportion of the performance period completed on the date of the Executive Director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and • any other terms and conditions having a material effect on their value ('lapsed value'). <p>The Committee may then award 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.</p>
Relocation	<p>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.</p> <p>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.</p>

Directors' remuneration report continued

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/re-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	30 June 2014	Fixed term to 2018 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Michel Hochard	14 December 2009	Rolling	6 months	6 months	None.
Macaulay Agbada Ofurhie	14 December 2009	Rolling	6 months	6 months	None.
Basil Omiyi	30 June 2014	Fixed term to 2017 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Ifueko Omoigui-Okauru	30 June 2014	Fixed term to 2016 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Charles Okeahalam	30 June 2014	Fixed term to 2017 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Lord Mark Malloch-Brown	2 June 2015	Fixed term to 2018 AGM	6 months	6 months	6 months' fees if not re-elected or retired.
Damian Dodo	30 June 2014	Fixed term to 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, which are kept at Seplat's registered office along with Executive Director service contracts.

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

Illustrations of the application of the remuneration policy

The charts opposite illustrate the remuneration that would be paid to each of the Executive Directors, based on salaries at the start of financial year 2016, under three different performance scenarios: (i) Minimum; (ii) On-target; and (iii) Maximum. The elements of remuneration have been categorised into three components:

(i) Fixed; (ii) Annual Variable; and (iii) Multiple Reporting Periods.

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

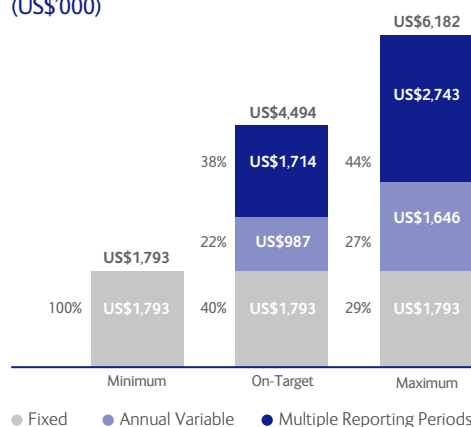
1. On-target % pay-out is calculated as the mid-point between threshold vesting of 25% (for median performance) and the maximum vesting of 100% (for upper quartile performance).

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

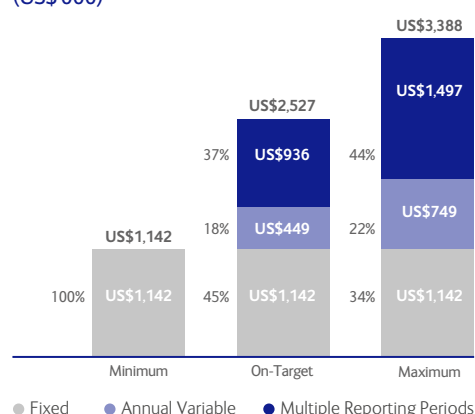
Role	2016 salary (US\$'000)	Annual Bonus (% salary)	LTIP (% salary)	Pension (% salary)
CEO	1,097	150%	250%	17%
COO	749	100%	200%	22%
CFO	749	100%	200%	15%

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.

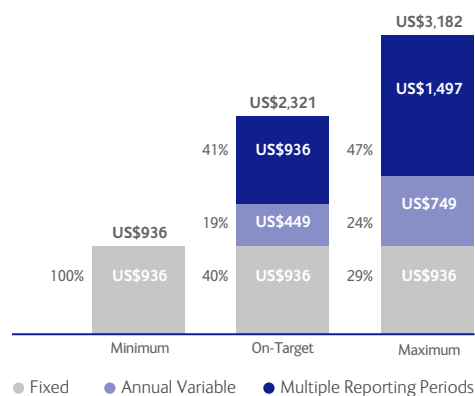
Austin Avuru (US\$'000)



Stuart Connal (US\$'000)



Roger Brown (US\$'000)



Payment for loss of office

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

Under Nigerian law, any payment for loss of office to Directors must be approved by shareholders at the AGM. The table 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 Pro-rated to time and performance for year of cessation.	Other reason No bonus payable for year of cessation.	
Annual Bonus (deferred shares)	Good leaver reason All subsisting deferred share awards will vest in full on cessation of employment.	Other reason Lapse of any unvested deferred share awards.	Discretion The Committee has the following elements of discretion: <ul style="list-style-type: none"> • to determine that an executive is a good leaver; • whether to pro-rate the maximum number of shares to the time from the date of award to the date of cessation. The Committee's policy is generally to not pro-rate to time. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director's departure; • whether to deliver awards at the time of cessation or at the normal vesting date. The Committee's policy is to deliver awards at the normal vesting date.
LTIP	Good leaver reason Pro-rated to time and performance in respect of each subsisting LTIP award.	Other reason Lapse of any unvested LTIP awards.	Discretion The Committee has the following elements of discretion: <ul style="list-style-type: none"> • to determine that an executive is a good leaver; • to measure performance (or any other condition) over the original performance period or at the date of cessation; • whether to pro-rate the maximum number of shares to the time from the date of award to the date of cessation. 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.		

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.

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 25 additional employees.

When considering the salary movements on a year-on-year basis for the Senior Management Team, the Committee will take account of salary increases across the general employee base. Executive Director annual bonus targets are also devolved down into the management line with an increasing emphasis on the quality and technical component elements needed to sustain corporate progress. In addition, the Committee has approved the cascade of the Company's LTIP in 2016 to management grades below its purview, ensuring a consistent reward framework.

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.

At the 2015 AGM we received 86% shareholder support for our remuneration policy and practice through the acceptance of our 2014 Annual Report and Accounts. Given the diverse nature of the international shareholder base and their differing views around executive remuneration, the Committee was extremely happy with this voting outcome.

Annual report on remuneration

Clarification of remuneration disclosures

Following approval of the remuneration policy by shareholders at the 2015 AGM and in line with best practice procedure, the Committee undertook a comprehensive review of all payments made to Directors in 2015 in order to ensure consistency of approach across both Nigerian and UK remuneration practice and to ensure alignment with the approved policy. This review highlighted some historic practice and commitments, the majority of which had been embedded prior to IPO, which needed to be aligned and/or disclosed. Following this review, the Committee expects that our remuneration disclosure will be fully representative of the approved policy.

In light of the Committee's desire to maintain an open and transparent approach with regards to remuneration disclosure, the following table sets out further detail:

Item	Commentary
Allowances and benefits	<p>Allowances</p> <p>As set out in the footnote to the policy table, there are two allowances that have been part of the remuneration policy and practice both pre and post IPO, being:</p> <ul style="list-style-type: none"> • 13th month allowance • In-country allowance <p>However, these payments were omitted from both the list of allowances provided (under the policy table) and the 2014 taxable benefits figure for the CEO and COO in the prior year's Directors' Remuneration Report (the CFO, being based in the UK, is not entitled to these benefits).</p> <p>These payments are contractual in nature for the CEO and COO and so will continue to be paid while their current contracts remain in force. However, when these contracts are renewed/for any new Executive Director based in Nigeria, the 13th month allowance will not be disclosed as a separate benefit, but will be included in their gross salary figure as stated in the Directors' Remuneration Report.</p> <p>Benefits</p> <p>It was further noted that the value of some benefits disclosed in the 2014 Directors' Remuneration Report for the CEO and COO did not fully reflect their provision cost e.g. not all of the CEO's housing allowance was included in the reported benefits figure.</p> <p>The 2014 benefits figure in the single figure table below has been updated for the above.</p>
Exchange rate translation	<p>The Chairman and CEO are paid in USD. This practice was in place pre float and has continued since Admission. At the time of the Company's float, the Committee determined to set their salaries at a competitive level in GBP given Seplat's listing in the UK. To ensure consistency of payments in USD pre and post float, the Committee made the decision to fix the USD:GBP exchange rate that is used to translate the GBP payments into USD at the July 2014 exchange rate of USD:GBP 1.7043. This exchange rate was built into the contractual basis for the USD payment.</p> <p>To increase transparency, the 2014 salary/fee disclosure below for these has been restated.</p>
Non-Executive Directors' ('NED') fees	<p>Certain NEDs were appointed to wholly owned subsidiary boards of Seplat before IPO and continued in these remunerated roles until the end of 2015. The Company has now agreed that in line with UK Corporate Governance Guidelines, main Board NEDs will not participate in subsidiary boards on a remunerated basis. The 2014 remuneration figures for these NEDs have been restated to include these past subsidiary board fees.</p>
Tax credits	<p>It was stated in the 2014 Directors' Remuneration Report that income tax credits of 20% were applied to the salaries of the Nigerian based executives, being the CEO and COO (as a carry-over of historical practice).</p> <p>It was also brought to the Committee's attention that tax credits are also applied to the CEO and COO's bonus and certain taxable benefits. This has now been made clear in the footnotes to the single figure table – in line with treatment last year, the monetary amounts of these tax credits have not been included in the single figure table.</p> <p>This historical practice of providing tax credits is in the process of being phased out by 2019 and will not be paid on behalf of any new Executive Director in Nigeria.</p> <p>For the avoidance of doubt, the Company has settled, on behalf of each Non-Executive Director, the local Nigerian withholding tax on Directors' fees.</p>

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 2015 financial year, on a receivable basis in accordance with the policy as approved by shareholders. Comparative figures for the 2014 financial year have also been provided (restated in some cases, as explained above).

Executive Directors	Period	Salary ² US\$'000	Taxable benefits ³ US\$'000	Bonus US\$'000	LTIP	Pension ⁴ US\$'000	Other ⁵	Total US\$'000
	2015	1,097	510	755	0	187	455	3,004
Austin Avuru (CEO)	2014 ¹	1,065	441	745	0	160	455	2,866
	2015	749	229	346	0	165	381	1,870
Stuart Connal (COO)	2014 ¹	783	303	509	0	172	381	2,148
	2015	749	75	339	0	112	612	1,887
Roger Brown (CFO)	2014 ¹	783	82	859	0	117	700	2,541

Notes:

- As noted above, some of the 2014 comparative figures have been restated for the Executive Directors (with the main difference being the 2014 'Other' column being updated for the actual date of approval of Admission awards by the Nigerian Stock Exchange). The total single figure of remuneration stated in the 2014 Directors' Remuneration Report for the CEO was US\$3,523,000 (a difference of US\$657,000), US\$2,728,000 for the COO (a difference of US\$580,000) and US\$3,166,000 for the CFO (a difference of US\$625,000).
- Salaries for Executive Directors are set in GBP – 2015 salaries were £643,750 for the CEO and £489,250 for the CFO/COO.
- The taxable benefits for each Executive Director comprise those which are quantifiable. Following a payment review, it was found that the 2014 figures disclosed for the CEO and COO did not include all contractual benefits. These figures have now been updated for the correct amounts.
- Pension contributions are provided as a cash supplement/contribution into a personal pension fund and equal 17% of salary for the CEO, 15% for the CFO and 22% for the COO. Given recent changes to the Nigerian Pensions Act that require a minimum pension contribution of 18% of salary (which can be a mix of employer and employee contributions), Seplat approved a 17% employer contribution for the CEO (increased from 15% in 2014), with the CEO contributing 3% personally i.e. 20% in total.
- For 2015, this column includes the remaining 50% of Global Offer Bonus Awards which effectively vested on 4 November 2015 following approval by the Nigerian Stock Exchange. Roger Brown's 2014 and 2015 figures also include a fixed cash payment relating to the value of share awards foregone from his previous employer (US\$383,082 for 2014, US\$294,766 for 2015), which is being paid in increments until 2016. The value of the total payment to be made is US\$1,072,084.
- For the CFO and COO's 2014 remuneration (salary, benefits, bonus and pension), the average 2014 USD:GBP exchange rate of 1.65 has been used. The average 2015 USD:GBP exchange rate of 1.53 (rounded to two decimal places) has been used to calculate salary, benefits, pension and bonus figures for 2015 for the CFO and COO. For the CEO, the July 2014 exchange rate has been used to calculate 2014 and 2015 salary, benefits, pension and 2015 bonus (see above for rationale). The 2014 bonus was calculated by reference to the prevailing exchange rate at the time of payment. Although salaries were increased for 2015 by 3%, salaries expressed in USD have actually decreased from 2014 for the CFO and COO, reflecting the 7% decrease in the average USD:GBP exchange rate for 2015 compared to 2014. The awards on Admission (50%) for 2014 and 2015 have been calculated based on the share price and exchange rate on the date of approval by the Nigerian Stock Exchange (4 November 2015).
- For the CEO and COO (who are located in Nigeria), 2015 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, taxable benefits, bonus or pension figures above. This practice is in the process of being phased out by 2019.

Directors' remuneration report continued

Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director for 2015, on a receivable basis in accordance with the policy as approved by shareholders.

Name	2015 Fees (US\$'000) ²	2014 Fees (US\$'000) ¹	Role
A.B.C. Orjiako³	1,011	987	Non-Executive Chairman and Nomination and Establishment Committee Chairman
Michael Alexander	494	527	Senior Independent Director, Remuneration Committee Chairman, Finance, and Nomination and Establishment Committee member
Michel Hochard	190	222	Audit Committee member
Macaulay Agbada Ofurhie	219	231	HSSE and Risk Management, and CSR Committee member
Basil Omiyi	308	340	HSSE and Risk Management Committee Chairman, Remuneration, and Nomination and Establishment Committee member
Ifueko Omoigui-Okauru	257	266	Finance, Audit, CSR, and HSSE and Risk Management Committee member
Charles Okeahalam	249	251	Finance Committee Chairman, Remuneration, and Audit Committee member
Lord Mark Malloch-Brown	234	227	CSR Committee Chairman and Finance Committee member
Damian Dodo	219	186	Remuneration, and Nomination and Establishment Committee member

Notes:

- Comparative figures for the 2014 financial year have been restated on a receivable basis, given that the figures presented in the 2014 Directors' Remuneration Report included under/overpayments in respect of periods prior to Admission.
- Fees shown are those receivable in GBP, converted at the average exchange rate for the relevant year. This is with the exception of the Chairman, whose fees are converted at the July 2014 USD:GBP exchange rate (see beginning of Annual Report on Remuneration section for further information). Although the NED base fee was increased for 2015 by 3%, many of the NED fees expressed in USD have decreased from 2014, reflecting the 7% decrease in the average USD:GBP exchange rate for 2015 compared to 2014.
- For the Chairman (who is located in Nigeria), 2015 income tax credits of 20% have been paid by the Company as a carry-over of historical practice. This is not included in the figures above. This practice is in the process of being phased out by 2019.
- 2014 and 2015 figures include fees paid for duties performed for 100% wholly owned subsidiaries of the Company. The Committee has determined that in line with UK corporate governance guidelines, such fees will not be paid from 2016 onwards.
- The Company has settled, on behalf of each Non-Executive Director, the local Nigerian withholding tax on Directors' fees.

Annual Fees

Position	2015 Annual Fee (US\$'000) ¹	2014 Annual Fee (US\$'000)
Chairman	965	937
Board	158	165
Senior Independent Director	230	247
Committee Chairmanship (excluding Finance)	46	49
Finance Committee Chairmanship²	61	54
Committee Membership (excluding Finance)	31	33
Finance Committee Membership²	38	35

Notes:

- Non-Executive Director fees are set in GBP – the Chairman and Board fee (only) were increased by 3% in 2015 (in line with treatment for Executive Director salaries). The 7% decrease in the average USD:GBP exchange rate for 2015 compared to 2014 has resulted in a reduction in all fees expressed in USD, except the Chairman's fee which is fixed to the July 2014 USD:GBP exchange rate.
- Only applicable to those Directors who have additional responsibilities. Finance Committee membership/ chairmanship fees were increased to US\$41,250 and US\$66,000 respectively (from US\$33,000 and US\$49,000) for such Directors 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 2015 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 2015 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 measure	Specific	Performance achieved			Resulting level of award for element (% of maximum opportunity)
		Below Threshold	Threshold to Target	Target to Maximum	
Production, sustainability and efficiency	Oil production volume		✓		45%
	Gas sales	✓			0%
	Reserves replacement			✓	80%
	OPEX per boe	✓			0%
Financial efficiency	FY15 EBIT	✓			0%
	Outstanding JV cash call at year end	✓			0%
Health, safety and environmental performance	LTIF rate			✓	100%
Corporate governance	Internal control and ethics procedures			✓	90%

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 above. The remaining 30% of his bonus opportunity is measured against individual objectives. An example individual objective for 2015 was ensuring the development and cascade of corporate strategy through the Company.

The CFO and COO 2015 bonus scorecards were weighted 60% in relation to corporate performance and 40% against individual performance.

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

Performance measures	CEO		COO		CFO	
	Achieved (% of max)	Bonus earned (US\$'000)	Achieved (% of max)	Bonus earned (US\$'000)	Achieved (% of max)	Bonus earned (US\$'000)
Corporate measures	24.3% out of 70%	400	21.6% out of 60%	162	17.3% out of 60%	130
Individual performance	21.6% out of 30%	355	24.6% out of 40%	184	28.0% out of 40%	209
Total	45.9%	755	46.2%	346	45.3%	339

Individual performance goals are set annually for each Executive Director based on the Company's strategic priorities for the respective year. It is the Committee's view that the specific individual performance conditions are commercially sensitive and therefore details cannot be fully disclosed.

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

Awards made on Admission

Share awards were made to the Chairman, CEO, COO and CFO on the day of Admission to the London Stock Exchange on 9 April 2014 (conditional on approval by the Nigerian Stock Exchange, which was subsequently received on 4 November 2015) to recognise their contribution to the business in the lead up to Admission. The awards were formally approved at the 2013 AGM and operated as follows:

- 50% of the award vested on Admission on 9 April 2014 and was formally approved by the Nigerian Stock Exchange on 4 November 2015. This was included in the single figure table in the Company's prior year remuneration report and has been updated in this year's remuneration report to take account of the share price and exchange rate at the date of approval by the Nigerian Stock Exchange.
- 50% of the award vested on 9 April 2015 (and was formally approved by the Nigerian Stock Exchange on 4 November 2015) after satisfaction of the conditions as set out below. This proportion of the award is subject to a one-year lock-in period ending on 9 April 2016 during which the Directors cannot sell their shares. This is included in the 2015 single figure table as included on page 93.

The second 50% of the award was subject to the following conditions:

- the Company must outperform the median TSR performance level within the 2014 LTIP E&P comparator group, over the one-year period from Admission (i.e. to 9 April 2015).
- These awards were also subject to a reserves growth underpin (as per the 2014 LTIP).

Performance against these conditions was as follows:

TSR performance vs 2014 LTIP comparator group		2P Reserves growth		Final Vesting (for each component and in total)
Comparator group Median TSR performance	Seplat TSR performance	For year end 31 Dec 2014	Required to fully satisfy underpin	
-52%	(above median) -37%	24%	10%	100%

The 2015 figure included in the single figure table is calculated by reference to the share price on approval by the Nigerian Stock Exchange (on 4 November 2015) of £0.77.

As set out in the 2014 Directors' Remuneration Report, Non-Executive Directors were allotted shares in the Company which vested on Admission (conditional on approval by the Nigerian Stock Exchange). There was a restriction on the sale of these shares so that 50% of the shares could not be sold until 9 April 2015 (although this was delayed pending approval by the Nigerian Stock Exchange) and the remaining 50% cannot be sold until 9 April 2016.

Long-term incentives awarded in 2015

The table below sets out the details of the long-term incentive awards made in the 2015 financial year where vesting will be determined (conditional on approval by the Nigerian Stock Exchange) according to the achievement of performance conditions that will be tested in future reporting periods.

Name	Basis on which award made	Face value of award (US\$'000)	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest	Performance conditions
Austin Avuru	Annual	2,403	25%	100%	100% Relative TSR and reserves growth underpin – see policy table on page 86 for further details
Stuart Connal	Annual	1,461	25%	100%	
Roger Brown	Annual	1,461	25%	100%	

Note:

The share price used to calculate the face value of awards was that at the date of award, being 21 April 2015 (conditional on approval by the Nigerian Stock Exchange).

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

- Africa Oil
- Amerisur Resources
- Cairn Energy
- Cobalt Int. Energy
- Enquest
- Erin Energy (formerly Camac Energy)
- Exillon Energy
- Genel Energy
- Gulf Keystone Petroleum
- Kosmos Energy
- Nostrum Oil & Gas
- Oando Energy Resources
- Ophir Energy
- Oryx Petroleum
- Petroceltic
- Premier Oil
- Rockhopper Exploration
- 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.

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 23 March 2016 are set out in the table below.

Director	Shares held directly		Other shares held		Total interests held as at 23 March 2016
	Beneficially owned ¹	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	LTIP interests not subject to performance conditions	
Austin Avuru	73,680,917	98,187	1,715,738	383,906	75,878,748
Stuart Connal	335,861	61,012	1,020,549	321,428	1,738,850
Roger Brown	267,858	53,502	1,020,549	267,857	1,609,766

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

Director	Shares held as at 23 March 2016 ¹
A.B.C. Orjiako	84,736,913
Michael Alexander	95,238
Michel Hochard	95,238
Macaulay Agbada Ofurhie	4,901,611
Basil Omiyi	495,238
Ifueko Omoigui-Okauru	95,238
Charles Okeahalam	597,238
Lord Mark Malloch-Brown	31,746
Damian Dodo	0

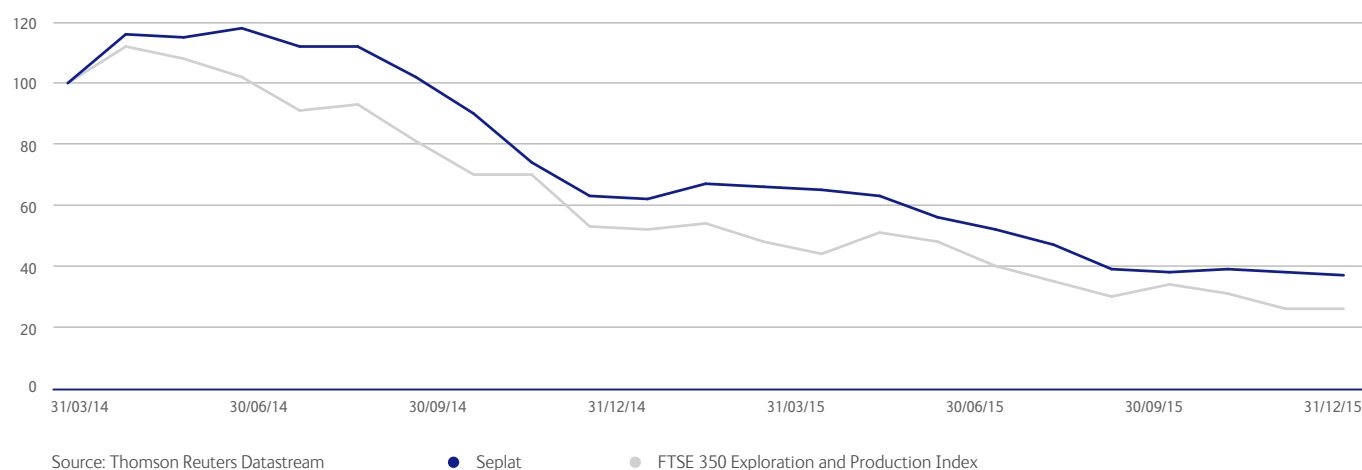
1. Beneficial interests include shares held directly or indirectly by connected persons and include shares held by Stanbic IBTC Trustee Limited/Seplat LTIP in relation to vested awards made on Admission.

Comparison of overall performance and pay

The graph below shows the value of US\$100 invested in the Company's shares since listing compared to the 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 2015.

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 and 2015 valued using the methodology applied to the single total figure of remuneration. The Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only from 2014:

CEO (Austin Avuru)	2015	2014
Total Single Figure (US\$'000s) ¹	3,004	2,866
Annual bonus payment level achieved (% of maximum opportunity)	46%	53%
LTIP vesting level achieved (% of maximum opportunity)	N/A ²	N/A ²

1. Includes vesting in relation to the one-off Global Offer Bonus award.

2. No LTIP awards have vested to date – vesting of the first LTIP awards (awarded in 2014) will occur in April 2017. There were no equity based arrangements operating prior to listing.

Change in the CEO's remuneration compared with employees

Year-on-year change	Chief Executive Officer (%) (US\$) ¹	Average employee pay in comparator group (%) (Naira) ²
Base salary	3%	11%
Taxable benefits	16%	-17%
Annual bonus	-13%	-24%

1. CEO year-on-year change has been expressed in USD to reflect the currency in which he is paid (for his base salary and taxable benefits). The annual bonus change for the CEO reflects the change in maximum bonus opportunity achieved.

2. Average employee pay year-on-year change is expressed in Naira as a significant majority of employees are paid in Naira.

Relative importance of the spend on pay

The table below sets out the overall spend on pay for all employees compared with the dividends distributed to shareholders:

Significant contributions	2015 (\$m)	2014 (\$m)	% change
Overall spend on pay ¹	63.2	64.3	-1.7
Distributions to shareholders (dividends)	44.4	82.8	-46.4

1. Calculated by converting 2014 and 2015 figures (from Naira) at the relevant year's average NGN:USD exchange rate.

Implementation of remuneration policy in financial year 2016

The Committee proposes to implement the policy for the 2016 financial year as set out below. For the CFO/COO, 2016 USD figures have been calculated using the average USD:GBP exchange rate for 2015.

Salary

There will be no salary increase for Executive Directors in the financial year ending 31 December 2016.

Name	Salary 2016 (US\$'000)
Austin Avuru	1,097
Stuart Connal	749
Roger Brown	749

Benefits and Pension

There are no proposed changes for the financial year ending 31 December 2016.

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

Name	Pension/Salary supplement 2016 (US\$'000)
Austin Avuru	187
Stuart Connal	165
Roger Brown	112

Annual Bonus

Operation and potential value	Performance metrics used, weightings and time period applicable
<p>Maximum bonus opportunity as a percentage of salary:</p> <ul style="list-style-type: none"> • CEO – 150% • CFO – 100% • COO – 100% <p>75% of any bonus earned will be paid in cash at the end of year 1.</p> <p>The remaining 25% of any bonus earned will be deferred into shares and paid at the end of year 3.</p> <p>Annual bonus will be subject to clawback and malus.</p>	<p>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.</p>

Long-Term Incentive Plan

Potential value

Maximum value of 250% of salary p.a. based on the market value at the date of award set in accordance with the rules of the LTIP.

The intended awards for the Executive Directors as a percentage of salary are:

- CEO – 250%
- CFO – 200%
- 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

Performance metrics used, weightings and time period applicable

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 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 FY18 reserves fall by 10% or more from FY15 reserves;
- None of the award will lapse if FY18 reserves grow by 10% or more from FY15 reserves; and
- There will be a straight line reduction in vesting between these points.

Non-Executive Director fees

All NED fees have remained unchanged in comparison to the year 2015. The table below shows the total fees to be paid for NED roles in respect of the financial year 2016 (based on the USD:GBP 2015 average exchange rate):

Position	Fees (US\$'000)
Chairman	965
Board	158
Senior Independent Director	230
Committee Chairmanship (excluding Finance)	46
Finance Committee Chairmanship ¹	61
Committee Membership (excluding Finance)	31
Finance Committee Membership ¹	38

1. Only applicable to those Directors who have additional responsibilities.

Shareholder voting at general meeting

At the previous AGM held on 2 June 2015, the Company received a vote of 86% in favour of its remuneration report and policy through the vote on its 2014 Annual Report and Accounts.



Michael Alexander

Chairman of the Remuneration Committee

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 2015.

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 2014, 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 US\$340 million paid at the completion of the acquisition on 31 July 2010 and a contingent payment of US\$33 million payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds US\$80 per barrel.

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

Seplat Petroleum Development Company Plc was successfully listed on the Nigerian Stock Exchange and 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 US\$50 million paid at the completion of the acquisition in June 2013 and a contingent payment of US\$10 million payable upon reaching certain production milestones.

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

These milestones were not reached and as such the contingent consideration has now been reversed and the contingent payment of US\$10m will not be paid.

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.

Dividend

During the year, the Directors recommended to members an interim dividend of US\$0.04 per 50kobo share amounting to US\$22 million (2014: US\$33 million).

The Directors are recommending to members the payment of a final dividend of US\$0.04 per 50kobo share amounting to US\$22.4 million – ₦4.4 billion (2014: US\$49.8 million at US\$0.09 per share, ₦9.8 billion).

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 and profiles of the Directors are shown on pages 56 to 59. 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.

Results

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Profit before taxation	87,079	252,253	17,245	40,481
Tax expense	(21,472)	–	(4,252)	–
Profit after taxation	65,607	252,253	12,993	40,481
Retained profit for the year	65,607	252,253	12,993	40,481

The Board has the following Committees:

1. Audit Committee

Chief Anthony Idigbe, S.A.N.	Committee Chairman
Ifueko Omoigui-Okauru	Member
Charles Okeahalam	Member
Michel Hochard	Member
Dr Faruk Umar	Member
Sir Sunny Nwosu	Member

2. Finance Committee

Charles Okeahalam	Committee Chairman
Michael Alexander	Member
Ifueko Omoigui-Okauru	Member
Lord Mark Malloch-Brown	Member

3. Nomination and Establishment Committee

A.B.C. Orjiako	Committee Chairman
Basil Omiyi	Member
Michael Alexander	Member
Damian Dodo	Member

4. Remuneration Committee

Michael Alexander	Committee Chairman
Basil Omiyi	Member
Charles Okeahalam	Member
Damian Dodo	Member

5. HSSE and Risk Management Committee

Basil Omiyi	Committee Chairman
Macaulay Agbada Ofurhie	Member
Ifueko Omoigui-Okauru	Member

6. Corporate Social Responsibility Committee

Lord Mark Malloch-Brown	Committee Chairman
Macaulay Agbada Ofurhie	Member
Ifueko Omoigui-Okauru	Member

Record of attendance of 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 that of its Committees in the year under review is published herewith:

S/N	Name	Number of meetings in the year	Number of times in attendance
Board of Directors			
1.	A.B.C. Orjiako (Chairman)	6	6
2.	Austin Avuru	6	6
3.	Stuart Connal	6	6
4.	Roger Brown	6	6
5.	Michel Hochard	6	6
6.	Macaulay Agbada Ofurhie	6	6
7.	Michael Alexander	6	6
8.	Charles Okeahalam	6	6
9.	Basil Omiyi	6	6
10.	Ifueko Omoigui-Okauru	6	6
11.	Lord Mark Malloch-Brown	6	4
12.	Damian Dodo	6	4
Finance Committee			
1.	Charles Okeahalam (Chairman)	5	5
2.	Michael Alexander	5	5
3.	Ifueko Omoigui-Okauru	5	4
4.	Lord Mark Malloch-Brown	5	5
Nomination and Establishment Committee			
1.	A.B.C. Orjiako (Chairman)	3	3
2.	Basil Omiyi	3	2
3.	Michael Alexander	3	3
4.	Damian Dodo	3	3
Remuneration Committee			
1.	Michael Alexander (Chairman)	4	4
2.	Basil Omiyi	4	3
3.	Charles Okeahalam	4	4
4.	Damian Dodo	4	4
HSSE and Risk Management Committee			
1.	Basil Omiyi (Chairman)	4	4
2.	Macaulay Agbada Ofurhie	4	4
3.	Ifueko Omoigui-Okauru	4	4
Corporate Social Responsibility Committee			
1.	Lord Mark Malloch-Brown (Chairman)	4	4
2.	Macaulay Agbada Ofurhie	4	4
3.	Ifueko Omoigui-Okauru	4	3
Audit Committee			
1.	Chief Anthony Idigbe, S.A.N. (Chairman)	5	5
2.	Ifueko Omoigui-Okauru	5	5
3.	Charles Okeahalam	5	3
4.	Michel Hochard	5	4
5.	Dr. Faruk Umar	5	5
6.	Sir Sunny Nwosu	5	5

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 2015, are as follows:

Name	Number of ordinary shares	As a percentage of ordinary shares in issue
A.B.C. Orjiako ¹	84,736,913	15.04
Austin Avuru ²	73,297,011	13.00
Stuart Connal	14,433	—
Roger Brown	1	—
Michel Hochard	—	—
Macaulay Agbada Ofurhie	4,806,373	0.85
Michael Alexander	—	—
Charles Okeahalam	502,000	0.09
Basil Omiyi	400,000	0.07
Ifueko Omoigui-Okauru	—	—
Lord Mark Malloch-Brown	—	—
Damian Dodo	—	—

Notes:

- 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 A.B.C. Orjiako's siblings and 1 ordinary share held by A.B.C. Orjiako.
- 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 Austin 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 2015 for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria in 2015. These have been disclosed in note 34.

Substantial interest in shares

The issued and fully paid share capital of the Company as at 31 December 2015 is beneficially owned as follows:

Shareholder	Number	%
MPI S.A.	120,400,000	21.48
Shebah Petroleum Development Company Limited	84,736,913	15.12
Austin Avuru and Platform Petroleum Limited	73,297,011	13.08
ZPC/SIBTC RSA FUND - MAIN A/C	21,475,235	3.83
STANBIC IBTC TRUSTEE LIMITED/ SEPLAT LTIP	10,134,248	1.81
Stanbic Nominees Nigeria Ltd/C002 – Main	6,839,354	1.22
Vazon Investments Limited	7,366,800	1.31
CIS PLC - TRADING	167,880,657	29.95
Others	71,314,343	12.21
	560,576,101	100

Notes:

- 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 A.B.C. Orjiako's siblings and 1 ordinary share held by A.B.C. Orjiako.
- 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 Austin Avuru.

Free float

The Company's free float at 31 December 2015 was 45.34%.

Acquisition of own shares

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

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 established six committees with clearly delegated responsibilities under their Terms of Reference. Details of these committees are set on pages 66 to 77.

Donation

The following donations were made by the Company during the year (2014: US\$158,825).

Name of beneficiary	US\$
National undergraduate Scholarship Scheme	28,835
Inter Crisis Group for Peace	25,000
Nigeria association of Petroleum explorationists	24,357
Global pacific & partners international ltd	21,697
Mandilas Ent	15,543
Energy institute	10,537
Nigeria Mining and Geosciences Society	9,098
Petroleum technology association of Nigeria	9,000
Image Consultants	7,144
Easy channel	5,974
Radi 8	3,225
Others	9,085
	169,495

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



Dr. Mirian Kene Kachikwu

FRC/2015/NBA/00000010739

Company Secretary

Seplat Petroleum Development Company Plc

25a Lugard Avenue

Ikoyi

Lagos

Nigeria

24 March 2016

Statement of Directors' responsibilities

For the year ended 31 December 2015

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:

- 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;
- establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- 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.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its financial performance for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the 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



A.B.C. Orjiako
Chairman
FRC/2013/IODN/00000003161
24 March 2016



Austin Avuru
Chief Executive Officer
FRC/2013/IODN/00000003100
24 March 2016

Financial statements





Independent auditor's report	108
Consolidated statement of profit or loss and other comprehensive income	109
Consolidated statement of financial position	110
Consolidated statement of changes in equity	111
Consolidated statement of cash flows	112
Notes to the consolidated financial statements	113
Company statement of profit or loss and other comprehensive income	155
Company statement of financial position	156
Company statement of changes in equity	157
Company statement of cash flows	158
Notes to the company financial statements	159
Statement of value added	181
Financial summary	182
Supplementary financial information (unaudited)	184

Independent auditor's report to the members of Seplat Petroleum Development Company Plc

For the year ended 31 December 2015

We have audited the accompanying consolidated and separate financial statements of Seplat Petroleum Development Company Plc, ("the Company") and its subsidiaries (together "the Group") which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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.

Auditors' 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 auditors' 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 2015, 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 statement of financial position and profit or loss and other comprehensive income are in agreement with the books of account; and
- iv) in our opinion, the financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 so as to give a true and fair view of the state of affairs and financial performance.



Yemi Odutola FCA
FRC/2012/ICAN/00000000141
For Ernst & Young
Lagos, Nigeria
24 March 2016



Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

	Notes	US\$ '000		Nigerian ₦ million	
		2015	2014	2015	2014
Revenue	3	570,477	775,019	112,972	124,377
Cost of sales	4	(321,694)	(315,590)	(63,705)	(50,647)
Gross profit		248,783	459,429	49,267	73,730
Other operating income	5	15,511	—	3,072	—
Other general and administrative expenses	6	(121,474)	(151,569)	(24,055)	(24,324)
Gain on foreign exchange		7,747	(17,152)	1,534	(2,753)
Fair value movements in contingent consideration	26	7,298	(1,132)	1,445	(182)
Operating profit		157,865	289,576	31,263	46,471
Finance income	7a	12,802	11,996	2,535	1,925
Finance costs	7b	(83,588)	(49,319)	(16,553)	(7,915)
Profit before taxation		87,079	252,253	17,245	40,481
Taxation	8a	(21,472)	—	(4,252)	—
Profit for the year		65,607	252,253	12,993	40,481
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in the subsequent periods					
Foreign translation difference		(299)	(32)	20,540	35,051
Total comprehensive income for the period/year		65,308	—	33,533	—
(Profit)/Loss attributable to non-controlling interest	24	2,154	—	427	—
Profit attributable to parent		67,462	252,221	33,960	75,532
Basic earnings per share EPS (\$/₦)	31	0.12	0.50	24	79
Diluted earnings per share (\$/₦)	31	0.12	0.50	24	79

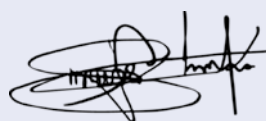
Consolidated statement of financial position

For the year ended 31 December 2015

		US\$ '000		Nigerian ₦ million	
	Notes	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Assets					
Non-current assets					
Oil & gas properties	11a	1,436,950	843,603	285,723	155,448
Other property, plant and equipment	11b	11,602	13,459	2,307	2,480
Intangible assets	12	1	48	0	9
Goodwill	33	2,000	—	398	—
Prepayments	14	36,754	131,466	7,308	24,225
Total non-current assets		1,487,307	988,576	295,736	182,162
Current assets					
Inventories	16	82,468	54,416	16,398	10,027
Trade and other receivables	17	811,255	1,060,854	161,310	195,480
Prepayments	18	11,639	14,224	2,315	2,621
Cash & short-term deposits	19	326,029	285,298	64,828	52,571
Other current financial assets		—	890	—	164
Derivatives not designated as hedges	20	23,194	5,432	4,612	1,001
Total current assets		1,254,585	1,421,114	249,463	261,864
Total assets		2,741,892	2,409,690	545,198	444,026
Equity and liabilities					
Equity					
Issued share capital	21a	1,821	1,798	282	277
Share premium	21b	497,457	497,457	82,080	82,080
Share equity reserve	21c	8,734	—	1,729	—
Capital contribution	22	40,000	40,000	5,932	5,932
Retained earnings		865,485	869,861	134,919	135,727
Foreign translation reserve	23	325	26	56,182	35,642
Non-controlling interest	24	(745)	—	(148)	—
Total shareholders' equity		1,413,077	1,409,142	280,976	259,658
Non-current liabilities					
Interest bearing loans and borrowings	25a	608,846	239,767	121,063	44,181
Deferred tax liabilities	9a	21,233	—	4,222	—
Contingent consideration	26	21,900	9,377	4,355	1,728
Provision for decommissioning obligation	27	3,869	12,690	769	2,338
Defined benefit plan	28	6,926	—	1,377	—
Total non-current liabilities		662,774	261,834	131,786	48,247
Current liabilities					
Interest bearing loans and borrowings	25b	290,769	348,389	57,817	64,196
Trade and other payables	30	375,033	390,325	74,572	71,924
Current taxation	8a	239	—	48	—
Total current liabilities		666,041	738,714	132,436	136,120
Total liabilities		1,328,815	1,000,548	264,222	184,368
Total shareholders' equity and liabilities		2,741,892	2,409,690	545,198	444,026

Notes 1 to 38 are an integral part of the financial statements.

The financial statements of Seplat Petroleum Development Company Plc for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 24 March 2016 and were signed on its behalf by:



A.B.C. Orjiako
FRC/2013/IODN/00000003161
Chairman
24 March 2016



Austin Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
24 March 2016



Roger Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
24 March 2016

Consolidated statement of changes in equity

For the year ended 31 December 2015

US\$ '000									
Notes	Issued share capital	Share premium	Capital contribution	Share based reserves	Retained earnings	Foreign Translation reserve	Total equity	Non-controlling interest	Total
At 1 January 2014	1,334	—	40,000	—	690,807	58	732,199	—	732,199
Profit for the year	—	—	—	—	252,253	—	252,253	—	252,253
Other comprehensive income	—	—	—	—	—	(32)	(32)	—	(32)
Dividends	—	—	—	—	(73,199)	—	(73,199)	—	(73,199)
Increase in shares	464	534,523	—	—	—	—	534,987	—	534,987
Transaction costs for shares issued	—	(37,066)	—	—	—	—	(37,066)	—	(37,066)
At 31 December 2014	1,798	497,457	40,000	—	869,861	26	1,409,142	—	1,409,142
At 1 January 2015	1,798	497,457	40,000	—	869,861	26	1,409,142	—	1,409,142
Profit for the year	—	—	—	—	67,462	—	67,462	(2,154)	65,308
Other comprehensive income	—	—	—	—	—	299	299	—	299
Dividends	32	—	—	—	(71,840)	—	(71,840)	—	(71,840)
Share-based payments	—	—	—	8,757	—	—	8,757	—	8,757
Acquisition of NCI	24	—	—	—	—	—	—	1,409	1,409
Increase in shares	23	—	—	(23)	—	—	—	—	—
At 31 December 2015	1,821	497,457	40,000	8,734	865,485	325	1,413,823	(745)	1,413,077

Nigerian ₦ million									
Notes	Issued share capital	Share premium	Capital contribution	Share based reserves	Retained earnings	Foreign translation reserve	Total equity	Non-controlling interest	Total
At 1 January 2014	200	—	5,932	—	106,993	591	113,716	—	113,716
Profit for the year	—	—	—	—	40,481	—	40,481	—	40,481
Other comprehensive income	—	—	—	—	—	35,051	35,051	—	35,051
Dividends	—	—	—	—	(11,747)	—	(11,747)	—	(11,747)
Increase in shares	77	88,196	—	—	—	—	88,273	—	88,273
Transaction costs for shares issued	—	(6,116)	—	—	—	—	(6,116)	—	(6,116)
At 31 December 2014	277	82,080	5,932	—	135,827	35,642	259,658	—	259,658
At 1 January 2015	277	82,080	5,932	—	135,827	35,642	259,658	—	259,658
Profit for the year	—	—	—	—	13,419	—	13,419	(427)	12,992
Other comprehensive income	—	—	—	—	—	20,540	20,540	—	20,540
Dividends	32	—	—	—	(14,226)	—	(14,226)	—	(14,226)
Share-based payments	—	—	—	1,734	—	—	1,734	—	1,734
Acquisition of NCI	24	—	—	—	—	—	—	279	279
Increase in Shares	5	—	—	(5)	—	—	—	—	—
At 31 December 2015	282	82,080	5,932	1,729	134,919	56,182	281,124	(148)	280,976

Consolidated statement of cash flows

For the year ended 31 December 2015

		US\$ '000		Nigerian ₦ million	
	Notes	2015	2014	2015	2014
Cash flows from operating activities					
Cash generated from operations	10	38,040	228,171	7,533	36,607
Income taxes paid	8	–	(2,874)	–	(530)
Net cash flows from operating activities		38,040	225,297	7,533	36,077
Cash flows from investing activities					
Investment in oil and gas properties		(366,878)	(303,214)	(72,653)	(55,872)
Investment in other property, plant and equipment		(4,615)	(9,870)	(914)	(1,819)
Acquisition of subsidiary		(79,409)	–	(15,725)	–
Proceeds from sale of assets		208	–	41	–
Interest received		3,243	11,996	642	1,925
Deposit for investment		–	(453,190)	–	(83,508)
(Deposit)/Receipts from escrow		368,160	–	72,907	–
Aborted acquisition costs		–	(26,056)	–	(4,182)
Net cash flows from investing activities		(79,291)	(780,334)	(15,702)	(143,456)
Cash flows from financing activities					
Proceeds from issue of shares		–	534,987	–	88,273
Expenses from issue of shares		–	(37,066)	–	(6,116)
Proceeds from bank financing		967,101	446,000	191,515	71,575
Repayments of bank financing		(735,940)	(119,034)	(145,738)	(19,103)
Loan to subsidiary undertaking		–	–	–	–
Repayment of shareholder financing		–	(48,000)	–	(7,703)
Dividends paid		(71,840)	(73,199)	(14,226)	(11,747)
Interest paid		(77,338)	(32,847)	(15,315)	(5,271)
Net cash inflows/(outflows) from financing activities		81,983	670,841	16,235	109,908
Net increase/(decrease) in cash and cash equivalents		40,731	115,805	8,066	2,529
Cash and cash equivalents at beginning of year		285,298	169,461	52,571	26,300
Foreign translation reserve		–	32	4,191	23,742
Cash and cash equivalents at end of year		326,029	285,298	64,828	52,571

1. Corporate information and business

Seplat Petroleum Development Company Plc ('Seplat' or the 'Company'), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the 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.

In 2014, 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 2014, Newton Energy acquired from Pillar Oil Limited ('Pillar Oil') a 40% participating 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 2014 and a contingent payment of \$10 million (\$5 million when average daily production of 10,500 bopd of liquid hydrocarbon sustained over a period of one (1) 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) by mid-2015. The fair value of \$7.731 million was capitalised to the cost of the asset and a corresponding liability recorded based on the probability. These milestones were not achieved as at mid-2015 and as such the liability was de-recognised during the year.

During the year, the Group purchased a 40% working interest in OML 53, onshore north eastern Niger Delta, from Chevron Nigeria Ltd. for \$259.4 million. It has also concluded negotiations to buy 56.25% of Belemaoil Producing Ltd., a Nigerian special purpose vehicle that has bought a 40% interest in the producing OML 55, located in the swamp to coastal zone of south eastern Niger Delta. NNPC holds the remaining 60.00% interest in OML 55, and Seplat's effective working interest in OML 55 as a result of the acquisition is 22.50%.

Seplat is paying \$132.2 million for its 22.50% interest in OML 55, after adjustments. It 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, talks are underway to determine repayment terms for the initial deposit against the acquisition of \$52.5 million that Belemaoil funded with bank debt, which may be added to the total amount loaned to Belemaoil by Seplat.

Current gross production at OML 55 is 8,000 barrels of oil per day. Seplat has been designated operator of OML 55. The Group will also act as technical services provider to Belemaoil.

Seplat estimates net recoverable hydrocarbon volumes attributable to its 40% working interest in OML 53 are 51 million barrels of oil and condensate and 611 billion square cubic feet of gas. Seplat has been designated operator of OML 53.

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 2014, Seplat East Onshore Limited ('Seplat East'), which was incorporated on 12 December 2014, Seplat East Swamp Company Limited ('Seplat Swamp'), which was incorporated on 12 December 2014, and Seplat Gas Company Limited ('Seplat GAS'), which was incorporated on 12 December 2014, is referred to as the Group.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group 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 Nigerian Naira and all values are rounded to the nearest thousand (US\$'000) and nearest million (N'm), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial information comprises the financial statements of the Group and its subsidiaries as at 31 December 2015. 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.

2. Basis of preparation and significant accounting policies continued

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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 Group's consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency, and Nigerian Naira. 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 the presentation currency 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 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.

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;
- 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; and
- 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 expenditures

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

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment is expected 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 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.

During the year, the Group acquired 40% working interest in OML 53, onshore north eastern Niger Delta.

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:

- Its share of the mineral properties is shown within property, plant and equipment.
- Any liabilities that it has incurred including those incurred to finance its share of the asset.
- Its share of any liabilities incurred jointly with other venturers, including the decommissioning liability of production and field facilities.
- 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.
- 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. Basis of preparation and significant accounting policies continued

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 or 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 is depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

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 group 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. Such indicators include changes in the Group's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

The recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and value in use ('VIU'). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the asset is tested as part of a larger cash generating unit to 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 a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

2.3.9 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 loan 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 loan 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.

2. Basis of preparation and significant accounting policies continued

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 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 & other comprehensive income.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward exchange contracts, to hedge its foreign exchange risks as well as put options to hedge against its oil price risk. However, such contracts are not accounted for as designated hedges. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently 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 20 Financial Instruments.

2.3.10 Fair value of financial instruments

The Group measures all financial instruments at initial recognition at fair value and financial instruments carried at fair value through profit and loss such as derivatives at fair value at each 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 Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ('CGU') and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Seplat East Swamp Company Limited owns 56.25% of Belemaoil Producing Ltd., a Nigerian special purpose vehicle that bought a 40% interest in the producing OML 55, located in the swamp to coastal zone of south eastern Niger Delta.

2.3.12 Share capital, 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 Post-employment benefits

Defined contribution scheme

The Group contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 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 scheme are charged to the profit and loss account in the year to which they relate.

Defined benefits

The Group also operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The Group also provides certain additional post-employment benefits to employees. These benefits are unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.

2. Basis of preparation and significant accounting policies continued

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 effects 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 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 2014, the Company was granted the pioneer tax status incentive by the Nigerian Investment Promotion Commission for an initial three-year period and a further two-year period on approval. For the period the incentive applies, the Company is exempt from petroleum profits tax on crude oil profits (which would be otherwise taxed at 65.75%, to increase to 85% in 2015), corporate income tax on natural gas profits (currently taxed at 30 per cent.) and education tax of 2%. Newton Energy was also granted pioneer tax status on the same basis. The Company has completed its first three years of the pioneer tax period and applied for the approval of the remaining two years. As at 31 December 2015, the Nigerian Investment Promotion Commission is yet to approve the extension. In preparing the financial statements, the Group has assumed that the extension will not be approved and recognised deferred tax liabilities as at the balance sheet date.

Tax incentives do not apply to Seplat East Onshore Limited (OML 53) and Seplat East Swamp Company Limited (OML 55), hence all taxes have been included in full for these entities in the financial statements.

2.3.18 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.

2.3.19 Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date and for fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model.

2.3.20 Retirement benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. The Group operates a defined contribution plan and it is accounted for based on IAS 19 Employee benefits.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

2. Basis of preparation and significant accounting policies continued

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated historical financial information:

i) OMLs 4, 38 and 41

OMLs 4, 38, 41 are grouped together as a cash generating unit. These three OMLs are grouped together because they cannot independently generate cash flow. Crude oil and gas sold to third parties from these OMLs are invoiced together.

ii) Acquisition of a 40% participating interest in producing assets

The acquisition of a 40% participating interest in OPL 283 (the 'Umuseti/Igbuku Fields'), in 2014, 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.

iii) NPDC receivable (note 17)

NPDC continues to demonstrate its commitment to repay outstanding debts. After significant payments during 2015, the amount owed by NPDC as at 31 December 2015 was \$435 million (2014: \$463 million), of which \$190 million (2014: \$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 11 March 2016, solely the amounts relating to 2014 and 2015 are overdue.

iv) Deposit for investment (note 17)

The Group considers that the deposit for investment of \$45 million in relation to the acquisition of additional assets is fully recoverable in accordance with the terms of the deposit.

v) Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group measures the fair value of equity-settled transactions with employees at the grant date, and uses a Monte-Carlo model for the global offer, non-executive and long term incentive scheme. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 21c.

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.

vi) Contingent consideration (note 26)

In 2014, 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. At inception, the present value was capitalised to the cost of the asset and a corresponding liability was recorded. The liability was carried at fair value through profit or loss. These milestones were not achieved as at mid-2015 and as such the liability was de-recognised during the year.

During the year, a part of the consideration paid for OML 53 and 55 is a discount of \$39.4 million contingent on oil price rising above \$90/bbl. over the next three years. The fair value of this discount is \$20.5m; this has been capitalised to the cost of the asset and the corresponding liability recorded based on the probability.

vii) Defined benefit plans (pension benefits)

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and changes in inflation rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bond in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The rates of mortality assumed for employees are the rates published in 67/70 ultimate tables, published jointly by the Institute and Faculty of Actuaries in the UK. Further details about pension obligations are provided in note 29.

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.

The Group's 2P reserves increased by 71% from 281 MMboe as at 31 December 2014 to 480 MMboe as at 31 December 2015 due to additional 184 MMboe reserves on newly acquired OMLs 53 and 55 and 15 MMboe net revisions on OMLs 4, 38 & 41 and OML 56. The 15 MMboe net revisions on OMLs 4, 38 & 41 is due to Okporhuru and Orogho field developments, Sapele development drilling and performance and issue of Okwele field development plan and production tests. Also, further developments in Ovhor and Oben oil and gas contribute to the upward reserves movements. The majority of these movements relate to contingent to reserves conversions; in a few cases like Okporhuru development, new reservoir sands were penetrated and in other cases, reservoir performance was better than initially predicted. It is on this basis that the reserves evaluator showed the improvement in the reserves position year on year as documented in the CPR and Reserves assessment reports.

viii) Provision for decommissioning (note 27)

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.

ix) 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.

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 2015, in response to the significant fall in commodity prices, the Group executed an impairment assessment. The Group used the value in use in determining the recoverable amount of the cash-generating unit. The assessment did not result in an impairment charge. In determining the value, the Group used a recent forward curve for five years, reverting to the Group's long-term price assumption for impairment testing of \$60 per barrel from 1 January 2019. The Group used a pre-tax discount rate of 10% based on the Group weighted average cost of capital.

Management has considered whether a reasonable possible change in one of the main assumptions will cause an impairment and believes no change will cause an impairment.

x) Contingencies (note 35c)

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.

xi) 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 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. Basis of preparation and significant accounting policies continued

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 2015, 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 2015; 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 1 January 2015, 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 standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. The Group is currently assessing the impact of IFRS 9.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that 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. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group is currently assessing the impact of IFRS 15.

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 remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a 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, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group as the Group does not have any bearer plants.

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 its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they 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. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are not expected to have any impact on the Group.

2. Basis of preparation and significant accounting policies continued

Amendments to IAS 1 Disclosure Initiative

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 OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

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 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. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Crude oil sale	459,389	777,601	90,973	124,791
Changes in lifting	34,091	(29,942)	6,751	(4,805)
	493,480	747,659	97,724	119,986
Gas sales	76,997	27,360	15,248	4,391
	570,477	775,019	112,972	124,377

The major crude off-taker is Shell (\$368.8 million, ₦73 billion) and Mercuria (\$94.5 million, ₦18.7 billion). The major off-taker of gas is the Nigerian Gas company – \$76 million (₦15.1 billion).

4. Cost of sales

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Royalties	102,243	149,748	20,247	24,032
Depletion, depreciation and amortisation	68,097	41,249	13,485	6,620
Crude handling fee	64,499	22,056	12,773	3,540
NESS fee	663	822	131	132
Niger Delta Development Commission Levy	7,766	10,236	1,538	1,643
Rig related costs	8,640	29,910	1,711	4,800
Operational & maintenance expenses	69,786	61,569	13,820	9,880
	321,694	315,590	63,705	50,647

Operations and maintenance costs (\$58 million, ₦11.5 billion), while the balance of \$12 million (₦2.4 billion) comprises costs for community, Health, Safety, Security and Environment ('HSSE'), field logistics and others.

Crude handling includes \$25 million of excess charges related to 2010-2014.

5. Other operating income

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Long stop date income (5a)	2,250	–	446	–
Fair value gain on put option (hedging)	13,195	–	2,613	–
Profit on disposal of plant & equipment	66	–	13	–
	15,511	–	3,072	–

5a. Long stop date income

This represents the penalties levied on Azura Energy for failure to take up 100mmscf of gas from 1 July 2014. The long stop date period is from 1 July 2014 to 31 December 2015.

5b. Fair value gain on put option (hedging)

This represents the gains on a new crude oil price hedge of US\$45/bbl. for 3.3 million barrels at a cost of \$10 million (US\$3.03/bbl.) secured on 30 November 2015. The gains represent the fair value of the investment as at 31 December 2015.

6. Other general and administrative expenses

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Depreciation and amortisation	5,502	4,052	1,090	650
Auditor's remuneration	1,000	716	198	132
Professional and consulting fees	42,788	40,691	8,473	6,513
Directors' emoluments (Executive)	6,446	7,740	1,277	1,242
Directors' emoluments (Non-Executive)	6,028	–	1,194	–
Donations	210	179	42	29
Employee benefits (note 6a)	24,156	18,205	4,784	2,922
Business development	165	20	33	3
Flights and other travel costs	7,580	8,956	1,500	1,437
Other general expenses	27,599	44,954	5,464	7,214
Aborted acquisition costs	–	26,056	–	4,182
	121,474	151,569	24,055	24,324

Directors' emoluments have been split between Executive & Non-Executive in 2015 and include share-based benefits recognised in 2015, the basis of which has been further highlighted in note 21c.

Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others.

6a. Salaries and employee related costs include the following:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Basic salary	8,226	6,733	1,629	1,080
Housing allowance	3,345	2,203	662	354
Share-based benefits	4,463	–	884	–
Other allowances	8,122	9,269	1,609	1,488
Total salaries and employee related costs	24,156	18,205	4,784	2,922

7. Finance income/cost

7a. Interest income

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Interest income	12,802	11,996	2,535	1,925

This represents interest on shareholder loans at libor plus 10 - \$9.5m and interest on Fixed deposits - \$3.3m

7b. Finance cost

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Finance cost				
Interest on bank loans	83,588	47,375	16,553	7,603
Unwinding of discount on provision for decommissioning (note 27)	–	1,944	–	312
	83,588	49,319	16,553	7,915

8. Taxation

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

8a. Tax on profit

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Current tax:				
Current tax charge for the year	239	—	47	—
Under provision from prior year	—	—	—	—
	239	—	47	—
Deferred tax:				
Net deferred tax in profit or loss	21,233	—	4,205	—
Total tax charge/(credit) in statement of profit or loss	21,472	—	4,252	—
Effective tax rate	0%	0%	0%	0%

8b. Reconciliation of effective tax rate

The applicable tax rates for 2015 were 0% (2014: 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.

Seplat East onshore and Seplat Swamp are exempt from the tax incentives as they had no activities at the time the incentives were granted to Seplat and Newton.

As at the end of the reporting period, the Nigerian Investment Promotion Commission is yet to approve the tax incentives for the additional two years of the tax holidays. The financial statements have been prepared on the assumption that the tax incentives may not be renewed and hence this forms the basis of the 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:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Profit before taxation	87,079	252,253	17,244	40,481
Under provision from prior year	—	—	—	—
Adjustment in respect of prior periods	—	—	—	—
Impact of tax incentive on deferred tax balances	(21,233)	—	(4,205)	—

The movement in the current tax (prepayment)/liability is as follows:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
As at 1 January	(31,623)	(28,749)	(5,827)	(4,462)
Under provision from prior year	—	—	—	—
Tax paid	—	(2,874)	—	(461)
Exchange difference	—	—	(461)	(904)
Tax prepayment	(31,623)	(31,623)	(6,288)	(5,827)

9. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Deferred tax asset to be recovered after more than 12 months	–	10,787	–	1,988
Deferred tax liability to be recovered after more than 12 months	(21,233)	(2,996)	(4,205)	(552)
Net deferred tax liability	(21,233)	7,791	(4,205)	1,436

The Group has \$21.23 million deferred tax liability as at 31 December 2015 (2014: Nil) in respect of unutilised losses and capital allowances.

9a. Deferred tax liabilities

	US\$ '000				
	Fixed asset	Decommissioning provision	Underlift/Overlift	Defined Benefit	Total
At 1 January 2015	–	–	–	–	–
Credited/(charged) to profit or loss	(10,449)	2,554	(17,882)	4,554	(21,233)
At 31 December 2015	(10,449)	2,554	(17,882)	4,554	(21,233)

Net deferred tax liability at 31 December 2015 is \$21.23 million (2014: Nil).

	Nigerian ₦ million				
	Fixed asset	Decommissioning provision	Underlift/Overlift	Defined Benefit	Total
At 1 January 2015	–	–	–	–	–
Credited/(charged) to profit or loss	(2,078)	508	(3,558)	906	(4,222)
At 31 December 2015	(2,078)	508	(3,558)	906	(4,222)

10. Computation of cash generated from operations

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Profit before tax	87,079	252,253	17,245	40,481
Adjusted for:				
Depreciation and amortisation	73,599	45,306	14,575	7,271
Finance income	(12,802)	(11,996)	(2,535)	(1,925)
Finance cost	83,588	49,319	16,553	7,915
Fair value movement on contingent consideration	(7,298)	1,132	(1,445)	182
Gain on disposal of property, plant and equipment	(66)	–	(13)	–
Foreign exchange loss/(gain)	(8,046)	17,184	(1,593)	2,753
Current financial assets	(17,762)	–	(3,517)	–
Aborted acquisition costs	–	26,056	–	4,182
Share-based payments	(8,757)	–	(1,734)	–
Changes in working capital:				
Trade and other receivables	(104,337)	99,222	(20,662)	15,923
Prepayments	(8,145)	–	(1,613)	–
Trade and other payable	(10,961)	(239,001)	(2,171)	(38,361)
Inventories	(28,052)	(11,304)	(5,555)	(1,814)
	(49,039)	(24,082)	(9,711)	(3,874)
Net cash from operating activities	38,040	228,171	7,533	36,607

11. Property, plant and equipment**11a. Oil and gas properties**

Cost	US\$ '000			Nigerian ₦ million		
	Production & field facilities	Assets under construction	Total	Production & field facilities	Assets under construction	Total
At 1 January 2014	480,947	235,283	716,230	74,643	36,516	111,159
Addition	–	311,328	311,328	–	57,367	57,367
Changes in decommissioning	(4,430)	–	(4,430)	(816)	–	(816)
Transfer from asset under construction	114,031	(114,031)	–	21,012	(21,012)	–
Exchange differences	–	–	–	13,980	6,839	20,818
At 31 December 2014	590,548	432,580	1,023,128	108,818	79,710	188,528
Depreciation						
At 1 January 2014	138,276	–	138,276	21,460	–	21,460
Charged for the year	41,249	–	41,249	6,620	–	6,620
Exchange differences	–	–	–	5,000	–	5,000
At 31 December 2014	179,525	–	179,525	33,080	–	33,080
NBV						
At 31 December 2014	411,023	432,580	843,603	75,738	79,710	155,448

Cost	US\$ '000			Nigerian ₦ million		
	Production & field facilities	Assets under construction	Total	Production & field facilities	Assets under construction	Total
At 1 January 2015	590,548	432,580	1,023,128	108,818	79,710	188,528
Addition	426,202	–	426,202	84,401	–	84,401
Additions from business combination	244,062	–	244,062	48,332	–	48,332
Changes in decommissioning	(8,821)	–	(8,821)	(1,747)	–	(1,747)
Transfer from asset under construction	113,760	(113,760)	–	22,528	(22,528)	0
Exchange differences	–	–	–	9,234	6,212	15,447
At 31 December 2015	1,365,751	318,820	1,684,571	271,566	63,394	334,960
Depreciation						
At 1 January 2014	179,525	–	179,525	33,080	–	33,080
Charged for the year	68,096	–	68,096	13,485	–	13,485
Exchange differences	–	–	–	2,672	–	2,672
At 31 December 2015	247,621	–	247,621	49,237	0	49,237
NBV						
At 31 December 2015	1,118,130	318,820	1,436,950	222,329	63,394	285,723

The Group's present and future assets (except jointly owned with NNPC/NPDC) along with 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 syndicated loan (note 25).

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.

11b. Property, plant and equipment

Cost	US\$ '000				
	Plant & machinery	Motor vehicle	Office furniture & IT equipment	Leasehold improvements	Total
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 2014	1,091	2,171	6,436	845	10,543
NBV					
At 31 December 2014	3,623	3,185	5,033	1,618	13,459

	US\$ '000				
Cost	Plant & machinery	Motor vehicle & IT equipment	Office furniture & improvements	Leasehold	Total
At 1 January 2015	4,714	5,356	11,469	2,463	24,002
Addition	–	1,663	2,146	687	4,496
Disposals	–	(246)	–	–	(246)
Reclassification to AUC	(707)	–	–	–	(707)
At 31 December 2015	4,007	6,773	13,615	3,150	27,545
Depreciation					
At 1 January 2015	1,091	2,171	6,436	845	10,543
Disposals	–	(104)	–	–	(104)
Charged for the year	619	1,443	2,873	568	5,503
At 31 December	1,710	3,510	9,309	1,413	15,943
NBV					
At 31 December 2015	2,297	3,263	4,306	1,737	11,602

	Nigerian ₦ million				
Cost	Plant & machinery	Motor vehicle & IT equipment	Office furniture & improvements	Leasehold	Total
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

	Nigerian ₦ million				
Cost	Plant & machinery	Motor vehicle & IT equipment	Office furniture & improvements	Leasehold	Total
At 1 January	869	987	2,113	453	4,422
Addition	–	329	425	136	890
Disposals	–	(49)	–	–	(49)
Reclassification to AUC	(140)	–	–	–	(140)
Exchange difference	68	79	169	37	353
At 31 December	797	1,347	2,707	626	5,477
Depreciation					
At 1 January	201	400	1,186	155	1,942
Disposals	–	(21)	–	–	(21)
Charged for the year	123	286	569	112	1,090
Foreign exchange	16	33	96	13	159
At 31 December	340	698	1,851	281	3,170
NBV					
At 31 December 2015	457	649	856	345	2,307

12. Intangible assets

	US\$ '000	Nigerian ₦ million
Cost:		
At 1 January 2015	414	76
Exchange difference	–	6
At 31 December 2015	414	82
Accumulated amortisation:		
At 1 January 2015	366	67
Charge for the year	47	9
Exchange difference	–	6
At 31 December 2015	413	82
NBV:		
At 31 December 2015	1	–
At 31 December 2014	48	9

Intangible assets relate to an oil mining licence granted to the Group that is expected to expire in 2019.

13. Business combination

Seplat, via a wholly owned subsidiary, entered into a share purchase agreement with First Act, Belema Refinery and Petrochemical Ltd, Mr. Jack Tein and Belemaoil (the four shareholders of Belemaoil) to acquire 56.25% of Belemaoil. This sale and purchase agreement was consummated on 5 February 2015 upon Seplat consortium's acquisition of CNL's 40% interest in OMLs 52, 53 and 55. This results in Seplat having an indirect interest of 22.5% in OML 55.

The acquisition of OML 55 is a business combination through its indirect acquisition of the asset and has been accounted for in accordance with IFRS 3R. The fair value of the purchase consideration and the assets acquired are \$139 million and \$137 million respectively, giving rise to a goodwill on acquisition of \$2 million (₦399 million).

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Purchase consideration	139,285	–	27,752	–
Fair value of net assets of Belemaoil	(137,285)	–	(27,354)	–
Goodwill	2,000	–	398	–

Acquisition in 2015

On 20 January 2015, the Group acquired 56.25% of the voting shares of Belemaoil, an unlisted company based in Port-Harcourt, Nigeria and specializing in oil exploration and production, in exchange for Group shares. The Group acquired Belemaoil because it significantly enlarges its operation.

The Group has elected to measure the non-controlling interest in the acquisition at fair value.

Assets acquired and liabilities assumed

Assets	Fair value recognised on acquisition US\$ '000
OML 55	137,285
Non-controlling interest measured at fair value	–
Goodwill on acquisition	2,000
Purchase consideration	139,285

The goodwill of \$2,000,000 comprises expected synergies arising from the acquisition. Goodwill recognised is not expected to be deductible for tax purposes.

The fair value of the non-controlling interest has been estimated by applying a discounted earnings technique. The fair value measurement is based on significant inputs that are not observable in the market.

From the date of acquisition, Belemaoil contributed \$42.7 million to revenue and \$4.9 million loss before tax.

Cash paid on the acquisition of Belemaoil was \$79.4 million.

14. Prepayment

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Deposit for oil mining licence	–	86,362	–	15,914
Tax paid in advance	31,623	31,623	6,288	5,827
Rent	2,760	2,614	549	482
Drilling services	2,371	5,333	471	983
Prepaid fees – NIPC	–	5,519	–	1,017
Prepaid others	–	15	–	2
	36,754	131,466	7,308	24,225

Included in prepayments are the following:

Deposit for oil mining licence

In 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 ('CNL Assets SPA').

In 2014, an additional \$17.4 million was advanced to Belemaoil in relation to OML 55.

During the year, the Group completed the acquisition of both OML 53 and 55. See note 1.

Tax paid in advance

In 2014, Seplat Petroleum Development Company paid \$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

In 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 building in Delta state is also non-cancellable and it expires in 2016. The long-term portion as at 31 December 2015 is \$2.8 million.

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 \$20 million advance in relation to the exclusive use of these rigs, which has been recognised as a prepayment and amortised over the life of the agreement (five years). The long-term portion as at 31 December 2015 is \$2.4 million.

Prepaid fees - NIPC

This relates to fees for the pioneer period prepaid to Nigerian Investment Promotion Commission ('NIPC').

15. Investment in subsidiaries

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
Belemaoil Producing	(Nigeria)	56.25

16. Inventories

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Tubular, casing and wellheads	82,468	54,416	16,398	10,027
Foreign exchange difference	–	–	–	–
	82,468	54,416	16,398	10,027

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 \$0.19 million representing inventory charged to profit or loss during the year.

17. Trade and other receivables

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Trade receivables	133,905	119,588	26,626	22,036
Nigerian Petroleum Development Company (NPDC) receivables	491,974	463,118	97,824	85,337
Deposit for investments	85,236	453,190	16,948	83,508
Advances	53,175	10,924	10,573	2,013
Underlift	27,063	2,783	5,381	513
Advances to suppliers	2,597	10,934	516	2,015
Hedging receivables	7,585	—	1,508	—
Interest receivable from shareholders of Belema oil	9,546	—	1,898	—
Other receivables	174	317	35	58
	811,255	1,060,854	161,310	195,480

Trade receivables

This mainly represents crude receivables on OML 53 and 55 (\$36 million), Mercuria (\$17 million), Shell (\$15 million) and gas receivables from NGC (\$62 million).

NPDC receivables

Seplat has not yet remitted the sum of \$56.4 million due to NPDC on crude handling charges as of 31 December 2015; after considering this, net receivables due from NPDC are \$435 million. Subsequent to year end \$115 million was received as cash relating to the outstanding debt bringing the net balance to \$320 million, without considering current expenditure and cash calls.

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. During the year \$367 million was received from the escrow account in respect of this investment.

- \$45 million refundable deposit made towards the investment in 2014 remains with the potential vendors. As at year-end, the investment was not consummated, and this remains a deposit whilst negotiation between the parties continues.
- \$36.5 million was placed in an escrow account in London related to the same investment pending agreements of final terms. Out of this and in the period under review \$3.5 million has been paid out in consortium fees. See further note on subsequent events, note 39.

In the event the negotiations do not lead to a consummation of investment, these funds will be returned to the Group.

The ageing analysis of the trade receivables and amounts due from NPDC is as follows:

							US\$ '000
	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30–60 days	60–90 days	90–120 days	>120 days
Trade receivables							
31 December 2015	133,905	79,704	5,261	9,965	6,732	9,039	23,204
31 December 2014	119,588	89,027	6,230	2,015	6,504	1,556	14,256
NPDC receivables							
31 December 2015	491,974	274,465	27,213	56,886	10,021	41,842	81,547
31 December 2014	463,118	207,495	68,097	120,743	36,491	–	30,292

Nigerian ₦ million

		Nigerian ₦ million					
	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30–60 days	60–90 days	90–120 days	>120 days
Trade receivables							
31 December 2015	26,626	15,848	1,046	1,981	1,339	1,797	4,614
31 December 2014	22,036	16,405	1,148	371	1,198	287	2,627
NPDC receivables							
31 December 2015	97,824	54,575	5,411	11,311	1,993	8,321	16,215
31 December 2014	85,337	38,234	12,548	22,249	6,724	–	5,582

Shell Western Supply and Mercuria Trading Company have subsequently settled the outstanding balance of \$15.4 million and \$17.2 million in January 2016. NPDC has paid a total of \$115 million from the outstanding balance subsequent to year-end. The remaining balance is expected to be fully paid during 2016.

18. Prepayments

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Prepayments	11,640	14,224	2,315	2,621

Prepayments relate to prepaid rent and drilling services – see note 14.

19. Cash and short-term deposits

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.

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Cash on hand	50	62	10	11
Cash at bank	325,979	285,236	64,818	52,560
Short-term deposits	–	–	–	–
Cash and cash equivalents	326,029	285,298	64,828	52,571

At 31 December 2015, cash at bank included the debt service reserve of \$68.9 million (2014: \$46.5 million) deposited pursuant to the covenant in relation to the bank syndicated loan. The debt service reserve account balance is the amount equal to at least the aggregate of the amounts of principal and interest projected to fall due on the next successive principal repayment dates and dates for the payment of interest on the loans.

20. Financial instruments

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Derivatives not designated as hedges	23,194	5,432	4,612	1,001

In November 2015, management completed a crude oil price hedge of US\$45/bbl. for 3.3 million barrels at a cost of \$10 million (US\$3.03/bbl.). The fair value of this hedge as at 31 December 2015 is \$23.2 million, giving rise to a fair value gain of \$13.2 million.

21. Share capital and premium

21a. Share capital

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Nigerian Naira of 50k per share	3,335	3,335	500	500
Issued and fully paid				
560,576,101 (2014: 553,310,313) issued shares denominated in Nigerian Naira of 50k per share	1,821	1,798	282	277

In 2015, the Company gave share options (14,939,102 shares) to certain employees and senior executives in line with its share-based incentive scheme. As at 31 December 2015, 7,265,788 shares had vested, resulting in an increase in number of issued and fully paid ordinary shares of 50k each from 553 million to 561 million.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. During 2013, the Company sub-divided its shares from 1 to 0.50 per share resulting in an increase in the number of shares issued from 100 million to 200 million ordinary shares. On 31 July 2013, the number of ordinary shares was increased to 400 million by way of a bonus issue to existing shareholders; these were issued from the revenue reserve. In August 2013 the authorised share capital was increased from 400 million to 1 billion denominated in 0.50 per share.

21b. Share premium

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Gross proceeds	–	534,987	–	88,273
Share issue	–	(464)	–	(77)
Share premium	–	534,523	–	88,196
Issue costs	–	(37,066)	–	(6,116)
Issued share capital proceeds	–	497,457	–	82,080

In 2014, net proceeds of \$497.9 million was received from the initial public offering. 153,310,313 shares of 50k each totalling \$464,577 were transferred to share capital.

21c. Share equity reserve

The Group has made a number of share-based awards under incentive plans since its IPO in 2014: IPO-related grants to Executive and Non-Executive Directors, 2014 deferred bonus awards and 2014/2015 Long-term Incentive plan ('LTIP') awards. Shares under these incentive plans were awarded at the IPO on 9 April 2014 and early in 2015 conditional on the Nigerian Stock Exchange ('NSE') approving the share delivery mechanism proposed by the Company.

Description of the awards valued

Global Offer Bonus awards

Shares were conditionally awarded, subject to NSE approval, to selected executives to recognise their historic contribution to the Company in the lead up to Admission on the London Stock Exchange on 9 April 2014. The awards operated as follows:

50% of the share bonus was awarded on IPO, there were no performance conditions attached to it, and it fully vested in 2015. The second 50% of the award vested on the first anniversary of the IPO (9 April 2015). The award fully met the performance condition, as follows:

- The Company outperformed the median TSR performance level within the 2014 LTIP E&P comparator group, over the one year period from Admission (i.e. to 9 April 2015).
- The reserves growth underpin in FY2014 was met.

The valuation of the Global Offer Bonus awards ignores these conditions because as at the deemed date of grant the conditions were fully met. As a result, the fair value of these awards is the share price at the date of grant.

Seplat 2014 Deferred Bonus Award

25% of each Executive Director's 2014 bonus (paid in 2015) has been deferred into shares and is released on 1 June 2017 subject to continued employment. No performance criteria are attached to this award. As a result the fair value of these awards is the share price at the actual date of grant.

LTIP awards

Under the LTIP Plan, share options are granted to senior employees of the organisation at the end of every year. The exercise price of the share options is equal to the market price of the underlying shares at the date of grant. The share options vest based on the following conditions.

- 50% award vesting where the reserves growth was more than a 10% decrease.
- Straight line basis between 50% and 100% where reserves growth was between a 10% decrease and a 10% increase.
- 100% award vesting where the reserves growth is equal to or greater than a 10% increase.
- If the Group outperforms the median TSR performance level with the LTIP exploration and production comparator group.

After obtaining approval from the NSE for new issued shares, the Company communicated the award levels and conditions to the participants on 14 December 2015 and hence a shared understanding was achieved on that date. Therefore the grant date for the 2014 LTIP is 14 December 2015. The 2015 LTIP awards are still subject to approval by the NSE.

The expense recognised for employee services received during the year is shown in the following table:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Expense arising from equity-settled share-based payment transactions	8,757	—	1,734	—

There were no cancellations or modifications to the awards in 2015 or 2014.

The share options granted to Executive Directors and confirmed employees are summarised below.

Scheme	Deemed grant date	Start of service period	End of service period	Number of awards
Global Bonus Offer	4 November 2015	9 April 2014	9 April 2015	6,472,138
Non- Executive Shares	4 November 2015	9 April 2014	9 April 2016	793,650
2014 Deferred Bonus	4 November 2015	14 December 2015	1 June 2017	212,701
2014 Long term incentive Plan	14 November 2015	14 December 2015	1 June 2017	2,173,259
2015 Long term incentive Plan	31 December 2015	14 December 2015	21 April 2018	5,287,354

Movements during the year

The following table illustrates the number and weighted average exercise prices ("WAEP") of and movements in share options during the year.

	2015 Number 000	2015 WAEP \$
Outstanding at 1 January	—	
Granted during the year	14,939	0.97
Forfeited during the year	0	
Exercised during the year	(7,266)	1.18
Expired during the year	0	
Outstanding at 31 December	7,673	1.5
Exercisable at 31 December	7,266	1.18

The weighted average share price at the date of exercise of these options was \$1.18.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2015 was 1.3 years.

The weighted average fair value of options granted during the year was \$0.97.

The exercise prices for options outstanding at the end of the year was \$1.18.

The following table lists the inputs to the models used for the four plans for the year ended 31 December 2015:

	2015 Global offer bonus	2015 Non-executive shares bonus	2015 Deferred bonus	2015 LTIP
Weighted average fair values at the measurement date				
Dividend yield (%)	n/a	n/a	n/a	0.00%
Expected volatility (%)	n/a	n/a	n/a	56%
Risk-free interest rate (%)	n/a	n/a	n/a	0.63%
Expected life of share options	nil	nil	1.46	2.35
Weighted average share price (€)	1.5386	1.5386	1.512	1.497
Model used	n/a	n/a	n/a	Monte Carlo

22. 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.

23. 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 2014.

24. Non-controlling interest

On 20 January 2015, the Group acquired 56.25% of the voting shares of Belemaoil, an unlisted company based in Port-Harcourt, Nigeria and specializing in oil exploration and production. The non-controlling interest represents 43.75% of the net profits in OML 55 and share capital of Belemaoil as at the end of the period.

The loss allocated to non-controlling interests of the subsidiary is \$2.2m.

Summarised financial information about the subsidiary is included below:

Statement of comprehensive income

	US\$'000
Revenue	42,678
Expenses	(40,285)
Profit/(loss) before tax	2,393
Tax	(7,334)
Profit/(loss) after tax	(4,942)

Statement of financial position

	US\$'000
Non-current assets	
Producing asset	238,543
Current assets	
Trade receivables	26,177
Underlift	16,501
Others	32
	42,710
Total assets	281,253
Equity	
Share capital	32
Retained earnings	(4,942)
	(4,910)
Non-current liability	
Loans	52,500
Contingent liability	11,471
Deferred tax	7,221
	71,192
Current liability	
Payables	181,507
Accruals	33,351
Current tax	113
	214,971
Total liabilities	286,163
Total shareholders' equity and liabilities	281,253

Summarised cash flow information for the year ended 31 December 2015.

Statement of comprehensive income

	US\$'000
Operating	244,030
Investing	(244,062)
Financing	32
Net increase/(decrease) in cash and cash equivalents	—

25. Interest bearing loans and borrowings

25a. Non-current

	US\$ '000		Nigerian ₦ million	
Non-current	2015	2014	2015	2014
Bank borrowings	608,846	239,767	121,063	44,181

25b. Current

	US\$ '000		Nigerian ₦ million	
Current	2015	2014	2015	2014
Bank borrowings	290,769	348,389	57,817	64,196

Bank loan

Syndicate credit facility

On 31 December 2014, Seplat signed a US\$1.7 billion debt refinancing package, made up of the following facilities:

- US\$700 million seven year term loan with an ability to stretch it to US\$1.4bn contingent on a qualifying acquisition with a consortium of five local banks. This facility has a seven year maturity period.
- US\$300 million three year corporate revolver primarily to manage working capital requirements with a consortium of eight international banks. This facility has a three year maturity period.

As at 31 December 2015, Seplat had drawn down \$1 billion of this facility and made principal repayments in 2015. Interest accrues monthly on the principal amount outstanding at the LIBOR rate plus a margin ranging from 6.5 to 8.5%. The outstanding balance as of 31 December 2015 is \$863million.

As part of the acquisition of OML 55, it was agreed with the shareholders of Belemaoil to take over its existing loan of \$52.5 million with Sterling Bank. This has been consolidated in the Group accounts.

	US\$ '000				Nigerian ₦ million		
Term loan	Interest	Current	Non-current	Total	Current	Non-current	Total
SBSA	8.5% + LIBOR	5,649	16,947	22,596	1,123	3,370	4,493
Stanbic	8.5% + LIBOR	5,649	16,947	22,596	1,123	3,370	4,493
FBN	8.5% + LIBOR	37,695	113,085	150,780	7,495	22,486	29,981
UBA	8.5% + LIBOR	37,695	113,085	150,780	7,495	22,486	29,981
Zenith Bank	8.5% + LIBOR	60,312	180,936	241,248	11,992	35,977	47,970
		147,000	441,000	588,000	29,228	87,689	116,917

	US\$ '000				Nigerian ₦ million		
Corporate loan (US\$300m)	Interest	Current	Non-current	Total	Current	Non-current	Total
Citibank Nigeria Limited	6.00% + LIBOR	8,333	14,583	22,917	1,657	2,900	4,557
Firststrand Bank Limited Acting	6.00% + LIBOR	10,000	17,500	27,500	1,988	3,480	5,468
JPMorgan Chase Bank N A							
London	6.00% + LIBOR	10,000	17,500	27,500	1,988	3,480	5,468
Nedbank Limited, London							
Branch	6.00% + LIBOR	10,000	17,500	27,500	1,988	3,480	5,468
Bank Of America Merrill Lynch	6.00% + LIBOR	10,000	17,500	27,500	1,988	3,480	5,468
Standard Chartered Bank	6.00% + LIBOR	15,000	26,250	41,250	2,983	5,220	8,203
Citibank N.A.	6.00% + LIBOR	6,667	11,667	18,333	1,326	2,320	3,646
Natixis	6.00% + LIBOR	15,000	26,250	41,250	2,983	5,220	8,203
Stanbic Ibt Bank Plc	6.00% + LIBOR	7,500	13,125	20,625	1,491	2,610	4,101
The Standard Bank Of South							
Africa	6.00% + LIBOR	7,500	13,125	20,625	1,491	2,610	4,101
		100,000	175,000	275,000	19,883	34,800	54,683

25. Interest bearing loans and borrowings continued

Loans	US\$ '000	Nigerian ₦ million
Term loan	588,000	116,918
Corporate loan	275,000	54,681
Sterling bank loan (business combination)	52,500	10,439
Less: Capitalised loan transaction costs	(15,885)	(3,159)
	899,615	178,880

26. Contingent consideration

	US\$ '000	Nigerian ₦ million
At 1 January 2014	8,245	1,280
Fair value movement	1,132	182
Exchange difference	–	266
At 1 January 2015	9,377	1,728
Fair value movement	3,325	661
Additions	19,198	3,817
Write-off	(10,000)	(1,988)
Exchange difference	–	137
At 31 December 2015	21,900	4,355

In 2013, the Group entered into an agreement with Pillar Oil to acquire a 40% participating interest in the Umuseti/Igbuku marginal field area in OML 56 (formerly OPL 283). The total consideration payable was \$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 (1) 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) by mid-2015. The fair value of \$7.731 million was capitalised to the cost of the asset and a corresponding liability recorded based on the probability.

These milestones were not achieved as at mid-2015 and as such the liability was de-recognised during the year.

During the year, a part of the consideration paid for OML 53 and 55 is a discount of \$39.4 million contingent on the oil price rising above \$90/bbl. over the next three years. The fair value of this discount is \$19.2 million, this has been capitalised to the cost of the asset and the corresponding liability recorded based on the probability.

27. Provision for decommissioning obligation

	US\$ '000	Nigerian ₦ million
At 1 January 2014	15,176	2,355
Unwinding of discount due to passage of time	1,944	312
Change in estimate	(4,431)	(816)
Exchange difference	–	487
At 31 December 2014	12,690	2,338
Unwinding of discount due to passage of time	–	–
Change in estimate	(8,821)	(1,754)
Exchange difference	–	185
At 31 December 2015	3,869	769

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. This relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a “probable future sacrifice of economic benefits arising from a present obligation”, and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred in 2052 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 2052. 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 change in estimate in the current year of \$8.8 million is due to the change of expected cessation of operations from 2035 to 2052.

The discount rate used in the calculation of unwinding of the provision as at 31 December 2015 was 11.10% (year ended 31 December 2014: 14.64%).

As of 31 December 2015, management has estimated decommissioning expenditure to occur in 2052 (31 December 2014: 2036).

28. Defined benefit plan

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Defined benefit obligation	6,926	—	1,377	—
	6,926	—	1,377	—

The Company commenced its unfunded defined benefit plan (gratuity) in July 2015. The Company makes provisions for gratuity for employees from day one of employment in the Company. The employee qualifies to receive the gratuity on resignation or retirement from the Company after five years of continuous service. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity liability is adjusted to inflation, interest rate risks, changes in salary and changes in the life expectancy for the beneficiaries. The provision for gratuity was based on independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit method. The Company does not maintain any assets for the gratuity plan but ensures that it has sufficient funds for the obligations as they crystallise.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

a) Net benefit expense 2015 (recognised in profit or loss)

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Current service cost	6,926	—	1,377	—
Interest cost on benefit obligation	—	—	—	—
	6,926	—	1,377	—

b) Re-measurement gains/(losses) in other comprehensive income

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Actuarial (gains)/losses	—	—	—	—
	6,926	—	1,377	—

c) Changes in the present value of the defined benefit obligation are as follows:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Defined benefit obligation at 1 January	—	—	—	—
Current service cost	6,926	—	1,377	—
Interest cost	—	—	—	—
Benefits paid by the employer	—	—	—	—
Actuarial gains/losses	—	—	—	—
Defined benefit obligation at 31 December	6,926	—	1,377	—

d) The principal assumptions used in determining defined benefit obligations for the Company's plans are shown below:

	2015 %	2014 %
Discount rate	12	—
Average future pay increase	12	—
Average future rate of inflation	9	—

28. Defined benefit plan continued

Mortality in service

Sample age	Number of deaths in year out of 10,000 lives
25	7
30	7
35	9
40	14
45	26

e) A quantitative sensitivity analysis for significant assumption as at 31 December 2015 is as shown below:

Assumptions	US\$ '000					
	Discount rate		Salary increases		Mortality	
	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
Sensitivity level: Impact on the net defined benefit obligation						
31 December 2015	6,115	(7,913)	7,939	(6,081)	6,982	(6,885)
31 December 2014	–	–	–	–	–	–
	6,115	(7,913)	7,939	(6,081)	6,982	(6,885)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Within the next 12 months (next annual reporting period)	298	–	59	–
Between 2 and 5 years	2,356	–	469	–
Between 5 and 10 years	9,378	–	1,864	–
	12,032	–	2,392	–

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 2015 was \$394,561 (2014:\$331,958).

30. Trade and other payables

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Trade payable	125,408	75,443	24,936	13,902
Accruals and other payables	216,265	267,579	43,002	49,305
Overlift	–	9,811	–	1,808
NDDC levy	6,272	11,327	1,247	2,087
Deferred revenue	1,420	1,420	282	262
Royalties	25,668	24,745	5,104	4,560
Intercompany payable	–	–	–	–
	375,033	390,325	74,572	71,924

The accruals balance is mainly composed of other field-related accruals – \$97.9m (2014: \$219.9m) and NPDC payables – \$56.4m.

31. Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Group	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Profit for the year attributable to shareholders	67,462	252,221	32,360	40,481
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	560,576	508,120	560,576	508,120
Share options	189	—	—	—
Weighted average number of ordinary shares adjusted for the effect of dilution	560,765	508,120	553,445	508,120
	US\$	US\$	₦	₦
Basic earnings per share	0.12	0.50	24	79
Diluted earnings per share	0.12	0.50	24	79
Earnings	US\$'000	US\$'000	₦'m	₦'m
Profit attributable to equity holders of the Group	67,462	252,221	32,360	40,481
Profit used in determining diluted earnings per share	67,462	252,221	32,360	40,481

32. Dividends paid and proposed

Group	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Cash dividends on ordinary shares declared and paid:				
Interim dividend for 2015: \$0.04 per share (2014: \$0.06 per share), 553,310,313 shares in issue	22,139	33,199	4,384	5,328
Final dividend for 2014: \$0.09 per share (2013: \$0.10 per share), 553,310,313 shares in issue (2013: 400,000,000 shares in issue)	49,701	40,000	9,842	6,419
	71,840	73,199	14,226	11,747
Proposed dividends on ordinary shares:				
Final cash dividend for 2015: \$0.04 per share, 560,576,101 shares in issue and fully paid	22,423	49,800	4,440	9,163

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 2015.

33. Goodwill

Goodwill acquired through business combinations is allocated to OML 55 for impairment testing. The carrying amount of goodwill is stated below.

Group	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
At 1 January 2015	—	—	—	—
Acquisition of a subsidiary	2,000	—	398	—
At 31 December 2015	2,000	—	398	—

The Group performed its annual impairment test in December 2015. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2015, the market capitalisation of the Group was above the book value of its equity, indicating no impairment of goodwill.

OML 55

The recoverable amount of the OML, \$335million (₦66.6billion) as at 31 December 2015, has been determined based on the value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect increase in oil price over five years. The pre-tax discount rate applied to cash flow projections is 10% (2014: nil) and cash flows beyond the five-year period are extrapolated using 23% growth rate (2014: nil), which is the same as the long-term average growth rate for OML 55.

It was concluded that the value in use is more than the carrying value of the goodwill. Therefore no impairment charge is recognised in the statement of profit or loss.

Key assumptions used in value in use calculation and sensitivity to changes in assumption.

The calculation of value in use for OML 55 is most sensitive to the following assumptions.

- Oil Price: Evaluation is based on BP Price of \$40 (2016), \$50 (2017) and \$60 (2018+). Increase in demand for oil leads to a decrease in oil price and vice versa.
- Discount rate: The discount rate represents the current market assessment of the risks specific to OML 55 taking into consideration the time value of money and individual risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and it is derived from its weighted average cost of capital ('WACC'). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amounts and timing of the future cash flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate to 10.5% (i.e. +0.5%) in OML 55 would result in impairment.

34. Related party relationships and transactions

The following companies are common control entities as the companies are controlled by close family members:

- Abbey Court 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 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 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 provides legal services to the Company (2015: \$0.59 million).

Helko Nigeria Limited: The chairman of Seplat is shareholder and director. The company owns the lease to Seplat's main office at 25A Lugard Avenue, Lagos, Nigeria.

Keco Nigeria Enterprises: The Chief Executive Officer's sister is shareholder and director. The company provides diesel supplies to Seplat in respect of its rig operations.

Montego Upstream Services Limited: The chairman's nephew is shareholder and director. The company provides drilling and engineering services to Seplat.

Nabila Resources & Investment Ltd: The chairman's in-law is a shareholder and director. The company provides lubricant to Seplat.

Ndosumili Ventures Limited: is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.

Neimeth International Pharmaceutical Plc: The chairman of Seplat is also the chairman of this company. The company provides medical supplies and drugs to Seplat, which are used in connection with Seplat's corporate social responsibility and community healthcare programmes.

Nerine Support Services Limited: is 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 company seconded support staff to Seplat in Q1, 2015.

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 provided consulting services to Seplat.

34. 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**

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Shareholders:				
MPI	–	299	–	48
Shebah	1,517	1,936	302	311
Platform Petroleum Limited	35	201	7	32
	1,552	2,436	309	391
Entities under common control:				
Abbeycourt Trading Company Limited	2,362	4,329	470	695
Abtrust Integrated Services	–	50	–	8
Charismond Nigeria Limited	29	176	6	28
Cardinal Drilling Services Limited	17,244	36,612	3,429	5,875
Keco Nigeria Enterprises	1,896	3,596	377	577
Ndosumili Ventures Limited	1,350	2,759	268	443
Oriental Catering Services Limited	941	598	187	96
ResourcePro Inter Solutions Limited	1,841	2,913	366	467
Berwick Nigeria Limited	27	950	5	152
Montego Upstream Services Limited	9,449	17,328	1,879	2,781
Neimeth International Pharmaceutical Plc	–	28	–	5
Nerine Support Services Limited	21,015	31,277	4,179	5,019
Nabila Resources & Investment Ltd	226	455	45	73
Helko Nigeria Limited	566	2,379	113	382
D.D Dodo & Co	–	590	–	95
	56,946	104,040	11,324	16,696

ii) Interest expense

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Shareholders:				
MPI	–	960		154

b) Balances:

Year-end balances arising from related party transactions:

iii) Prepayments/receivables

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Under common control:				
Cardinal Drilling Services Limited – current portion	12,632	10,934	1,716	2,015
Cardinal Drilling Services Limited – non-current portion	1,333	5,333	1,060	983
	13,965	16,267	2,776	2,998

iv) Payables

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Shareholders:				
Other payables to MPI	–	1,223	–	225
	–	1,223	–	225

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:

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Salaries and other short-term employee benefits	4,522	5,372	763	990
	4,522	5,372	763	990

35. Commitments and contingencies**35a. 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:

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Within one year	–	30,249	–	5,574
After one year but not more than five years	–	–	–	–
	–	30,249	–	5,574

35b. Commitments

The Group has commitments to OML 55. See note 24.

35c. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The possible liabilities arising from these court proceedings amount to \$299.9 million (31 December 2014: \$23.2 million). No provision has been made for this potential liability in these financial statements. Management and the Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

Pursuant to an agreement reached by Newton in connection with a potential acquisition of an asset by a consortium, \$31 million has been set aside (\$20 million in an escrow and \$11 million as prepaid agreed consortium fees) pending a final decision on proceeding with the investment. In the event that Newton at its discretion decides not to proceed, \$31 million will be fully paid out and expensed to the parties, otherwise these amounts set aside will be applied as acquisition costs and amounts in escrow released to Newton.

36. 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.

36.1 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.

							US\$ '000
31 Dec 2015	Effective interest rate %	Less than 1 year	1–2 years	2–3 years	3–5 years	After 5 years	Total
Variable interest rate borrowings:							
Bank loans:							
Zenith Bank Plc	8.5% + LIBOR	81,976	70,418	51,200	74,753	24,104	302,451
First Bank of Nigeria Limited	8.5% + LIBOR	51,235	44,012	32,000	46,721	15,065	189,033
United Bank for Africa Plc	8.5% + LIBOR	51,235	44,012	32,000	46,721	15,065	189,033
Stanbic IBTC Bank Plc	8.5% + LIBOR	7,678	6,596	4,796	7,002	2,258	28,330
The Standard Bank of South Africa Limited	8.5% + LIBOR	7,678	6,596	4,796	7,002	2,258	28,330
Standard Chartered Bank	6.00% + LIBOR	17,534	27,711	–	–	–	45,245
Natixis	6.00% + LIBOR	17,534	27,711	–	–	–	45,245
Citibank Nigeria Ltd and Citibank NA	6.00% + LIBOR	17,534	27,711	–	–	–	45,245
Bank of America Merrill Lynch Int'l Ltd	6.00% + LIBOR	11,689	18,474	–	–	–	30,163
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.00% + LIBOR	11,689	18,474	–	–	–	30,163
JP Morgan Chase Bank NA, London Branch	6.00% + LIBOR	11,689	18,474	–	–	–	30,163
NedBank Ltd, London Branch	6.00% + LIBOR	11,689	18,474	–	–	–	30,163
Stanbic IBTC Bank Plc	6.00% + LIBOR	8,767	13,856	–	–	–	22,623
The Standard Bank of South Africa Ltd	6.00% + LIBOR	8,767	13,856	–	–	–	22,623
Sterling bank	–	52,500	–	–	–	–	52,500
Trade, other payables	–	375,033	–	–	–	–	375,033
Contingent consideration	–	–	–	–	21,900	–	21,900
		744,227	356,375	124,792	204,099	58,750	1,488,243

		US\$ '000					
31 Dec 2014	Effective interest rate %	Less than 1 year	1–2 years	2–3 years	3–5 years	After 5 years	Total
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	7.5% + LIBOR	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

		Nigerian ₦ million					
31 Dec 2015	Effective interest rate %	Less than 1 year	1–2 years	2–3 years	3–5 years	After 5 years	Total
Variable interest rate borrowings:							
Bank loans:							
Zenith Bank Plc	8.5% + LIBOR	16,300	14,002	10,181	14,864	4,793	60,140
First Bank of Nigeria	8.5% + LIBOR	10,188	8,751	6,363	9,290	2,996	37,588
United Bank for Africa	8.5% + LIBOR	10,188	8,751	6,363	9,290	2,996	37,588
Stanbic IBTC Bank Plc	8.5% + LIBOR	1,527	1,312	954	1,392	449	5,634
Standard Bank Plc	8.5% + LIBOR	1,527	1,312	954	1,392	449	5,634
Standard Chartered Bank	6.00% + LIBOR	3,486	5,510	–	–	–	8,996
Natixis	6.00% + LIBOR	3,486	5,510	–	–	–	8,996
Citibank Nigeria Ltd	6.00% + LIBOR	3,486	5,510	–	–	–	8,996
Bank of America Merrill Lynch Int'l Ltd	6.00% + LIBOR	2,324	3,673	–	–	–	5,997
First Rand Bank (Merchant Bank Div.)	6.00% + LIBOR	2,324	3,673	–	–	–	5,997
JP Morgan Chase, London Branch	6.00% + LIBOR	2,324	3,673	–	–	–	5,997
Ned Bank Ltd London Branch	6.00% + LIBOR	2,324	3,673	–	–	–	5,997
Stanbic IBTC Bank Plc	6.00% + LIBOR	1,743	2,755	–	–	–	4,498
The Standard Bank of S/A Ltd	6.00% + LIBOR	1,743	2,755	–	–	–	4,498
Sterling bank loan	6.00% + LIBOR	10,439	–	–	–	–	10,439
Trade, other payables	–	74,572	–	–	–	–	74,572
Contingent consideration	–	–	–	–	4,355	–	4,355
		147,981	70,860	24,815	40,583	11,683	295,922

		Nigerian ₦ million					
31 Dec 2015	Effective interest rate %	Less than 1 year	1–2 years	2–3 years	3–5 years	After 5 years	Total
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	7.5% + LIBOR	19,582	–	–	–	–	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	–	–	–	–	71,699
Contingent consideration	–	–	1,728	–	–	–	1,728
		172,228	62,531	10,428	9,758	–	254,946

36. Financial risk management continued

36.2 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 currently hedges against this risk and sells the oil that it produces to Shell Trading and Mercuria at market prices calculated in accordance with the terms of the Off-take Agreement.

The following table summarises the impact on the Group's profit before tax of a 10 % change in crude oil prices, with all other variables held constant:

	US\$ '000		Nigerian ₦ million	
Increase/decrease in commodity price	Effect on profit before tax 31 December 2015 Increase/(Decrease)	Effect on profit before tax 31 December 2014 Increase/(Decrease)	Effect on profit before tax 31 December 2015 Increase/(Decrease)	Effect on profit before tax 31 December 2014 Increase/(Decrease)
+10%	57,048	76,418	11,297	14,081
-10%	(57,048)	(76,418)	(11,297)	(14,081)

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 rate, with all other variables held constant, of the Group's profit before tax.

		US\$ '000	Nigerian ₦ million
	Change in interest rate	Effect on profit before tax	Effect on profit before tax
2015	1%	773	153
2014	1%	526	97

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 2015 the Group held \$16.2 million equivalent in Nigerian Naira (31 December 2014: \$181.4 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:

	US\$ '000		Nigerian ₦ million	
Change in foreign exchange rate	Effect on profit before tax 31 Dec 2015	Effect on profit before tax 31 Dec 2014	Effect on profit before tax 31 Dec 2015	Effect on profit before tax 31 Dec 2014
+5%	(853)	(9,990)	(161)	(1,841)
-5%	853	9,990	161	1,841

36.3 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 2017 with 30 day payment terms. The off-take agreement with Mercuria is also to run for five years until 31 July 2020 with a 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:

Related party	Payment terms	Percentage of total receivables	
		2015	2014
NPDC	14 days	60%	72%
Cardinal Drilling Services Limited	Receivables relate to deposits that are expected to be utilised or refunded	1%	3%

The maximum exposure to credit risk as at the reporting date is:

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Trade and other receivables	811,255	1,060,854	161,310	195,480
Cash and cash at bank	326,029	285,298	64,828	52,571
	1,137,284	1,346,152	226,138	248,051

36.4 Fair value

Set out below is a comparison by category of carrying amounts and fair value of all the Group's financial instruments:

	US\$ '000			
	Carrying amount		Fair value	
	2015	2014	2015	2014
Financial liabilities				
Borrowings – Shareholder loan	–	–	–	–
Borrowings – Bank loans	899,615	588,156	899,615	588,156
Contingent consideration	21,900	9,377	21,900	9,377
Derivatives not designated as hedges	23,194	5,432	23,194	5,432
	944,709	602,965	944,709	602,965

	Nigerian ₦ million			
	Carrying amount		Fair value	
	2015	2014	2015	2014
Financial liabilities				
Borrowings – Shareholder loan	–	–	–	–
Borrowings – Bank loans	178,879	108,377	178,879	108,377
Contingent consideration	4,355	1,728	4,355	1,728
Derivatives not designated as hedges	4,612	1,001	4,612	1,001
	187,846	111,106	187,846	111,106

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 2015, 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 20.

36. Financial risk management continued

Fair value hierarchy as at 31 December 2015

Liabilities	US\$ '000			Nigerian ₦ million		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Borrowings – Shareholder loan	–	–	–	–	–	–
Borrowings – Bank loans	–	899,615	–	–	178,879	–
Contingent consideration	–	21,900	–	–	4,355	–
Derivatives not designated as hedges	–	23,194	–	–	4,612	–

- 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 estimate future cash flow was discounted to present value.

Reconciliation of fair value measurements of Level 2 financial instruments

	US\$ '000	Nigerian ₦ million
Contingent consideration		
At 1 January 2014	8,245	1,280
Additions	–	–
Fair value movement (profit or loss)	1,132	182
Exchange difference	–	266
At 31 December 2014	9,377	1,728
Fair value movement (Profit or loss)	3,325	661
Additions	19,198	3,817
Write-off	(10,000)	(1,988)
Exchange difference	–	137
At 31 December 2015	21,900	4,355

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.

Increase/decrease in discount rate	US\$ '000		Nigerian ₦ million	
	Effect on profit before tax 31 December 2015 Increase/(Decrease)	Effect on profit before tax 31 December 2014 Increase/(Decrease)	Effect on profit before tax 31 December 2015 Increase/(Decrease)	Effect on profit before tax 31 December 2014 Increase/(Decrease)
+10%	1,903	56	378	10
-10%	(1,903)	(57)	(378)	(11)

37. 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.

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Borrowings:	899,615	588,156	178,879	108,377
Less: cash and cash equivalents	(326,029)	(285,298)	(64,828)	(52,571)
Net debt	573,586	302,858	114,052	55,806
Total equity	1,413,077	1,409,142	242,320	259,658
Total capital	1,986,663	1,712,000	356,372	315,464
Net debt (net debt/total capital) ratio	29%	18%	29%	18%

As at 31 December 2015, the Company's net debt ratio was 29 % in accordance with its policy of maintaining a debt to equity ratio of less than 2 to 1.

38. Information relating to employees

a. Chairman and Directors' emoluments:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Fees	2,461	2,254	487	415
Chairman (Non-executive)	1,125	1,092	223	201
Chief Executive Officer	1,645	1,572	326	290
Executive Directors	2,917	3,073	578	566
Non-Executive Directors	247	203	49	37
JV Partner Share	(2,208)	(3,276)	(437)	(604)
Bonus	1,661	1,890	329	322
Total	7,848	6,808	1,555	1,229

b. Highest paid Director

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Highest paid Director	1,645	1,572	326	290

Emoluments are inclusive of income taxes. Subsequent to the year end, the Remuneration Committee approved 25% of the bonus of \$1.66 million to the CEO and Executive Directors as shares in the Company.

38. Information relating to employees continued

c. The number of directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2015 Number	2014 Number
Zero – \$65,000	–	4
\$65,001 – \$378,000	7	–
\$378,001 – \$516,000	–	–
\$516,000 and above	4	6
	11	10

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:

	US\$ '000	
	2015 Number	2014 Number
\$6,500 – \$16,000	4	–
\$16,001 – \$32,000	6	1
\$32,001 – \$48,000	76	39
Above \$48,000	303	300
	389	340

e. The average number of persons (excluding Directors) employed by the Company during the year was as follows:

	2015 Number	2014 Number
Senior management	19	17
Managers	68	55
Senior staff	111	93
Junior staff	191	175
	389	340

f. Employee costs:

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to \$19.057 million (2014: \$21.485 million) as follows:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Salaries & wages	19,057	18,205	3,774	3,355
Bonus	–	3,280	–	604
	19,057	21,485	3,774	3,959

39. Events after the reporting period

OMLs 53 & 55

On 1 February 2016, the Group took over OMLs 53 & 55 from Chevron Nigeria Limited ('CNL') following the ruling of the Supreme Court of Nigeria which ruled in favour of Seplat, Belema Oil Producing Limited and Chevron Nigeria Limited ('CNL') in a litigation brought against the parties by Britannia-U Nigeria Limited.

Company statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

		US\$ '000		Nigerian ₦ million	
		31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Revenue	40	497,867	755,508	98,593	121,246
Cost of sales	41	(270,505)	(310,715)	(53,568)	(49,864)
Gross profit		227,362	444,793	45,024	71,382
Other operating income	42	15,511	–	3,072	–
Other general and administrative expenses	43	(106,104)	(118,643)	(21,012)	(19,040)
Gain on foreign exchange		8,985	(20,380)	1,779	(3,271)
Fair value movements in contingent consideration		–	–	–	–
Operating profit		145,753	305,770	28,863	49,071
Finance income	44a	8,133	14,784	1,611	2,373
Finance costs	44b	(77,338)	(49,319)	(15,315)	(7,915)
Profit before taxation		76,549	271,236	15,159	43,529
Taxation	45	(16,384)	–	(3,245)	–
Profit for the year		60,164	271,236	11,914	43,529
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in the subsequent periods					
Foreign translation difference		–	–	9,532	35,506
Total comprehensive income net of tax		60,164	271,236	21,446	79,035
Basic earnings per share (\$/₦)	64	0.11	0.53	22	85
Diluted earnings per share (\$/₦)	64	0.11	0.53	22	85

Company statement of financial position

For the year ended 31 December 2015

		US\$ '000		Nigerian ₦ million	
	Notes	2015	2014	2015	2014
Assets					
Non-current assets					
Oil & gas properties	48a	850,214	769,331	157,779	141,762
Other property, plant and equipment	48b	11,154	11,527	2,218	2,124
Intangible assets		1	48	–	9
Prepayments	50	36,754	45,104	7,308	8,311
Investment in subsidiaries	51	1,064	1,032	212	190
Total non-current assets		899,187	827,042	167,517	152,396
Current assets					
Inventories	52	78,864	50,582	15,681	9,321
Trade and other receivables	53	1,322,039	1,244,275	262,874	229,279
Prepayments	54	10,679	13,304	2,123	2,451
Cash & short-term deposits	55	316,374	278,663	62,908	51,348
Other current financial assets		–	858	–	158
Derivatives not designated as hedges	56	23,194	5,432	4,612	1,001
Total current assets		1,751,150	1,593,114	348,199	293,558
Total assets		2,650,337	2,420,156	515,716	445,954
Equity and liabilities					
Equity					
Issued share capital	57a	1,821	1,798	282	277
Share premium	57b	497,457	497,457	82,080	82,080
Equity share reserve		8,734	–	1,729	–
Capital contribution	58	40,000	40,000	5,932	5,932
Retained earnings		877,123	888,798	136,456	138,768
Foreign translation reserve		–	–	45,618	36,086
Total shareholders' equity		1,425,135	1,428,053	272,097	263,143
Non-current liabilities					
Interest bearing loans and borrowings	59a	556,346	239,767	110,624	44,181
Deferred tax liabilities	46	16,384	–	3,258	–
Provision for decommissioning obligation	60	2,971	9,838	591	1,813
Defined Benefit Plan	61	6,926	–	1,377	–
Total non-current liabilities		582,627	249,605	115,850	45,994
Current liabilities					
Interest bearing loans and borrowings	59b	290,769	348,389	57,817	64,196
Trade and other payables	63	351,806	394,109	69,952	72,621
Total current liabilities		642,575	742,498	127,770	136,817
Total liabilities		1,225,202	992,103	243,619	182,811
Total shareholder equity and liabilities		2,650,337	2,420,156	515,716	445,954

Notes 40 to 69 are an integral part of the financial statements.

The financial statements of Seplat Development Company Plc for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 24 March 2016 and were signed on its behalf by:



A.B.C. Orjiako
FRC/2013/IODN/00000003161
Chairman
24 March 2016



Austin Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
24 March 2016



Roger Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
24 March 2016

Company statement of changes in equity

For the year ended 31 December 2015

							US\$ '000
Notes	Issued share capital	Share premium	Equity share reserve	Capital contribution	Retained earnings	Total	
At 1 January 2014	1,334	—	—	40,000	690,761	732,095	
Profit for the year	—	—	—	—	271,236	271,236	
Other comprehensive income	—	—	—	—	—	—	
Dividends	—	—	—	—	(73,199)	(73,199)	
Increase in shares	464	534,523	—	—	—	534,987	
Transaction costs for shares issued	—	(37,066)	—	—	—	(37,066)	
At 31 December 2014	1,798	497,457	—	40,000	888,798	1,428,053	
At 1 January 2015	1,798	497,457	—	40,000	888,798	1,428,053	
Profit for the year	—	—	—	—	60,164	60,164	
Share-based payments	—	—	8,757	—	—	8,757	
Dividends	65	—	—	—	(71,840)	(71,840)	
Increase in shares	23	—	(23)	—	—	—	
At 31 December 2015	1,821	497,457	8,734	40,000	877,123	1,425,135	

							Nigerian ₦ million
Notes	Issued share capital	Share premium	Equity share reserve	Capital contribution	Foreign translation reserve	Retained earnings	Total
At 1 January 2014	200	—	—	5,932	580	106,986	113,698
Profit for the year	—	—	—	—	—	43,529	43,529
Other comprehensive income	—	—	—	—	35,506	—	35,506
Dividends	—	—	—	—	—	(11,747)	(11,747)
Increase in shares	77	88,196	—	—	—	—	88,273
Transaction costs for shares issued	—	(6,116)	—	—	—	—	(6,116)
At 31 December 2014	277	82,080	—	5,932	36,086	138,768	263,143
At 1 January 2015	277	82,080	—	5,932	36,086	138,768	263,143
Profit for the year	—	—	—	—	—	11,914	11,914
Share-based payments	—	—	1,734	—	—	—	1,734
Other comprehensive income	—	—	—	—	9,532	—	9,532
Dividends	65	—	—	—	—	(14,226)	(14,226)
Increase in shares	5	—	(5)	—	—	—	—
At 31 December 2015	282	82,080	1,729	5,932	45,618	136,456	272,097

Company statement of cash flows

For the year ended 31 December 2015

	Notes	US\$ '000		Nigerian ₦ million	
		2015	2014	2015	2014
Cash flows from operating activities					
Cash generated from operations	47	96,918	228,370	19,193	37,387
Income taxes paid	45		(2,874)	–	(530)
Net cash flows from operating activities		96,918	225,496	19,193	36,857
Cash flows from investing activities					
Investment in oil and gas properties		(139,985)	(294,875)	(27,721)	(54,336)
Investment in other property, plant and equipment		(4,656)	(8,510)	(922)	(1,568)
Proceeds from sale of assets		208	–	41	–
Interest received		3,243	14,784	642	2,373
Deposit for investment		–	–	–	–
Aborted acquisition costs		–	–	–	–
Net cash flows from investing activities		(141,190)	(288,601)	(27,960)	(53,531)
Cash flows from financing activities					
Proceeds from issue of shares		–	534,987	–	85,856
Expenses from issue of shares		–	(37,066)	–	(5,948)
Proceeds from bank financing		967,101	446,000	191,515	71,575
Repayments of bank financing		(735,940)	(119,034)	(145,738)	(19,103)
Loan to subsidiary undertaking		–	(479,246)	–	(76,910)
Repayment of shareholder financing		–	(48,000)	–	(7,703)
Dividends paid		(71,840)	(73,199)	(14,226)	(11,747)
Interest paid		(77,338)	(32,847)	(15,315)	(5,271)
Net cash inflows/(outflows) from financing activities		81,983	191,596	16,235	30,749
Net decrease in cash and cash equivalents		37,711	128,491	7,468	14,075
Cash and cash equivalents at beginning of year		278,663	150,172	51,348	23,307
Foreign translation reserve		–	–	4,092	13,966
Cash and cash equivalents at end of year		316,374	278,663	62,908	51,348

40. Revenue

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Crude oil sale	404,018	764,346	80,008	122,664
Changes in lifting	16,852	(36,198)	3,337	(5,809)
	420,870	728,148	83,345	116,855
Gas sales	76,997	27,360	15,248	4,391
	497,867	755,508	98,593	121,246

41. Cost of sales

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Royalties	89,033	149,245	17,631	23,951
Depletion, depreciation and amortisation	59,102	39,499	11,704	6,339
Crude handling fee	58,670	20,923	11,618	3,358
Ness fee	521	803	103	129
Niger Delta Development Commission levy	7,552	10,236	1,496	1,643
Rig related costs	8,553	29,910	1,694	4,800
Operations and maintenance costs	47,074	60,099	9,322	9,645
	270,505	310,715	53,568	49,864

Operations and maintenance costs (\$36 million, ₦7.2 billion), while the balance of \$11 million (₦2.2 billion) comprises costs for community, Health, Safety, Security and Environment ('HSSE'), field logistics and others.

42. Other operating income

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Long stop date income	2,250	—	446	—
Fair value gain on put option (hedging)	13,195	—	2,613	—
Profit on disposal of plant & equipment	66	—	13	—
	15,511	—	3,072	—

42a. Long stop date income

This represents the penalties levied on Azura Energy for failure to take up 100mmscf of gas from 1 July 2014. The long stop date period is from 1 July 2014 to 31 December 2015.

42b. Fair value gain on put option (hedging)

This represents the gains on a new crude oil price hedge of US\$45/bbl. for 3.3 million barrels at a cost of \$10m (US\$3.03/bbl.) secured on 30 November 2015. The gains represent the fair value of the investment as at 31 December 2015.

43. Other general and administrative expenses

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Depreciation and amortisation	5,133	3,675	1,016	590
Auditor's remuneration	1,000	604	198	116
Professional and consulting fees	39,898	39,947	7,901	6,392
Directors' emoluments (Execs)	4,568	7,480	905	1,200
Directors' emoluments (Non- Execs)	5,257	–	1,041	–
Donations	206	179	41	29
Employee benefits (note 43a)	19,753	17,046	3,912	2,736
Business development	165	20	33	3
Flights and other travel costs	6,934	8,849	1,373	1,420
Other general expenses	23,190	40,843	4,592	6,554
Aborted acquisition costs	–	–	–	–
	106,104	118,643	21,012	19,040

Directors' emoluments have been split between Executive & Non-Executive in 2015 and include share-based benefits recognised in 2015, the basis of which has been further highlighted in note 69.

Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others.

43a. Salaries and employee related costs include the following:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Basic salary	3,823	5,574	757	894
Housing allowance	3,345	2,203	662	354
Share benefits	4,463	–	884	–
Other allowances	8,122	9,269	1,608	1,488
Total salaries and employee related costs	19,753	17,046	3,912	2,736

44. Finance income/cost

44a. Interest income

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Interest income	8,133	14,784	1,611	2,373

This represents interest income on \$60m intercompany loan to one of Seplat's subsidiaries (Newton) – \$4.9m and interest on fixed deposits – \$3.3m.

44b. Finance cost

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Interest on shareholders' loan	–	–	–	–
Interest on bank loans	77,338	47,375	15,315	7,603
Unwinding of discount on provision for decommissioning (note 27)	–	1,944	–	312
	77,338	49,319	15,315	7,915

45. Taxation

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

45a. Tax on profit

	US\$ '000		Nigerian ₦ million	
	2015	2014	3 2015	2014
Current tax:				
Current tax charge for the year	—	—	—	—
Under provision from prior year	—	—	—	—
Deferred tax:				
Net deferred tax in profit or loss	—	—	—	—
Total tax charge/(credit) in statement of profit or loss	—	—	—	—
Effective tax rate	0%	0%	0%	0%

45b. Reconciliation of effective tax rate

The applicable tax rates for 2015 were 0%. (2014: 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:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Profit before taxation	76,549	271,236	15,159	43,529
Under provision from prior year	—	—	—	—
Adjustment in respect of prior periods	—	—	—	—
Impact of tax incentive on deferred tax balances	(16,384)	—	(3,258)	—

The movement in the current tax (prepayment)/liability is as follows:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
As at 1 January	(31,623)	(28,749)	(6,288)	(5,297)
Under provision from prior year	—	—	—	—
Tax paid	—	(2,874)	—	(530)
Tax prepayment	(31,623)	(31,623)	(6,288)	(5,827)

46. Deferred income tax

The movement in the current tax (prepayment)/liability is as follows:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Deferred tax asset to be recovered after more than 12 months	–	8,362	–	1,541
Deferred tax liability to be recovered after more than 12 months	(16,384)	(3,923)	(3,258)	(723)
Net deferred tax	(16,384)	4,439	(3,258)	818

The Company has \$16.38 million deferred tax liability in respect of unutilised losses and capital allowances.

46a. Deferred tax liabilities

	US\$ '000				
	Fixed asset	Decommissioning provision	Underlift/overlift	Defined benefit	Total
At 1 January 2015	–	–	–	–	–
Credited/(charged) to profit or loss	(18,173)	1,953	(4,718)	4,554	(16,384)
At 31 December 2015	(18,173)	1,953	(4,718)	4,554	(16,384)

The net deferred tax liability as at 31 December 2015 is \$16.38 million (2014: Nil).

	Nigerian ₦ million				
	Fixed Asset	Decommissioning provision	Underlift/Overlift	Defined Benefit	Total
At 1 January 2015	–	–	–	–	–
Credited/(charged) to profit or loss	(3,614)	388	(925)	906	(3,245)
Exchange difference	–	–	(13)	–	(13)
At 31 December 2015	(3,614)	388	(938)	906	(3,258)

47. Computation of cash generated from operations

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Profit before tax	76,549	271,236	15,159	43,529
Adjusted for:				
Depreciation and amortisation	64,236	43,181	12,721	6,930
Finance income	(8,133)	(14,784)	(1,611)	(2,373)
Finance cost	77,338	49,319	15,316	7,915
Fair value movement on contingent consideration	–	–	–	–
Gain on disposal of property, plant and equipment	(66)	–	(13)	–
Financial assets	(17,762)	–	(3,516)	–
Foreign exchange loss/(gain)	(8,985)	20,380	(1,779)	3,271
Share-based payments	(8,757)	–	(1,733)	–
Changes in working capital:				
Trade and other receivables	(77,764)	(289,178)	(15,463)	(44,896)
Prepayments	2,625	–	522	–
Trade and other payable	25,921	159,291	5,154	24,730
Inventories	(28,282)	(11,074)	(5,624)	(1,719)
	20,371	(42,865)	3,974	(6,142)
Net cash from operating activities	96,918	228,370	19,133	37,387

48. Property, plant and equipment

48a. Oil and gas properties

	US\$ '000		
Cost	Production and field facilities	Assets under construction	Total
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

	US\$ '000		
Cost	Production and field facilities	Assets under construction	Total
At 1 January 2015	529,965	416,327	946,292
Addition	146,852	–	146,852
Changes in decommissioning	(6,867)	–	(6,867)
Transfer from asset under construction	115,083	(115,083)	–
At 31 December 2015	785,033	301,244	1,086,277
Depreciation			
At 1 January 2015	176,961	–	176,961
Disposal	–	–	–
Charged for the year	59,102	–	59,102
At 31 December 2015	236,063	–	236,063
NBV			
At 31 December 2015	548,970	301,244	850,214

	Nigerian ₦ million		
Cost	Production and field facilities	Assets under construction	Total
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 Differences	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 Differences	4,935	–	4,935
At 31 December 2014	32,608	–	32,608
NBV			
At 31 December 2014	65,047	76,715	141,762

48. Property, Plant and Equipment continued

	Nigerian ₦ million		
Cost	Production and field facilities	Assets under construction	Total
At 1 January	97,655	76,715	174,370
Addition	29,081	—	29,081
Changes in decommissioning	(1,360)	—	(1,360)
Transfer from asset under construction	22,790	(22,790)	—
At 31 December	148,166	53,925	202,091
Depreciation			
At 1 January	32,608	—	32,608
Disposal	—	—	—
Charged for the year	11,704	—	11,704
At 31 December	44,312	—	44,312
NBV			
At 31 December 2015	103,854	53,925	157,779

The Company's present and future assets (except jointly owned with NNPC/NPDC) along with 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 59).

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.

48b. Property, plant and equipment

	US\$ '000				
Cost	Plant & machinery	Motor vehicle	Office Furniture and IT equipment	Leasehold improvements	Total
At 1 January 2014	1,830	2,817	7,375	1,148	13,170
Addition	1,492	2,540	3,164	1,314	8,510
At 31 December 2014	3,322	5,357	10,539	2,462	21,680
Depreciation					
At 1 January 2014	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

	US\$ '000				
Cost	Plant & machinery	Motor vehicle	Office Furniture and IT equipment	Leasehold improvements	Total
At 1 January 2015	3,322	5,357	10,539	2,462	21,680
Addition	685	1,662	1,867	688	4,902
Disposals	—	(246)	—	—	(246)
At 31 December 2015	4,007	6,773	12,406	3,150	26,336
Depreciation					
At 1 January 2015	982	2,171	6,155	845	10,153
Disposals	—	(104)	—	—	(104)
Charged for the year	724	1,349	2,501	559	5,133
At 31 December	1,706	3,416	8,656	1,404	15,182
NBV					
At 31 December 2015	2,301	3,357	3,750	1,746	11,154

	Nigerian ₦ million				
Cost	Plant & machinery	Motor vehicle	Office Furniture and IT equipment	Leasehold improvements	Total
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

	Nigerian ₦ million				
Cost	Plant & machinery	Motor vehicle	Office Furniture and IT equipment	Leasehold improvements	Total
At 1 January	612	987	1,942	454	3,995
Addition	136	329	370	136	971
Disposal	—	(49)	—	—	(49)
Exchange difference	49	79	155	36	320
At 31 December	797	1,347	2,467	626	5,237
Depreciation					
At 1 January	181	400	1,134	156	1,871
Disposal	—	(21)	—	—	(21)
Charged for the year	143	267	495	111	1,016
Exchange difference	15	33	92	12	152
At 31 December	339	679	1,721	279	3,018
NBV					
At 31 December 2015	458	668	746	347	2,218

49. Intangible assets

	US\$ '000	Nigerian ₦ million
Cost:		
At 1 January 2015	414	76
Exchange difference	—	6
At 31 December 2015	414	82
Accumulated amortisation:		
At 1 January 2015	366	67
Charge for the year	47	9
Exchange difference	—	6
At 31 December 2015	413	82
NBV:		
At 31 December 2015	1	—
At 31 December 2014	48	9

Intangible assets relate to an oil mining licence granted to the Group that is expected to expire in 2019.

50. Prepayments (non-current)

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Tax paid in advance	31,623	31,623	6,288	5,827
Rent	2,760	2,614	549	482
Drilling services	2,371	5,333	471	983
Prepaid fees – NIPC	–	5,519	–	1,017
Prepaid others	–	15	–	2
	36,754	45,104	7,308	8,311

Included in prepayments are the following:

Tax paid in advance

In 2014, Seplat Petroleum Development Company paid \$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

In 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 building in Delta state is also non-cancellable and it expires in 2016. The long-term portion as at 31 December 2015 is \$2.8 million

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 \$20 million advance in relation to the exclusive use of these rigs. This \$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 2015 is \$2.4 million.

Prepaid fees – NIPC

This relates to fees for the pioneer period prepaid to Nigerian Investment Promotion Commission ('NIPC').

51. Investment in subsidiaries

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Newton Energy Limited	950	950		175
Seplat Petroleum Development UK	50	50	10	9
Seplat East Onshore Ltd	32	32	7	6
Seplat East Swamp Ltd	32	–	7	–
	1,064	1,032	212	190

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
Belemaoil Producing	(Nigeria)	56.25

52. Inventories

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Tubular, casing and wellheads	78,864	50,582	15,681	9,321
Foreign exchange difference	–	–	–	–
	78,864	50,582	15,681	9,321

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 \$0.19 million representing inventory charged to profit or loss during the year.

53. Trade and other receivables

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Trade receivables	95,332	115,116	18,956	21,212
Nigerian Petroleum Development Company (NPDC) receivables	491,974	463,118	97,824	85,337
Intercompany receivables	708,843	643,912	140,946	118,652
Deposit for investments	–	–	–	–
Advances	8,632	10,924	1,716	2,013
Underlift	7,041	–	1,400	–
Advances to suppliers	2,498	10,934	497	2,015
Hedging receivables	7,585	–	1,508	–
Other receivables	134	271	27	50
	1,322,039	1,244,275	262,874	229,279

Trade receivables

This mainly represents crude receivables on Mercuria (\$17 million), Shell (\$15 million) and gas receivables from NGC (\$62 million).

NPDC receivables:

Seplat has not yet remitted the sum of \$56.4 million due to NPDC on crude handling charges as of 31 December 2015; after considering this, net receivables due from NPDC are \$435 million. Subsequent to year end \$115 million was received as cash relating to the outstanding debt bringing the net balance to \$320 million, without considering current expenditure and cash calls.

Deposit for investment:

- \$45 million refundable deposit was made towards an investment in 2014 with potential vendors. This remains a deposit whilst negotiation between the parties continue.
- \$36.5 million was placed in an escrow account in London related to the same investment pending agreements of final terms. Out of this and in the period under review \$3.5 million has been paid out in consortium fees. See further note on subsequent events, note 70.

The ageing analysis of the trade receivables and amounts due from NPDC is as follows:

	US\$ '000						
	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables							
31 Dec 2015	95,332	58,490	5,261	7,165	8,145	9,039	7,232
31 Dec 2014	115,116	89,027	1,759	2,015	6,503	1,556	14,256
NPDC receivables							
31 Dec 2015	491,974	274,465	27,213	56,886	10,021	41,842	81,547
31 Dec 2014	463,118	207,495	68,097	120,743	36,491	0	30,292

	Nigerian ₦ million						
	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables							
31 Dec 2015	18,956	11,630	1,046	1,425	1,620	1,797	1,438
31 Dec 2014	21,212	16,405	324	371	1,198	287	2,627
NPDC receivables							
31 Dec 2015	97,824	54,575	5,411	11,311	1,993	8,320	16,215
31 Dec 2014	85,337	38,234	12,548	22,249	6,724	–	5,582

Shell Western Supply and Mercuria Trading Company have subsequently settled the outstanding balance of \$15.4 million and \$17.2 million in January 2016. NPDC has also paid a total of \$115 million from the outstanding balance after year-end. The remaining balance is expected to be fully paid during 2016.

54. Prepayments (current)

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Prepayments	10,679	13,304	2,123	2,451

Prepayments relate to prepaid rent and drilling services. See note 50.

55. Cash and short-term deposits

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.

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Cash on hand	50	60	10	11
Cash at bank	316,324	278,603	62,898	51,337
Short-term deposits	–	–	–	–
Cash and cash equivalents	316,374	278,663	62,908	51,348

At 31 December 2015, cash at bank included the debt service reserve of \$68.9 million (2014: \$46.5 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.

56. Financial instruments

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Derivatives not designated as hedges	23,194	5,432	4,612	1,001

In November 2015, management completed a crude oil price hedge of US\$45/bbl. for 3.3 million barrels at a cost of \$10m (US\$3.03/bbl.). The fair value of this hedge as at 31 December 2015 is \$23.2 million giving rise to a fair value gain of \$13.2 million.

57. Share capital and premium

57a. Share capital

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Nigerian Naira of 50k per share	3,335	3,335	500	500
Issued and fully paid				
560,576,1011 (2014: 553,310,313) issued shares denominated in Nigerian Naira of 50k per share	1,821	1,798	282	277

In 2015, the Company gave share options (14,939,102 shares) to certain employees and senior executives in line with its share-based incentive scheme. As at 31 December 2015, 7,265,788 shares had vested, resulting in an increase in number of issued and fully paid ordinary shares of 50k each from 553 million to 561 million.

57b. Share premium

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Gross proceeds	–	534,987	–	88,273
Share issue	–	(464)	–	(77)
Share premium	–	534,523	–	88,196
Issue costs	–	(37,066)	–	(6,116)
Issued share capital proceeds	–	497,457	–	82,080

In 2014, 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.

58. 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.

59. Interest bearing loans and borrowings

59a. Non-current

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Non-current				
Bank borrowings	556,346	239,767	110,624	44,181

59b. Current

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Current				
Bank borrowings	290,769	348,389	57,817	64,196

Bank loan

Syndicate credit facility

On 31 December 2014, Seplat signed a US\$1.7 billion debt refinancing package, made of the following facilities:

- US\$700 million seven year term loan with an ability to stretch it to US\$1.4bn contingent on a qualifying acquisition with a consortium of five local banks. This facility has a seven year maturity period.
- US\$300 million three year corporate revolver primarily to manage working capital requirements with a consortium of eight international banks. This facility has a three year maturity period.

As at 31 December 2015, Seplat had drawn down \$1 billion of this facility and made principal repayments in 2015. Interest accrues monthly on the principal amount outstanding at the LIBOR rate plus a margin ranging from 6.5 to 8.5%. The outstanding balance as of 31 December 2015 is \$863 million. As part of the Acquisition of OML 55, it was agreed with the shareholders of Belemaoil to take over its existing loan of \$52.5 million with Sterling Bank. This has been consolidated in the Group accounts.

Term loan	Interest	US\$ '000			Nigerian ₦ million		
		Current	Non-current	Total	Current	Non-current	Total
SBSA	8.5% + LIBOR	5,649	16,947	22,596	1,123	3,370	4,493
Stanbic	8.5% + LIBOR	5,649	16,947	22,596	1,123	3,370	4,493
FBN	8.5% + LIBOR	37,695	113,085	150,780	7,495	22,486	29,981
UBA	8.5% + LIBOR	37,695	113,085	150,780	7,495	22,486	29,981
Zenith Bank	8.5% + LIBOR	60,312	180,936	241,248	11,992	35,977	47,970
		147,000	441,000	588,000	29,228	87,689	116,917

59. Interest bearing loans and borrowings continued

Corporate Loan (US\$300M)	Interest	US\$ '000			Nigerian ₦ million		
		Current	Non-Current	Total	Current	Non-Current	Total
Citibank Nigeria Limited	6.00% + LIBOR	8,333	14,583	22,917	1,657	2,900	4,557
Firststrand Bank Limited Acting	6.00% + LIBOR	10,000	17,500	27,500	1,988	3,480	5,468
JPMorgan Chase Bank N A London	6.00% + LIBOR	10,000	17,500	27,500	1,988	3,480	5,468
Nedbank Limited, London Branch	6.00% + LIBOR	10,000	17,500	27,500	1,988	3,480	5,468
Bank Of America Merrill Lynch	6.00% + LIBOR	10,000	17,500	27,500	1,988	3,480	5,468
Standard Chartered Bank	6.00% + LIBOR	15,000	26,250	41,250	2,983	5,220	8,203
Citibank N.A.	6.00% + LIBOR	6,667	11,667	18,333	1,326	2,320	3,646
Natixis	6.00% + LIBOR	15,000	26,250	41,250	2,983	5,220	8,203
Stanbic Ibtcl Bank Plc	6.00% + LIBOR	7,500	13,125	20,625	1,491	2,610	4,101
The Standard Bank Of South Africa	6.00% + LIBOR	7,500	13,125	20,625	1,491	2,610	4,101
		100,000	175,000	275,000	19,883	34,800	64,683

Loans	US\$ '000	Nigerian ₦ million
Term loan	588,000	116,918
Corporate loan	275,000	54,681
Less: Capitalised loan transaction costs	(15,885)	(3,159)
	847,115	168,440

60. Provision for decommissioning obligation

	US\$ '000	Nigerian ₦ million
At 1 January 2014	14,578	2,263
Unwinding of discount due to passage of time	1,944	312
Change in estimate	(6,684)	(1,232)
Exchange difference	–	470
At 31 December 2014	9,838	1,813
Unwinding of discount due to passage of time	–	–
Change in estimate	(6,867)	(1,365)
Exchange difference	–	143
At 31 December 2015	2,971	591

The Company makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. This relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a “probable future sacrifice of economic benefits arising from a present obligation,” and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred in 2052 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 2052. 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 2015 was 11.1% (the year ended 31 December 2014: 14.64%). As of 31 December 2015, management has estimated decommissioning expenditure to occur in 2052 (31 December 2014: 2036).

61. Defined benefit plan

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Defined benefit Obligation	6,926	–	1,377	–
	6,926	–	1,377	–

The Company commenced its unfunded defined benefit plan (gratuity) in July 2015. The Company makes provisions for gratuity for employees from day one of employment in the Company. The employee qualifies to receive the gratuity on resignation or retirement from the Company after five years of continuous service. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity liability is adjusted to inflation, interest rate risks, changes in salary and changes in the life expectancy for the beneficiaries. The provision for gratuity was based on independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit method. The Company does not maintain any assets for the gratuity plan but ensures that it has sufficient funds for the obligations as they crystallize.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

61a. Net benefit expense 2015 (recognised in profit or loss)

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Current service cost	6,926	–	1,377	–
Interest cost on benefit obligation	–	–	–	–
	6,926	–	1,377	–

61b. Re-measurement gains/(losses) in other comprehensive income:

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Actuarial (gains)/losses	–	–	–	–
	–	–	–	–
	6,926	–	1,377	–

61c. Changes in the present value of the defined benefit obligation are as follows:

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Defined benefit obligation at 1 January	–	–	–	–
Current service cost	6,926	–	1,377	–
Interest cost	–	–	–	–
Benefits paid by the employer	–	–	–	–
Actuarial gains/losses	–	–	–	–
Defined benefit obligation at 31 December	6,926	–	1,377	–

61d. The principal assumptions used in determining defined benefit obligations for the Company's plans are shown below:

	%	
	31 Dec 2015	31 Dec 2014
Discount rate	12	–
Average future pay increase	12	–
Average future rate of inflation	9	–

61. Defined benefit plan continued**Mortality in service**

Sample age	Number of deaths in year out of 10,000 lives
25	7
30	7
35	9
40	14
45	26

61e. A quantitative sensitivity analysis for significant assumptions as at 31 December 2015 is as shown below:

Assumptions	US\$ '000					
	Discount rate		Salary increases		Mortality	
	1% increase	1% decrease	1% increase	1% decrease	Improved by 10%	Worsens by 10%
Sensitivity level: Impact on the net defined benefit obligation						
31 December 2015	6,115	(7,913)	7,939	(6,081)	6,982	(6,885)
31 December 2014	—	—	—	—	—	—
	6,115	(7,913)	7,939	(6,081)	6,982	(6,885)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Within the next 12 months (next annual reporting period)	298	—	59	—
Between 2 and 5 years	2,356	—	469	—
Between 5 and 10 years	9,378	—	1,864	—
	12,032	—	2,392	—

62. 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 2015 was \$394,561 (2014: \$331,958).

63. Trade and other payables

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Trade payable	125,166	75,409	24,888	13,896
Accruals and other payables	169,158	260,026	33,635	47,913
Overlift	—	9,811	—	1,808
NDDC levy	6,272	11,327	1,247	2,087
Deferred revenue	1,420	1,420	282	262
Royalties	25,212	24,413	5,013	4,498
Intercompany payable	24,578	11,703	4,887	2,157
	351,806	394,109	69,952	72,621

The accruals balance is mainly composed of other field-related accruals – \$63.4 million (2014: \$219.9 million) and NPDC payables – \$56.4 million.

64. 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.

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Profit for the year attributable to shareholders	60,164	271,236	11,914	43,529
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	560,576	508,120	560,576	508,120
Share options	189	—	189	—
Weighted average number of ordinary shares adjusted for the effect of dilution	560,765	508,120	560,765	508,120
	US\$	US\$	₦	₦
Basic earnings per share	0.11	0.53	22	85
Diluted earnings per share	0.11	0.53	22	85
	US\$ '000	US\$ '000	₦'m	₦'m
Earnings				
Profit attributable to equity holders of the Group	60,164	271,236	11,914	43,529
Profit used in determining diluted earnings per share	60,164	271,236	11,914	43,529

65. Dividends paid and proposed

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Cash dividends on ordinary shares declared and paid:				
Interim dividend for 2015: \$0.04 per share (2014: \$0.06 per share), 553,310,313 shares in issue	22,139	33,199	4,384	5,328
Final dividend for 2014: \$0.09 per share (2013: \$0.10 per share), 553,310,313 shares in issue (2013: 400,000,000 shares in issue)	49,701	40,000	9,842	6,419
	71,840	73,199	14,226	11,747
Proposed dividends on ordinary shares:				
Final cash dividend for 2015: \$0.04 per share, 560,764,710 issued and fully paid	22,431	49,800	4,460	9,163

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 2015.

66. Related party relationships and transactions

The following companies are common control entities as the companies are controlled by close family members:

- Abbey Court 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')

66. Related party relationships and transactions continued

Services provided by the related parties:

Abbeycourt Trading Company Limited: the Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations.

Abtrust Integrated Services: The Chief Executive Officer of Seplat's wife is 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 to the Company (2014: \$0.59 million).

Helko Nigeria Limited: The chairman of Seplat is shareholder and director. The company owns the lease to Seplat's main office at 25A Lugard Avenue, Lagos, Nigeria.

Keco Nigeria Enterprises: The Chief Executive Officer's sister is shareholder and director. The company provides diesel supplies to Seplat in respect of its rig operations.

Montego Upstream Services Limited: The chairman's nephew is shareholder and director. The company provides drilling and engineering services to Seplat.

Nabila Resources & Investment Ltd: The chairman's in-law is a shareholder and director. The company provides lubricant to Seplat.

Ndosumili Ventures Limited: is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.

Neimeth International Pharmaceutical Plc: The chairman of Seplat is also the chairman of this company. The company provides medical supplies and drugs to Seplat, which are used in connection with Seplat's corporate social responsibility and community healthcare programmes.

Nerine Support Services Limited: is 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 company seconded support staff to Seplat in Q1, 2015.

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 provides consulting services to Seplat.

The following transactions were carried out by related parties on behalf of Seplat:

a) Transactions:

i) Purchases of goods and services

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Shareholders:				
MPI	–	299	–	48
Shebah	1,517	1,936	302	311
Platform Petroleum Limited	35	201	7	32
	1,552	2,436	309	391
Entities under common control:				
Abbeycourt Trading Company Limited	2,362	4,329	470	695
Abtrust Integrated Services	–	50	–	8
Charismond Nigeria Limited	29	176	6	28
Cardinal Drilling Services Limited	17,244	36,612	3,429	5,875
Keco Nigeria Enterprises	1,896	3,596	377	577
Ndosumili Ventures Limited	1,350	2,759	268	443
Oriental Catering Services Limited	941	598	187	96
ResourcePro Inter Solutions Limited	1,841	2,913	366	467
Berwick Nigeria Limited	27	950	5	152
Montego Upstream Services Limited	9,449	17,328	1,879	2,781
Neimeth International Pharmaceutical Plc	–	28	–	5
Nerine Support Services Limited	21,015	31,277	4,179	5,019
Nabila Resources & Investment Ltd	226	455	45	73
Helko Nigeria Limited	566	2,379	113	382
D.D Dodo & Co	–	590	–	95
	56,946	104,040	11,324	16,696

ii) Interest expense

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Shareholders:				
MPI	–	960	–	154

66. Related party relationships and transactions continued

b) Balances:

Year-end balances arising from related party transactions:

iii) Prepayments/receivables

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Under common control:				
Cardinal Drilling Services Limited – current portion	12,632	10,934	1,716	2,015
Cardinal Drilling Services Limited – non current portion	1,333	5,333	1,060	983
Abbeycourt Petroleum Company Limited	–	–	–	–
	13,965	16,267	2,776	2,998

iv) Payables

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Shareholders:				
Loan from MPI	–	–	–	–
Other payables to MPI	–	1,223	–	225
	–	1,223	–	225

v) 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:

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Salaries and other short-term employee benefits	4,522	5,372	763	990
	4,522	5,372	763	990

67. Commitments and contingencies

67a. Operating lease commitments – Group as lessee

The Company 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:

	US\$ '000		Nigerian ₦ million	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Within one year	–	30,249	–	5,574
After one year but not more than five years	–	–	–	–
	–	30,249	–	5,574

67b. Commitments

The Group has commitments in OML 55. See note 24.

67c. Contingent liabilities

The Company is involved in a number of legal suits as defendant. The possible liabilities arising from these court proceedings amount to \$299.9 million (31 December 2015 - \$23,229,745). No provision has been made for this potential liability in these financial statements. Management and the Company's solicitors are of the opinion that the Company will suffer no loss from these claims.

Pursuant to an agreement reached by Newton in connection with a potential acquisition of an asset by a consortium, \$31m has been set aside (\$20 million in an escrow and \$11 million as prepaid agreed consortium fees) pending a final decision on proceeding with the investment. In the event that Newton at its discretion decides not to proceed \$31 million will be fully paid out and expensed to the parties, otherwise these amounts set aside will be applied as acquisition costs and amounts in escrow released to Newton.

68. 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 Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

68.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Company uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Company's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in deposit bearing current accounts, time deposits and money market deposits.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

							US\$ '000
31 Dec 2015	Effective interest rate %	Less than 1 year	1–2 years	2–3 years	3–5 years	After 5 years	Total
Variable interest rate borrowings:							
Bank loans:							
Zenith Bank Plc	8.5% + LIBOR	81,976	70,418	51,200	74,753	24,104	302,451
First Bank of Nigeria Limited	8.5% + LIBOR	51,235	44,012	32,000	46,721	15,065	189,033
United Bank for Africa Plc	8.5% + LIBOR	51,235	44,012	32,000	46,721	15,065	189,033
Stanbic IBTC Bank Plc	8.5% + LIBOR	7,678	6,596	4,796	7,002	2,258	28,330
The Standard Bank of South Africa Limited	8.5% + LIBOR	7,678	6,596	4,796	7,002	2,258	28,330
Standard Chartered Bank	6.00% + LIBOR	17,534	27,711	–	–	–	45,245
Natixis	6.00% + LIBOR	17,534	27,711	–	–	–	45,245
Citibank Nigeria Ltd and Citibank NA	6.00% + LIBOR	17,534	27,711	–	–	–	45,245
Bank of America Merrill Lynch Int'l Ltd	6.00% + LIBOR	11,689	18,474	–	–	–	30,163
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.00% + LIBOR	11,689	18,474	–	–	–	30,163
JP Morgan Chase Bank NA, London Branch	6.00% + LIBOR	11,689	18,474	–	–	–	30,163
NedBank Ltd, London Branch	6.00% + LIBOR	11,689	18,474	–	–	–	30,163
Stanbic IBTC Bank Plc	6.00% + LIBOR	8,767	13,856	–	–	–	22,623
The Standard Bank of South Africa Ltd	6.00% + LIBOR	8,767	13,856	–	–	–	22,623
Trade, other payables	–	351,806	–	–	–	–	351,806
		668,500	356,375	124,792	182,199	58,750	1,390,616

68. Financial risk management continued

US\$ '000

31 Dec 2014	Effective interest rate %	Less than 1 year	1–2 years	2–3 years	3–5 years	After 5 years	Total
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	7.5% + LIBOR	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

Nigerian ₦ million

31 Dec 2015	Effective interest rate %	Less than 1 year	1–2 years	2–3 years	3–5 years	After 5 years	Total
Variable interest rate borrowings:							
Bank loans:							
Zenith Bank Plc	8.5% + LIBOR	16,300	14,002	10,181	14,864	4,793	60,140
First Bank of Nigeria Limited	8.5% + LIBOR	10,188	8,751	6,363	9,290	2,996	37,588
United Bank for Africa Plc	8.5% + LIBOR	10,188	8,751	6,363	9,290	2,996	37,588
Stanbic IBTC Bank Plc	8.5% + LIBOR	1,527	1,312	954	1,392	449	5,634
The Standard Bank of South Africa Limited	6.00% + LIBOR	1,527	1,312	954	1,392	449	5,634
Standard Chartered Bank	6.00% + LIBOR	3,486	5,510	–	–	–	8,996
Natixis	6.00% + LIBOR	3,486	5,510	–	–	–	8,996
Citibank Nigeria Ltd and Citibank NA	6.00% + LIBOR	3,486	5,510	–	–	–	8,996
Bank of America Merrill Lynch Int'l Ltd	6.00% + LIBOR	2,324	3,673	–	–	–	5,997
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.00% + LIBOR	2,324	3,673	–	–	–	5,997
JP Morgan Chase Bank NA, London Branch	6.00% + LIBOR	2,324	3,673	–	–	–	5,997
NedBank Ltd, London Branch	6.00% + LIBOR	2,324	3,673	–	–	–	5,997
Stanbic IBTC Bank Plc	6.00% + LIBOR	1,743	2,755	–	–	–	4,498
The Standard Bank of South Africa Ltd	6.00% + LIBOR	1,743	2,755	–	–	–	4,498
Trade, other payables	–	69,952	–	–	–	–	69,952
		132,922	70,860	24,815	36,228	11,683	276,508

Nigerian ₦ million

31 Dec 2015	Effective interest rate %	Less than 1 year	1–2 years	2–3 years	3–5 years	After 5 years	Total
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	7.5% + LIBOR	19,582	–	–	–	–	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	–	–	–	–	71,699
Contingent consideration	–	–	1,728	–	–	–	1,728
		172,228	62,532	10,428	9,758	–	254,946

69. Information relating to employees

a. Chairman and Directors' emoluments:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Fees	2,461	2,254	487	415
Chairman (Non-Executive)	1,125	1,092	223	201
Chief Executive Officer	1,645	1,572	326	290
Executive Directors	2,917	3,073	578	566
Non-Executive Directors	–	203	–	37
JV Partner Share	(2,208)	(3,276)	(437)	(604)
Bonus	1,661	1,890	329	322
Total	7,601	6,808	1,506	1,227

b. Highest paid Director

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Highest paid Director	1,645	1,572	326	290

Emoluments are inclusive of income taxes. Subsequent to the year end, the Remuneration Committee approved 25% of the bonus of \$1.66million to the CEO and Executive Directors as shares in the Company.

c. The number of directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	US\$ '000	
	2015 Number	2014 Number
Zero – \$65,000	–	4
\$65,001 – \$378,000	7	–
\$378,001 – \$516,000	–	–
\$516,000 and above	4	6
	11	10

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:

	US\$ '000	
	2015 Number	2014 Number
\$6,500 – \$16,000	4	–
\$16,001 – \$32,000	6	1
\$32,001 – \$48,000	76	39
Above \$48,000	303	300
	389	340

69. Information relating to employees continued

e. The average number of persons (excluding Directors) employed by the Company during the year was as follows:

	2015 Number	2014 Number
Senior management	19	17
Managers	68	55
Senior staff	111	93
Junior staff	191	175
	389	340

f. Employee costs:

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to \$19,057 million (2014: \$21,485 million) as follows:

	US\$ '000		Nigerian ₦ million	
	2015	2014	2015	2014
Salaries & wages	19,057	18,205	3,774	3,355
Bonus	—	3,280	—	604
	19,057	21,485	3,774	3,959

70. Events after the reporting period

70.1 Investments

On 1 February 2016, Seplat took over OMLs 53 & 55 from Chevron Nigeria Limited ('CNL') following the ruling of the Supreme Court of Nigeria which ruled in favour of Seplat, Belema Oil Producing Limited and Chevron Nigeria Limited ('CNL') in a litigation brought against the parties by Britannia-U Nigeria Limited.

Statement of value added

For the year ended 31 December 2015

The Group	US\$ '000				Nigerian ₦ million			
	2015	%	2014	%	2015	%	2014	%
Revenue	570,477		775,019		112,972		124,377	
Cost of goods and other services:								
Local	(220,322)		(295,375)		(29,210)		(22,874)	
Foreign	(95,889)		(126,589)		(12,809)		(9,803)	
Other income	15,511		11,996		3,072		1,925	
Valued added	269,777		365,051		74,024		93,625	
Applied as follows:								
To employees:								
- as salaries and labour related expenses	24,156	9	18,205	5	4,784	6	2,922	3
To external providers of capital:								
- as interest	83,588	31	49,319	14	16,553	22	7,915	8
To Government:								
- as company taxes	239	0	—	—	47	0	—	—
Retained for the Company's future:								
- For asset replacement – depreciation, depletion & amortisation	73,099	27	45,306	12	14,476	20	7,256	8
Deferred tax	21,233	8	—		4,205	6		
- Profit for the year	67,462	25	252,221	69	33,960	46	75,532	81
	269,777	100	365,051	100	74,024	100	93,625	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.

The Company	US\$ '000				Nigerian ₦ million			
	2015	%	2014	%	2015	%	2014	%
Revenue	497,867		755,508		98,593		121,246	
Cost of goods and other services:								
Local	(186,824)		(272,307)		(30,325)		(18,912)	
Foreign	(88,680)		(116,703)		(14,702)		(8,105)	
Other income	15,511		14,784		3,072		2,373	
Valued added	237,874		380,782		56,638		96,601	
Applied as follows:								
To employees:								
- as salaries and labour related expenses	19,753	8	17,046	4	3,912	7	2,736	3
To external providers of capital:								
- as interest	77,338	33	49,319	13	15,315	27	7,915	8
To Government:								
- as company taxes	—	0	—	—	—	0	—	—
Retained for the Company's future:								
- For asset replacement – depreciation, depletion & amortisation	64,235	27	43,181	11	12,720	22	6,915	7
Deferred tax	16,384	7	—		3,245	6		
- Profit for the year	60,164	25	271,236	72	21,446	38	79,035	82
	237,874	100	380,782	100	56,638	100	96,601	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.

Financial summary

For the year ended 31 December 2015

		US\$ '000					
The Group	Notes	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	1 Jan 2011
Assets							
Non-current assets							
Oil & gas properties	11a	1,436,950	843,603	577,954	379,931	301,334	351,540
Other property, plant and equipment	11b	11,602	13,459	7,553	6,184	3,411	5,016
Intangible assets	12	1	48	141	234	324	414
Goodwill	13	2,000	—	—	—	—	—
Deferred tax asset		—	—	—	26042	52298	29382
Prepayments	15	36,754	131,466	108,910	14,208	1,000	314
Total non-current assets		1,487,307	988,576	694,558	426,599	358,367	386,666
Current assets							
Inventories	17	82,468	54,416	43,112	24,949	10,903	0
Trade and other receivables	18	811,255	1,060,854	410,430	294,302	100,136	112,521
Prepayments	19	11,640	14,224	—	—	—	—
Cash & short-term deposits	20	326,029	285,298	169,461	154,332	201,777	30,368
Other current financial assets		—	890	—	—	—	—
Derivatives not designated as hedges	21	23,194	5,432	—	—	—	—
Total current assets		1,254,586	1,421,114	623,003	473,583	312,816	142,889
Total assets		2,741,893	2,409,690	1,317,561	900,182	671,183	529,555
Equity and liabilities							
Equity							
Issued share capital	22a	1,821	1,798	1,334	690	690	690
Share premium	22b	497,457	497,457	—	0	—	—
Share equity reserve	22c	8,734	—	—	—	—	—
Capital contribution	23	40,000	40,000	40,000	40,000	40,000	40,000
Retained earnings		865,485	869,861	690,807	141,183	66,084	12,660
Foreign translation reserve	24	325	26	58	—	—	—
Non-controlling interest	25	(745)	—	—	—	—	—
Total shareholders' equity		1,413,077	1,409,142	732,199	181,873	106,774	53,350
Non-current liabilities							
Interest bearing loans and borrowings	26a	608,846	239,767	120,850	146,358	247,281	47,979
Deferred tax liabilities	9a	21,233	—	—	119,404	54,521	—
Contingent consideration	27	21,900	9,377	8,245	—	—	24240
Provision for decommissioning obligation	28	3,869	12,690	15,176	15,727	10,112	8,793
Defined benefit plan	29	6,926	—	—	—	—	—
Total non-current liabilities		662,774	261,834	144,271	281,489	311,914	81,012
Current liabilities							
Interest bearing loans and borrowings	26b	290,769	348,389	189,753	101,247	189,753	189,753
Contingent consideration		—	—	—	—	32,858	—
Trade and other payables	31	375,033	390,325	251,338	258,355	102,386	97,268
Tax payable		239	0	0	77,218	63,001	25,829
Total current liabilities		666,041	738,714	441,091	436,820	252,495	395,193
Total liabilities		1,328,815	1,000,548	585,362	718,309	564,409	476,205
Total shareholders' equity and liabilities		2,741,893	2,409,690	1,317,561	900,182	671,183	529,555

		US\$ '000					
The Company	Notes	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	1 Jan 2011
Assets							
Non-current assets							
Oil & gas properties	48a	850,213	769,331	512,737	379,931	301,334	351,540
Other property, plant and equipment	48b	11,154	11,527	6,605	6,184	3,411	5,016
Intangible assets		1	48	141	234	324	414
Deferred tax asset		—	—	—	26,042	52,298	29,382
Prepayments	50	36,754	45,104	108,910	14,208	1,000	314
Investment in subsidiaries	51	1,064	1,032	1,000	0	0	0
Total non-current assets		899,186	827,042	629,393	426,599	358,367	386,666
Current assets							
Inventories	52	78,864	50,582	39,508	24,949	10,903	0
Trade and other receivables	53	1,322,039	1,244,275	471,792	294,302	100,136	112,521
Prepayments	54	10,679	13,304	—	—	—	—
Cash & short-term deposits	55	316,374	278,663	150,172	154,332	201,777	30,368
Other current financial assets		—	858	—	—	—	—
Derivatives not designated as hedges	56	23,194	5,432	—	—	—	—
Total current assets		1,751,149	1,593,114	661,472	473,583	312,816	142,889
Total assets		2,650,335	2,420,156	1,290,865	900,182	671,183	529,555
Equity and liabilities							
Equity							
Issued share capital	57a	1,821	1,798	1,334	690	690	690
Share premium	57b	497,457	497,457	—	0	—	—
Equity share reserve	22c	8,734	—	—	—	—	—
Capital contribution	58	40,000	40,000	40,000	40,000	40,000	40,000
Retained earnings		877,123	888,798	690,761	141,183	66,084	12,660
Total shareholders' equity		1,425,134	1,428,053	732,095	181,873	106,774	53,350
Non-current liabilities							
Interest bearing loans and borrowings	59a	556,346	239,767	120,850	146,358	247,281	47,979
Deferred tax liabilities	46	16,384	—	—	119,404	54,521	—
Contingent consideration		—	—	—	—	—	24,240
Provision for decommissioning obligation	60	2,971	9,838	14,578	15,727	10,112	8,793
Defined benefit plan	61	6,926	—	—	—	—	—
Total non-current liabilities		582,627	249,605	135,428	281,489	311,914	81,012
Current liabilities							
Interest bearing loans and borrowings	59b	290,769	348,389	189,753	101,247	189,753	189,753
Contingent consideration		—	—	—	—	32,858	—
Trade and other payables	63	351,806	394,109	233,589	258,355	102,386	97,268
Tax payable		—	0	0	77,218	63,001	25,829
Total current liabilities		642,575	742,498	423,342	436,820	252,495	395,193
Total liabilities		1,225,201	992,103	558,770	718,309	564,409	476,205
Total shareholders' equity and liabilities		2,650,335	2,420,156	1,290,865	900,182	671,183	529,555

Supplementary financial information (unaudited)

For the year ended 31 December 2015

1. Estimated quantities of proved plus probable reserves

	Oil & NGLs MMbbls	Natural gas Bscf	Oil equivalent MMboe
At 31 Dec 2014	138.5	827.0	281.1
Revisions	17.0	63.0	27.9
Discoveries and extensions	—	9.8	1.7
Acquisitions	62.8	706.0	184.5
Production	(9.4)	(36.6)	(15.0)
At 31 Dec 2015	208.9	1,573.2	480.2

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	
	2015 US\$ '000	2014 US\$ '000	2015 US\$ '000	2014 US\$ '000
Capitalised costs:				
Unproved properties	—	—	—	—
Proved properties	1,684,571	1,023,128	1,083,276	946,292
Total capitalised costs	1,684,571	1,023,128	1,083,276	946,292
Accumulated depreciation	(247,621)	(179,525)	(236,062)	(176,961)
Net capitalised costs	1,436,950	843,603	850,214	769,331

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 2015 are:

		Original	Term in years expired	Unexpired
Seplat	OML 4, 38 & 41	10	6	4
Newton	OML 56	10	6	4
Seplat East Swamp	OML 53	30	18	12
Seplat Swamp	OML 55	30	18	12

4. Results of operations for oil producing activities

	The Group		The Company	
	2015 US\$ '000	2014 US\$ '000	2015 US\$ '000	2014 US\$ '000
Revenue	570,477	775,019	497,867	755,508
Other income	15,511	11,996	15,511	14,784
Production and administrative expenses	(430,812)	(489,456)	(377,727)	(455,875)
Depreciation & amortisation	(68,097)	(45,306)	(59,102)	(43,181)
Profit before taxation	87,079	252,253	76,548	271,236
Taxation	(21,472)	—	(16,384)	—
Profit after taxation	65,607	252,253	60,164	271,236

Notice of third Annual General Meeting

(Registered with the Corporate Affairs Commission of Nigeria under number RC 824838)

NOTICE is hereby given that the third Annual General Meeting of Seplat Petroleum Development Company Plc (the 'Company') will hold at the Civic Centre, Ozumba Mbadiwe Road, Victoria Island, Lagos, Nigeria at 11:00 a.m. on Wednesday, 1 June 2016 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 Annual accounts, Directors' report, Auditors' report for the year ended 31 December 2015 and the Audit Committee report.
2. To approve the Remuneration section of the Directors' Remuneration Report set out in the Annual Report and Accounts for the year ended 31 December 2015¹.
3. To declare a dividend recommended by the Board of Directors of the Company in respect of the financial year ended 31 December 2015.
4. To re-appoint Ernst & Young Nigeria as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which the Company's annual accounts are laid.
5. To authorize the Board of Directors of the Company to determine the auditors' remuneration.
6. To re-elect those Directors of the Company who are eligible for retirement by rotation.
7. To elect members of the Audit Committee.

Copies of the Annual Report & Financial Statements of Seplat Petroleum Development Company Plc for the financial year ended 31 December 2015 will be mailed to the shareholders and will be available on our website: www.seplatpetroleum.com. Printed versions can also be obtained by contacting DataMax Registrars in Nigeria at 2C Gbagada Expressway, Gbagada, Lagos/+ 234 1 7120008-11; or Computershare in the UK on +44 (0) 370 702 000.

By Order of the Board.



Dr. Mirian Kene Kachikwu

FRC/2015/NBA/00000010739

General Counsel/Company Secretary

Dated 20 April 2016.

1. This is set out on pages 92 to 100 of the Annual Report and Accounts for the year ended 31 December 2015. In accordance with UK remuneration reporting rules, this is an advisory vote.

Notes:

1. PROXY:

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her/its place. A proxy need not be a member of the Company. For the appointment to be valid for the purposes of the meeting, a completed and duly stamped proxy form must be deposited at the office of the Registrar, DataMax Registrars Limited, 2C Gbagada Express Way, Gbagada, Lagos or at the head office of the Company, marked for the attention of the "Company Secretary" or by email to proxy@seplatpetroleum.com, not less than 48 hours before the time fixed for the meeting. For convenience purposes, a blank proxy form is attached to the 2015 Annual Report & Accounts, both of which are available at the Company's website: www.seplatpetroleum.com and at the Company's head office: 25a Lugard Avenue, Ikoyi, Lagos.

2. CLOSURE OF REGISTER:

The Register of Members and Transfer Books of the Company (Nigeria & UK) will be closed on Friday, 20 May 2016 in accordance with the provisions of section 89 of CAMA, to enable the Registrars prepare for the Annual General Meeting and payment of dividend.

3. DIVIDEND AND E-DIVIDEND PREPARE:

If the dividend recommended by the Board of Directors is approved by members at the Annual General Meeting, it will be paid on or around 9 June 2016 to the shareholders whose names appear in the Company's Register of Members at the close of business on Thursday, 19 May 2016. Shareholders are kindly requested to advise DataMax Registrars Limited of their updated records and relevant bank accounts for the payment of their dividends, by completing the e-mandate form. The e-mandate form can be downloaded from DataMax Registrars Limited's website at <http://www.datamaxregistrars.com>. The duly completed form(s) should be returned to DataMax Registrars Limited, No, 2c Gbagada Expressway, Gbagada Phase 1, Lagos.

4. NOMINATION FOR AUDIT COMMITTEE:

In accordance with section 359(4) & (5) of the Companies and Allied Matters Act 2004, the Audit Committee shall consist of an equal number of directors and representatives of the shareholders of the Company (subject to a maximum number of six (6) members). Any shareholder may nominate a shareholder as a member of the Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least twenty-one (21) days before the Annual General Meeting.

5. RE-ELECTION OF DIRECTORS

The following two Independent Non-Executive Directors who have stayed longest in office will retire and stand for re-election:

- i. Ifueko Omoigui-Okauru
- ii. Damian Dodo (S.A.N.)

The profiles of these Directors are available on page 59 of the Annual Report.

6. RIGHT OF SECURITIES' HOLDERS TO ASK QUESTIONS

In line with Rule 19.12(c) of the Listing Rules of the Nigerian Stock Exchange, Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting. Questions submitted prior to the Meeting should be addressed to the Company Secretary and must reach the head office of the Company no later than 7 days before the date of the Meeting (being 25 May 2016).

General information

Board of Directors

A.B.C. Orjiako	Non-Executive Chairman
Austin Avuru	Chief Executive Officer (Executive Director)
Stuart Connal	Chief Operating Officer (Executive Director)
Roger Brown	Chief Financial Officer (Executive Director)
Michael Alexander	Senior Independent Non-Executive Director
Basil Omiyi	Independent Non-Executive Director
Lord Mark Malloch-Brown	Independent Non-Executive Director
Charles Okeahalam	Independent Non-Executive Director
Ifueko Omoigui-Okauru	Independent Non-Executive Director
Damian Dodo	Independent Non-Executive Director
Macaulay Agbada Ofurhie	Non-Executive Director
Michel Hochard	Non-Executive Director

Company Secretary

Dr. Mirian Kene 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.
Berwin Leighton Paisner
D.D. Dodo & Co.
Ogaga Ovwah & Co.
Olaniwun Ajayi LP
Streamsworth & Kohn
Thompson Okpoko & Partners
Winston & Strawn London LLP

Bankers

Access Bank Plc
Citibank Nigeria Limited
Diamond Bank Plc
First Bank of Nigeria Plc
GT Bank Plc
HSBC Bank
Skye Bank Plc
Stanbic IBTC Bank Plc
Standard Chartered Bank Nigeria Limited
United Bank for Africa Plc
Zenith Bank Plc

Brokers

Citigroup Global Markets
25 Canada Square,
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

km²

Square kilometres

LACT

Lease Automated Custody Transfer unit; facility used for accurately metering liquids production

LFN

Laws of the Federation of Nigeria

Licence/Block

Area of specified size, which is licensed to a company by the government for production of oil and gas

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.

This report is printed on Edixion Offset and Magno Satin paper. Manufactured at a mill that is FSC® accredited.
Printed by Principal Colour. Principal Colour are ISO 14001 certified, Alcohol Free and FSC® Chain of Custody certified.

Designed and produced by **SampsonMay**
Telephone: 020 7403 4099 www.sampsonmay.com

**Seplat Petroleum
Development
Company Plc**

Head Office

25A, Lugard Avenue,
Ikoyi, Lagos, Nigeria

London Office

Fourth Floor,
50 Pall Mall,
London SW1Y 5JH
United Kingdom

www.seplatpetroleum.com