



# Interim management statement and consolidated interim financial results

For the three months ended 31  
March 2017 (expressed in US  
Dollars and Naira)

28 April 2017

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Seplat Petroleum Development Company Plc

# Seplat Petroleum Development Company Plc

## Interim management statement and consolidated interim financial results for the three months ended 31 March 2017

Lagos and London, 28 April 2017: Seplat Petroleum Development Company Plc (“Seplat” or the “Company”), a leading Nigerian independent oil and gas company listed on both the Nigerian Stock Exchange and London Stock Exchange, today announces its first quarter results. Information contained within this release is un-audited and is subject to further review.

### Key points

#### Alternative export route

- Upgrades and repairs recently completed on one of two jetties at the Warri refinery and barging operations are being re-established with loading of one 100,000 bbl cargo from the upgraded jetty completed on 27 April
- Work on the second jetty is progressing well and on-track to be operational during Q2. The upgraded jetties will enable sustained exports of 30,000 bopd (gross)
- Completion of the 160,000 bopd Amukpe to Escravos pipeline prioritised by the Nigerian government and anticipated in H2 2017
- The Forcados Terminal remains under force majeure at the date of this announcement

#### Strong performance of the gas business

- Net working interest gas production 95 MMscfd and gas revenues of US\$25 million (53% of total Q1 revenues)
- Expansion of gross processing capacity to 525 MMscfd provides headroom to increase contracted gas sales (actively engaged with counterparties) and handle 3<sup>rd</sup> party volumes

#### Financials reflect lower oil exports via the Warri refinery route whilst jetty upgrades and repairs were undertaken

- Revenue US\$47.3 million and gross profit US\$19.1 million; 22% year-on-year reduction in G&A helped narrow operating loss to US\$1.3 million; loss for the period after net finance costs US\$18.3 million and loss after tax US\$19.1 million
- Cash generated from operations US\$51.6 million versus capex incurred of US\$4.9 million
- Average oil price realisation US\$48.34/bbl (2016 :US\$35.4/bbl); average gas price US\$3.05/Mscf (2016: US\$2.98/Mscf)

#### Continued to reduce debt, improve balance sheet and preserve liquidity buffer

- US\$33 million debt principal repayments made in Q1; gross debt at 31 March stood at US\$643 million (down from US\$676 million at 31 December 2016) and net debt US\$487 million (down from US\$516 million at 31 December 2016)
- Cash at bank at 31 March US\$156 million
- NPDC headline receivable at 31 March US\$230 million; net receivable US\$220 million after adjusting for FX, interest and impairment<sup>†</sup>
- Discussions underway with lenders on the three year corporate facility with a view to extending the facility until end December 2018

#### Working interest production for the first three months of 2017<sup>(1)</sup>

	Seplat %	Gross			Working Interest		
		Liquids Bopd	Gas MMscfd	Oil equivalent Boepd	Liquids bopd	Gas MMscfd	Oil equivalent boepd
OMLs 4, 38 & 41	45.0%	7,721	211	42,854	3,474	95	19,284
OPL 283	40.0%	1,805	-	1,805	722	-	722
OML 53	40.0%	2,290	-	2,290	916	-	916
<b>Total</b>		<b>11,816</b>	<b>211</b>	<b>46,949</b>	<b>5,112</b>	<b>95</b>	<b>20,922</b>

<sup>(1)</sup> Liquid production volumes as measured at the LACT unit for OMLs 4, 38 and 41 and OPL 283 flow station. Volumes stated are subject to reconciliation and will differ from sales volumes within the period. Working interest sales volumes in the period were 1.9 MMboe, comprising 0.5 MMbbls oil and condensate and 1.4 MMboe gas.

<sup>†</sup> Note the commercial position does not follow accounting treatment as receivables are determined in the functional currency (i.e. US Dollar) which forms part of the “value for money” process currently underway with NPDC

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

“The first quarter of 2017 is a transitional period for Seplat in which our oil sales have been constrained whilst we electively undertook the necessary upgrade and repair work on two jetties at the Warri refinery to give us the future benefit of doubling barging volumes and stabilising exports via that route at a gross rate of 30,000 bopd. Alongside this we are collaborating with and supporting government on completion of the Amukpe to Escravos pipeline that will offer a third export route to Seplat and help to significantly de-risk the distribution of our oil production to market. These proactive management actions, combined with the consistently strong performance of our gas business and continued strict financial discipline to preserve a liquidity buffer, should lead to a much improved performance outlook over the remainder of 2017 and beyond, with a much greater level of in-built resilience to such external shocks”.

**Important notice**

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

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

**Enquiries:****Seplat Petroleum Development Company Plc**

Roger Brown, CFO	+44 203 725 6500
Andrew Dymond, Head of Investor Relations	
Ayeesha Aliyu, Investor Relations	+234 1 277 0400
Chioma Nwachuku, GM - External Affairs and Communications	

**FTI Consulting**

Ben Brewerton / Sara Powell / George Parker	+44 203 727 1000
<a href="mailto:seplat@fticonsulting.com">seplat@fticonsulting.com</a>	

**Citigroup Global Markets Limited**

Tom Reid / Luke Spells	+44 207 986 4000
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**Investec Bank plc**

Chris Sim / George Price	+44 207 597 4000
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**Notes to editors**

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

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

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# **Interim Condensed Consolidated Financial Statements (Unaudited)**

Expressed in US Dollars ('USD') and Naira ('NGN')

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

for the first quarter ended 31 March 2017

	Note	3 months ended	3 months ended	3 months ended	3 months ended
		31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
		Unaudited	Unaudited	Unaudited	Unaudited
		\$'000	\$'000	₦'m	₦'m
Revenue	6	47,299	83,416	14,474	16,585
Cost of sales	7	(28,184)	(53,780)	(8,624)	(10,692)
Gross profit		19,115	29,636	5,850	5,893
General and administrative expenses	8	(16,759)	(21,449)	(5,129)	(4,264)
Gain/ (loss) on foreign exchange - net	9	1,730	(2,441)	529	(485)
Fair value loss	10	(5,433)	(801)	(1,662)	(159)
Operating (loss)/gain		(1,347)	4,945	(412)	985
Finance income	11	210	2,700	64	537
Finance costs	11	(17,181)	(22,639)	(5,257)	(4,501)
Loss before taxation		(18,318)	(14,994)	(5,605)	(2,979)
Taxation	12	(819)	(7,550)	(250)	(1,501)
Loss for the period		(19,137)	(22,544)	(5,855)	(4,480)
Loss attributable to equity holders of parent		(19,137)	(18,829)	(5,855)	(3,741)
Loss attributable to non-controlling interest		-	(3,715)	-	(739)
<b>Other comprehensive income/(loss):</b>					
Items that may be classified to profit or loss:					
Foreign currency translation difference		-	-	2,452	(530)
Total comprehensive loss for the period		(19,137)	(22,544)	(3,403)	(5,010)
Loss attributable to equity holders of parent		(19,137)	(18,829)	(3,403)	(4,271)
Loss attributable to non-controlling interest		-	(3,715)	-	(739)
Loss per share (\$)/(₦)	13	(0.03)	(0.03)	(10.39)	(6.67)
Diluted loss per share (\$)/(₦)	13	(0.03)	(0.03)	(10.33)	(6.67)

# Interim condensed consolidated statement of financial position


As at 31 March 2017

		As at 31 Mar 2017	As at 31 Dec 2016	As at 31 Mar 2017	As at 31 Dec 2016
		Unaudited	Audited	Unaudited	Audited
Note		\$'000	\$'000	₦'m	₦'m
<b>Assets</b>					
<b>Non-current assets</b>					
		1,217,941	1,224,400	373,908	373,442
		7,151	7,967	2,195	2,430
		250,090	250,090	76,778	76,277
		31,957	33,616	9,811	10,253
		1,507,139	1,516,073	462,692	462,402
<b>Current assets</b>					
		104,040	106,213	31,940	32,395
	15	397,092	390,694	121,908	119,160
		4,070	6,672	1,249	2,035
		155,710	159,621	47,803	48,684
		660,912	663,200	202,900	202,274
		2,168,051	2,179,273	665,592	664,676
<b>Equity and liabilities</b>					
<b>Equity</b>					
	16	1,826	1,826	283	283
		497,457	497,457	82,080	82,080
	16	13,447	12,135	2,998	2,597
		40,000	40,000	5,932	5,932
		659,785	678,922	79,197	85,052
		3,675	3,675	202,881	200,429
		1,216,190	1,234,015	373,371	376,373
<b>Non-current liabilities</b>					
	14	413,841	446,098	127,049	136,060
		338	-	104	-
		12,480	12,040	3,831	3,672
		620	597	190	182
		5,667	5,112	1,740	1,559
		432,946	463,847	132,914	141,473
<b>Current liabilities</b>					
	14	218,000	217,998	66,926	66,489
	17	298,549	261,528	91,655	79,766
		2,366	1,885	726	575
		518,915	481,411	159,307	146,830
		951,861	945,258	292,221	288,303
		2,168,051	2,179,273	665,592	664,676

# Interim condensed consolidated statement of financial position continued

As at 31 March 2017

The financial statements on pages 5 to 28 were approved and authorised for issue by the board of directors on 20 April 2017 and were signed on its behalf by



**A. B. C. Orjiako**  
FRC/2014/IODN/00000003161  
Chairman  
28 April 2017



**A. O. Avuru**  
FRC/2014/IODN/00000003100  
Chief Executive Officer  
28 April 2017



**R.T. Brown**  
FRC/2015/IODN/00000007983  
Chief Financial Officer  
28 April 2017

# Interim condensed consolidated statement of changes in equity continued

for the first quarter ended 31 March 2017

for the first quarter ended 31 March 2016

	Issued share capital	Share premium	Capital contribution	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2016	1,821	497,457	40,000	8,734	325	865,483	1,413,820	(745)	1,413,075
Loss for the period	-	-	-	-	-	(18,829)	(18,829)	(3,715)	(22,544)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(18,829)	(18,829)	(3,715)	(22,544)
Transactions with owners in their capacity as owners:									
Employee share schemes	-	-	-	805	-	-	805	-	805
Dividends	-	-	-	-	-	-	-	-	-
Total	-	-	-	805	-	-	805	-	805
At 31 March 2016 (unaudited)	1,821	497,457	40,000	9,539	325	846,654	1,395,796	(4,460)	1,391,336

for the first quarter ended 31 March 2017

	Issued share capital	Share premium	Capital contribution	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2017	1,826	497,457	40,000	12,135	3,675	678,922	1,234,015	-	1,234,015
Loss for the period	-	-	-	-	-	(19,137)	(19,137)	-	(19,137)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(19,137)	(19,137)	-	(19,137)
Transactions with owners in their capacity as owners:									
Employee share schemes	-	-	-	1,312	-	-	1,312	-	1,312
Dividends	-	-	-	-	-	-	-	-	-
Total	-	-	-	1,312	-	-	1,312	-	1,312
At 31 March 2017 (unaudited)	1,826	497,457	40,000	13,447	3,675	659,785	1,216,190	-	1,216,190



# Interim condensed consolidated statement of changes in equity continued

for the first quarter ended 31 March 2017

for the first quarter ended 31 March 2016

	Issued share capital	Share premium	Capital contribution	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
At 1 January 2016	282	82,080	5,932	1,729	56,182	134,919	281,124	(148)	280,976
Loss for the period	-	-	-	-	-	(3,741)	(3,741)	(739)	(4,480)
Other comprehensive loss	-	-	-	-	(530)	-	(530)	-	(530)
Total comprehensive loss for the period	-	-	-	-	(530)	(3,741)	(4,271)	(739)	(5,010)
Transactions with owners in their capacity as owners:									
Employee share schemes	-	-	-	161	-	-	161	-	161
Dividends	-	-	-	-	-	-	-	-	-
Total	-	-	-	161	-	-	161	-	161
At 31 March 2017 (unaudited)	282	82,080	5,932	1,890	55,652	131,178	277,014	(887)	276,127

for the first quarter ended 31 March 2017

	Issued share capital	Share premium	Capital contribution	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
At 1 January 2017	283	82,080	5,932	2,597	200,429	85,052	376,373	-	376,373
Loss for the period	-	-	-	-	-	(5,855)	(5,855)	-	(5,855)
Other comprehensive income	-	-	-	-	2,452	-	2,452	-	2,452
Total comprehensive loss for the period	-	-	-	-	2,452	(5,855)	(3,403)	-	(3,403)
Transactions with owners in their capacity as owners:									
Employee share schemes	-	-	-	401	-	-	401	-	401
Dividends	-	-	-	-	-	-	-	-	-
Total	-	-	-	401	-	-	401	-	401
At 31 March 2017 (unaudited)	283	82,080	5,932	2,998	202,881	79,197	373,371	-	373,371

## Interim condensed consolidated statement of cash flow

for the first quarter ended 31 March 2017

		3 months ended 31 Mar 2017 \$'000	3 months ended 31 Mar 2016 \$'000	3 months ended 31 Mar 2017 ₦'m	3 months ended 31 Mar 2016 ₦'m
	Note	Unaudited	Unaudited	Unaudited	Unaudited
<b>Cash flows from operating activities</b>					
Cash generated from operations	18	51,631	64,051	15,798	12,736
Net cash inflows from operating activities		51,631	64,051	15,798	12,736
<b>Cash flows from investing activities</b>					
Investment in oil and gas properties		(4,895)	(8,472)	(1,498)	(1,684)
Acquisition of other property, plant and equipment		(302)	(844)	(92)	(168)
Interest received		210	97	64	19
Net cash (outflows) from investing activities		(4,987)	(9,219)	(1,526)	(1,833)
<b>Cash flows from financing activities</b>					
Repayments of bank financing		(33,250)	(61,750)	(10,175)	(12,277)
Interest paid		(17,158)	(20,724)	(5,250)	(4,120)
Net cash (outflows) from financing activities		(50,408)	(82,474)	(15,425)	(16,397)
Net (decrease) in cash and cash equivalents		(3,764)	(27,642)	(1,153)	(5,494)
Cash and cash equivalents at beginning of period		159,621	326,029	48,684	64,828
Effects of exchange rate changes on cash and cash equivalents		(147)	-	272	(116)
<b>Cash and cash equivalents at end of period</b>		<b>155,710</b>	<b>298,387</b>	<b>47,803</b>	<b>59,218</b>

# Notes to the interim condensed consolidated financial statements

## 1. Corporate structure and business

Seplat Petroleum Development Company Plc ('Seplat' or the 'Company'), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production.

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

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

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was US\$340 million paid at the completion of the acquisition on 31 July 2010 and a contingent payment of US\$33 million payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds US\$80 per barrel. US\$358.6 million was allocated to the producing assets including US\$18.6 million as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of US\$33 million was paid on 22 October 2012.

In 2013, Newton Energy Limited ('Newton Energy'), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited ('Pillar Oil') a 40 percent Participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the 'Umuseti/Igbuku Fields').

In 2015, the Group purchased a 40% participating interest in OML 53, onshore north eastern Niger Delta, from Chevron Nigeria Ltd for \$ 259.4 million.

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

The Company together with its subsidiary, Newton Energy, and five wholly owned subsidiaries, namely, Seplat Petroleum Development Company UK Limited ('Seplat UK'), which was incorporated on 21 August 2014, Seplat East Onshore Limited ('Seplat East'), which was incorporated on 12 December 2014, Seplat East Swamp Company Limited ('Seplat Swamp'), which was incorporated on 12 December 2014, Seplat Gas Company Limited ('Seplat GAS'), which was incorporated on 12 December 2014, and ANOH Gas Processing Company Limited which was incorporated on 18 January 2017 are collectively referred to as the Group.

Subsidiary	Country of incorporation and place of business	Shareholding %	Principal activities
Newton Energy Limited	Nigeria	100%	Oil & gas exploration and production
Seplat Petroleum Development UK	United Kingdom	100%	Oil & gas exploration and production
Seplat East Onshore Limited	Nigeria	100%	Oil & gas exploration and production
Seplat East Swamp Company Limited	Nigeria	100%	Oil & gas exploration and production
Seplat Gas Company	Nigeria	100%	Oil & gas exploration and production
ANOH Gas Processing Company Limited	Nigeria	100%	Gas processing

# Notes to the interim condensed consolidated financial statements continued

## 2. Summary of significant accounting policies

### 2.1 Introduction to summary of significant accounting policies

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

### 2.2 Basis of preparation

#### i) Compliance with IFRS

The interim condensed consolidated financial statements of the Group have been prepared in accordance with accounting standard IAS 34 Interim financial reporting.

#### ii) Historical cost convention

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

#### iii) Going concern

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of these financial statements.

#### iv) New and amended standards adopted by the group

There were a number of new standards and amendments to standards that are effective for annual periods beginning after 1 January 2017; the group has adopted these new or amended standards in preparing the condensed consolidation interim financial statement. The nature and impact of the new standards and amendments to the standards are described below.

Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

#### a. Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

This amendment has no impact on the Group's financial statements as at the period ended 31 March 2017.

#### b. Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

## Notes to the interim condensed consolidated financial statements continued

IAS 28 Investments in Associates and Joint Ventures - A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

This amendment has no impact on the Group's financial statements as at the period ended 31 March 2017.

### c. Disclosure initiative - Amendments to IAS 7

The Group is now required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets are included in this disclosure if the cash flows were, or are, included in cash flows from financing activities. This is the case, for example, for assets that hedge liabilities arising from financing liabilities.

The Group may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items are disclosed separately from the changes in liabilities arising from financing activities.

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

The impact of this amendment can be found in note 14

### v) New standards and interpretations not yet adopted

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

#### a. IFRS 9 Financial Instruments

IFRS 9 Financial instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, the standard introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption.

The Group is currently performing a detailed assessment of the impact of the new standard on the classification and measurement of its financial assets, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have such liabilities.

The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group is currently performing a detailed assessment of how its impairment provisions would be affected by the new guidance, it generally expects the adoption of IFRS 9 to result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

## Notes to the interim condensed consolidated financial statements continued

### b. IFRS 15 Revenue from contracts with customers

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

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

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

The Group is currently performing an assessment of the effect of the new principles on the Group's financial statements. The Group will make more detailed assessments of the effect over the next nine months. The Group does not expect to adopt the new standard before 1 January 2018.

### c. IFRS 16 Leases

This standard eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases under IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, the Group also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 does not require a lessee to recognise assets and liabilities for (a) short term leases (b) leases of low-value assets. The Group is yet to assess the full impact of IFRS 16 and intends to adopt IFRS 16 no later than 1 January 2019 as required by the standard.

The Group is currently performing an assessment of the effect of the new principles on its financial statements. The Group will make more detailed assessments of the effect over the next nine months. The Group does not expect to adopt the new standard before 1 January 2019.

Other new standards are not expected to have any material impact on the Group's financial statements.

## 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2017.

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

## 2.4 Functional and presentation currency

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

### i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

## Notes to the interim condensed consolidated financial statements continued

### ii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### 3. Segment reporting

Segment reporting has not been prepared as the Group operates one segment, being the exploration, development and production of oil and gas related products located in Nigeria. Operations in the different OMLs are integrated due to geographic proximity, the use of shared infrastructure and common operational management.

### 4. Significant accounting judgements, estimates and assumptions

#### 4.1 Judgements

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

#### i) OMLs 4, 38 and 41

OMLs 4, 38, 41 are grouped together as a cash generating unit for the purpose of impairment testing. These three OMLs are grouped together because they each cannot independently generate cash flows. They currently operate as a single block sharing resources for the purpose of generating cash flows. Crude oil and gas sold to third parties from these OMLs are invoiced together.

#### ii) Advances on investment (note 15)

The Group considers that the advances on investment of US\$65.7 million (₦20 million) in relation to the acquisition of additional assets is fully recoverable in accordance with the terms of the deposit.

#### 4.2 Estimates and assumptions

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

The following are some of the estimates and assumptions made.

#### i) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## Notes to the interim condensed consolidated financial statements continued

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

### ii) Defined benefit plans

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

## 5. Financial risk management

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks such as market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in US dollars.	Cash flow forecasting Sensitivity analysis	Match and settle foreign denominated cash inflows with foreign denominated cash outflows.
Market risk - interest rate	Long term borrowings at variable rate	Sensitivity analysis	None
Market risk - commodity prices	Future sales transactions	Sensitivity analysis	Oil price hedges
Credit risk	Cash and cash equivalents, trade receivables and derivative financial instruments.	Aging analysis Credit ratings	Diversification of bank deposits.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

#### 5.1.1 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Group uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Group's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in interest bearing current accounts, time deposits and money market deposits.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.



## Notes to the interim condensed consolidated financial statements continued

	Effective interest rate	Less than 1 year	1 - 2 years	2 - 3 years	3 - 5 years	After 5 years	Total
	%	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>31 March 2017</b>							
<b>Non - derivatives</b>							
<b>Variable interest rate borrowings (bank loans):</b>							
Zenith Bank Plc	8.5%+LIBOR	29,011	76,006	70,109	74,477	-	249,603
First Bank of Nigeria	8.5%+LIBOR	18,132	47,504	43,818	46,548	-	156,002
United Bank of Africa Plc	8.5%+LIBOR	18,132	47,504	43,818	46,548	-	156,002
Stanbic IBTC Bank Plc	8.5%+LIBOR	2,717	7,119	6,567	6,976	-	23,379
The Standard Bank of South Africa Limited	8.5%+LIBOR	2,717	7,119	6,567	6,976	-	23,379
Standard Chartered Bank	6.0%+LIBOR	23,502	-	-	-	-	23,502
Natixis	6.0%+LIBOR	23,502	-	-	-	-	23,502
Citibank Nigeria Ltd	6.0%+LIBOR	23,502	-	-	-	-	23,502
Bank of America Merrill Lynch Int'l Ltd	6.0%+LIBOR	15,668	-	-	-	-	15,668
First Rand Bank (Merchant Bank Division)	6.0%+LIBOR	15,668	-	-	-	-	15,668
JP Morgan Chase Bank NA, London Branch	6.0%+LIBOR	15,668	-	-	-	-	15,668
Ned Bank Ltd London Branch	6.0%+LIBOR	15,668	-	-	-	-	15,668
Stanbic IBTC Bank Plc	6.0%+LIBOR	11,751	-	-	-	-	11,751
The Standard Bank of South Africa Limited	6.0%+LIBOR	11,751	-	-	-	-	11,751
<b>Other non-derivatives</b>							
Trade and other payables		162,607	-	-	-	-	162,607
Contingent consideration		-	-	18,500	-	-	18,500
		389,996	185,252	189,379	181,525	-	946,152

## Notes to the interim condensed consolidated financial statements continued

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	After 5 years	Total
	%	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>31 December 2016</b>							
<b>Non - derivatives</b>							
<b>Variable interest rate borrowings (bank loans):</b>							
Zenith Bank Plc	8.5% + LIBOR	37,406	76,006	70,109	74,477	-	257,998
First Bank of Nigeria Limited	8.5% + LIBOR	23,379	47,504	43,818	46,548	-	161,249
United Bank for Africa Plc	8.5% + LIBOR	23,379	47,504	43,818	46,548	-	161,249
Stanbic IBTC Bank Plc	8.5% + LIBOR	3,504	7,119	6,567	6,976	-	24,166
The Standard Bank of South Africa Limited	8.5% + LIBOR	3,504	7,119	6,567	6,976	-	24,166
Standard Chartered Bank	6.0% + LIBOR	27,711	-	-	-	-	27,711
Natixis	6.0% + LIBOR	27,711	-	-	-	-	27,711
Citibank Nigeria Ltd and Citibank NA	6.0% + LIBOR	27,711	-	-	-	-	27,711
Bank of America Merrill Lynch Int'l Ltd	6.0% + LIBOR	18,474	-	-	-	-	18,474
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.0% + LIBOR	18,474	-	-	-	-	18,474
JP Morgan Chase Bank NA, London Branch	6.0% + LIBOR	18,474	-	-	-	-	18,474
NedBank Ltd, London Branch	6.0% + LIBOR	18,474	-	-	-	-	18,474
Stanbic IBTC Bank Plc	6.0% + LIBOR	13,856	-	-	-	-	13,856
The Standard Bank of South Africa Ltd	6.0% + LIBOR	13,856	-	-	-	-	13,856
<b>Other non - derivatives</b>							
Trade and other payables	-	161,773	-	-	-	-	161,773
Contingent consideration	-	-	-	-	18,500	-	18,500
		<b>437,686</b>	<b>185,252</b>	<b>170,879</b>	<b>200,025</b>	<b>-</b>	<b>993,842</b>

## Notes to the interim condensed consolidated financial statements continued

	Effective interest rate	Less than 1 year	1 -2 years	2 - 3 years	3 - 5 years	After 5 years	Total
	%	₦'m	₦'m	₦'m	₦'m	₦'m	₦'m
<b>31 March 2017</b>							
<b>Non - derivatives</b>							
<b>Variable interest rate borrowings (bank loans):</b>							
Zenith Bank Plc	8.5%+LIBOR	8,906	23,334	21,523	22,865	-	76,628
First Bank of Nigeria	8.5%+LIBOR	5,566	14,584	13,452	14,290	-	47,892
United Bank of Africa Plc	8.5%+LIBOR	5,566	14,584	13,452	14,290	-	47,892
Stanbic IBTC Bank Plc	8.5%+LIBOR	834	2,186	2,016	2,142	-	7,178
The Standard Bank of South Africa Limited	8.5%+LIBOR	834	2,186	2,016	2,142	-	7,178
Standard Chartered Bank	6.0%+LIBOR	7,215	-	-	-	-	7,215
Natixis	6.0%+LIBOR	7,215	-	-	-	-	7,215
Citibank Nigeria Ltd	6.0%+LIBOR	7,215	-	-	-	-	7,215
Bank of America Merrill Lynch Int'l Ltd	6.0%+LIBOR	4,810	-	-	-	-	4,810
First Rand Bank (Merchant Bank Division)	6.0%+LIBOR	4,810	-	-	-	-	4,810
JP Morgan Chase Bank NA, London Branch	6.0%+LIBOR	4,810	-	-	-	-	4,810
Ned Bank Ltd London Branch	6.0%+LIBOR	4,810	-	-	-	-	4,810
Stanbic IBTC Bank Plc	6.0%+LIBOR	3,608	-	-	-	-	3,608
The Standard Bank of South Africa Limited	6.0%+LIBOR	3,608	-	-	-	-	3,608
<b>Other non-derivatives</b>	-	-	-	-	-	-	-
Trade and other payables	-	49,920	-	-	-	-	49,920
Contingent consideration	-	-	-	5,643	-	-	5,643
		119,727	56,874	58,102	55,729	-	234,869

## Notes to the interim condensed consolidated financial statements continued

	Effective interest rate %	Less than 1 year N'm	1 - 2 year N'm	2 - 3 years N'm	3 - 5 years N'm	After 5 years N'm	Total N'm
<b>31 December 2016</b>							
<b>Non - derivatives</b>							
<b>Variable interest rate borrowings (bank loans):</b>							
Zenith Bank Plc	8.5% + LIBOR	11,409	23,182	21,383	22,715	-	78,689
First Bank of Nigeria Limited	8.5% + LIBOR	7,131	14,489	13,364	14,197	-	49,181
United Bank for Africa Plc	8.5% + LIBOR	7,131	14,489	13,364	14,197	-	49,181
Stanbic IBTC Bank Plc	8.5% + LIBOR	1,069	2,171	2,003	2,128	-	7,371
The Standard Bank of South Africa Limited	8.5% + LIBOR	1,069	2,171	2,003	2,128	-	7,371
Standard Chartered Bank	8.5% + LIBOR	8,452	-	-	-	-	8,452
Natixis	6.00% + LIBOR	8,452	-	-	-	-	8,452
Citibank Nigeria Ltd and Citibank NA	6.00% + LIBOR	8,452	-	-	-	-	8,452
Bank of America Merrill Lynch Int'l Ltd	6.00% + LIBOR	5,635	-	-	-	-	5,635
FirstRand Bank Ltd (Rand Merchant Bank Division)	6.00% + LIBOR	5,635	-	-	-	-	5,635
JP Morgan Chase Bank NA, London Branch	6.00% + LIBOR	5,635	-	-	-	-	5,635
NedBank Ltd, London Branch	6.00% + LIBOR	5,635	-	-	-	-	5,635
Stanbic IBTC Bank Plc	6.00% + LIBOR	4,225	-	-	-	-	4,225
The Standard Bank of South Africa Ltd	6.00% + LIBOR	4,225	-	-	-	-	4,225
<b>Other non - derivatives</b>							
Trade and other payables		49,341	-	-	-	-	49,341
Contingent consideration		-	-	-	5,643	-	5,643
		<b>133,496</b>	<b>56,502</b>	<b>52,117</b>	<b>61,008</b>	<b>-</b>	<b>303,123</b>

### 5.2 Fair value measurements

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

## Notes to the interim condensed consolidated financial statements continued

### 6. Revenue

	3 months ended 31 March 2017	3 months ended 31 March 2016	3 months ended 31 March 2017	3 months ended 31 March 2016
	\$'000	\$'000	₦'m	₦'m
Crude oil sales	30,110	36,495	9,214	7,256
(Overlift)/underlift	(7,869)	19,596	(2,408)	3,896
	22,241	56,091	6,806	11,152
Gas sales	25,058	27,325	7,668	5,433
<b>Total revenue</b>	<b>47,299</b>	<b>83,416</b>	<b>14,474</b>	<b>16,585</b>

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

### 7. Cost of sales

	3 months ended 31 March 2017	3 months ended 31 March 2016	3 months ended 31 March 2017	3 months ended 31 March 2016
	\$'000	\$'000	₦'m	₦'m
Crude handling fees	548	9,682	168	1,925
Barging cost	2,140	-	655	-
Royalties	4,944	8,808	1,513	1,751
Depletion, depreciation and amortisation	11,355	18,936	3,474	3,765
Niger Delta Development Commission levy	1,141	1,901	350	378
Rig related expenses	1,000	1,048	306	208
Employee benefit expenses	1,587	2,797	485	556
Operations & maintenance expenses	5,469	10,608	1,673	2,109
	28,184	53,780	8,624	10,692

### 8. General and administrative expenses

	3 months ended 31 March 2017	3 months ended 31 March 2016	3 months ended 31 March 2017	3 months ended 31 March 2016
	\$'000	\$'000	₦'m	₦'m
Depreciation	1,118	1,313	342	261
Employee benefits	5,837	6,213	1,787	1,235
Professional and consulting fees	4,445	5,649	1,361	1,123
Auditor's remuneration	150	167	46	33
Directors emoluments (executive)	582	1,209	178	240
Directors emoluments (non-executive)	753	915	230	182
Rentals	238	590	73	117
Other general expenses	3,636	5,393	1,112	1,073
	16,759	21,449	5,129	4,264

Directors' emoluments have been split between executive and non-executive directors. There were no non-audit services rendered by the Group's auditors during the period.

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

## Notes to the interim condensed consolidated financial statements continued

### 9. Gain/ (loss) on foreign exchange - net

	3 months ended 31 March 2017	3 months ended 31 March 2016	3 months ended 31 March 2017	3 months ended 31 March 2016
	\$'000	\$'000	₦'m	₦'m
Exchange gain/(loss)	1,730	(2,441)	529	(485)

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

### 10. Fair value loss

	3 months ended 31 March 2017	3 months ended 31 March 2016	3 months ended 31 March 2017	3 months ended 31 March 2016
	\$'000	\$'000	₦'m	₦'m
Hedging payments	(4,993)	-	(1,528)	-
Fair value loss on contingent consideration	(440)	(801)	(134)	(159)
	<b>(5,433)</b>	<b>(801)</b>	<b>(1,662)</b>	<b>(159)</b>

Hedging payments represents the payments for crude oil price options charged to profit or loss. Fair value loss on contingent consideration arises in relation to remeasurement of contingent consideration on the Group's acquisition of participating interest in its OMLs. The contingency criteria are the achievement of certain production milestones.

### 11. Finance income/ (costs)

	3 months ended 31 March 2017	3 months ended 31 March 2016	3 months ended 31 March 2017	3 months ended 31 March 2016
	\$'000	\$'000	₦'m	₦'m
<b>Finance income</b>				
Interest income	210	2,700	64	537
<b>Finance costs</b>				
Interest on bank loan and other bank charges	17,158	21,954	5,250	4,365
Unwinding of discount on provision for decommissioning	23	685	7	136
	17,181	22,639	5,257	4,501
<b>Finance income/ (cost) - net</b>	<b>(16,971)</b>	<b>(19,939)</b>	<b>(5,193)</b>	<b>(3,964)</b>

### 12. Taxation

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

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of US\$210 million (2016: US\$192 million) in respect of losses amounting to US\$88 million (2016: US\$71 million) that can be carried forward against future taxable income. There are no expiration dates for the tax losses.

## Notes to the interim condensed consolidated financial statements continued

### 13. Loss per share (LPS)

#### Basic

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

#### Diluted

Diluted LPS is calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (arising from outstanding share awards in the share based payment scheme) into ordinary shares.

	3 months ended 31 March 2017	3 months ended 31 March 2016	3 months ended 31 March 2017	3 months ended 31 March 2016
	\$'000	\$'000	₦'m	₦'m
Loss for the period attributable to equity holders of the parent	(19,137)	(18,829)	(5,855)	(3,741)
	Share '000	Share '000	Share '000	Share '000
Weighted average number of ordinary shares in issue	563,445	560,576	563,445	560,576
Share awards	3,412	189	3,412	189
Weighted average number of ordinary shares adjusted for the effect of dilution	566,857	560,765	566,857	560,765
	\$	\$	₦	₦
Basic loss per share	(0.03)	(0.03)	(10.39)	(6.67)
Diluted loss per share	(0.03)	(0.03)	(10.33)	(6.67)
	\$'000	\$'000	₦'m	₦'m
Loss attributable to equity holders of the parent	(19,137)	(18,829)	(5,855)	(3,741)
Loss used in determining diluted loss per share	(19,137)	(18,829)	(5,855)	(3,741)

### 14. Interest bearing loans & borrowings

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

	Borrowings within 1 year US\$'000	Borrowings above 1 year US\$'000	Total US\$'000	Borrowings within 1 year ₦'m	Borrowings above 1 year ₦'m	Total ₦'m
Balance as at 1 January 2017	217,998	446,098	664,096	66,489	136,060	202,549
Loan transaction cost	-	995	995	-	304	304
Reclassification	2	(2)	-	1	(1)	-
Principal repayment	-	(33,250)	(33,250)	-	(10,175)	(10,175)
Exchange differences	-	-	-	436	861	1,297
<b>Carrying amount</b>	<b>218,000</b>	<b>413,841</b>	<b>631,841</b>	<b>66,926</b>	<b>127,049</b>	<b>193,975</b>

## Notes to the interim condensed consolidated financial statements continued

### 15. Trade and other receivables

	As at 31 March 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 March 2017 ₦'m	As at 31 Dec 2016 ₦'m
Trade receivables	86,686	73,427	26,613	22,395
Nigerian Petroleum Development Company (NPDC) receivables	230,300	239,034	70,702	72,049
National Petroleum Investment Management Services	5,355	8,233	1,644	2,511
Advances on investment	65,705	65,705	20,172	20,040
Underlift	9,825	4,498	3,016	1,372
Advances to suppliers	8,407	8,921	2,581	2,720
Other receivables	1,074	1,136	330	346
			-	-
Impairment loss on NPDC receivables	(10,260)	(10,260)	(3,150)	(2,273)
	397,092	390,694	121,908	119,160

#### 15a. Trade receivables:

Included in trade receivables are amounts due from NGC of US\$77 million (2016: US\$67 million) with respect to the sale of gas.

#### 15b. NPDC receivables:

NPDC receivables represent the outstanding cash calls due to Seplat from its JV partner, Nigerian Petroleum Development Company. The receivables have been discounted to reflect the impact of time value of money, and an impairment loss has been recognized in the financial statements. As at 31 March 2017, the undiscounted value of this receivable is US\$230 million (2016: US\$239 million).

#### 15c. Advances on investment:

This comprises an advance of US\$45million on a potential investment in OML 25 and US\$20.5 million currently held in an escrow account. Proceedings commenced against Newton Energy Limited, a wholly owned subsidiary of Seplat Plc by Crestar Natural Resources relating to the US\$20.5million currently held in an escrow account. The escrow monies relate to the potential acquisition of OML 25 by Crestar which Newton Energy has an option to invest into. These monies were placed in escrow in July 2015 pursuant to an agreement reached with Crestar and the vendor on final terms of the transaction.

## 16. Share capital

### 16a. Authorised and issued share capital

	As at 31 March 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 March 2017 ₦'m	As at 31 Dec 2016 ₦'m
<b>Authorised ordinary share capital</b>				
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	3,335	3,335	500	500
<b>Issued and fully paid</b>				
563,444,561 (2016: 563,444,561) issued shares denominated in Naira of 50 kobo per share	1,826	1,826	283	283



## Notes to the interim condensed consolidated financial statements continued

### 16b. Employee share based payment scheme

As at 31 March 2017, the Group had awarded shares of 25,448,071 (2016: 25,448,071 shares) to certain employees and senior executives in line with its share based incentive scheme. During the first quarter ended 31 March 2017 no shares were vested (31 December 2016: 2,868,460 shares had vested, resulting in an increase in number of issued and fully paid ordinary shares of 50k each from 561 million to 563 million).

### 17. Trade and other payables

	As at 31 March 2017	As at 31 Dec 2016	As at 31 March 2017	As at 31 Dec 2016
	\$'000	\$'000	₦'m	₦'m
Trade payables	108,012	108,140	33,160	32,983
Accruals and other payables	151,042	117,600	46,370	35,868
NDDC levy	2,466	19	757	6
Deferred revenue	1,420	1,420	436	433
Royalties	35,609	34,349	10,932	10,476
	298,549	261,528	91,655	79,766

Included in accruals and other payables are advances against oil sales of US\$75m (2016: US\$32m), field-related accruals - US\$28m (2016: US\$35m) and other vendor payables of US\$48m (2016: US\$51m). Royalties include accruals in respect of gas sales for which payment is outstanding at the end of the period.

### 18. Computation of cash generated from operations

	3 months ended 31 March 2017	3 months ended 31 March 2016	3 months ended 31 March 2017	3 months ended 31 March 2016
	\$'000	\$'000	₦'m	₦'m
Loss before tax	(18,318)	(14,994)	(5,605)	(2,979)
Adjusted for:				
Depletion, depreciation and amortisation	12,473	20,249	3,816	4,026
Interest on bank loan and other bank charges	17,158	21,954	5,250	4,365
Unwinding of discount on provision for decommissioning	23	685	7	136
Interest income	(210)	(2,700)	(64)	(537)
Fair value loss on contingent consideration	440	801	134	159
Unrealised foreign exchange (gain)/ loss	(1,730)	2,441	(529)	485
Share based payments expenses	1,312	(805)	401	(161)
Defined benefit expenses	555	-	170	-
Fair value loss on derivative assets		3,073		611
Gain on disposal of property, plant and equipment		(66)		(13)
Changes in working capital (excluding the effects of exchange differences):				
Trade and other receivables, including prepayments	(1,143)	87,602	(350)	17,418
Trade and other payables	38,892	(48,964)	11,901	(9,735)
Inventories	2,179	(5,225)	667	(1,039)
Net cash from operating activities	51,631	64,051	15,798	12,736

## Notes to the interim condensed consolidated financial statements continued

### 19. Related party relationships and transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the 'parent Company'). As at 31 March 2017, the parent Company is owned 11.91% either directly or by entities controlled by A.B.C. Orjiako ('SPDCL BVI') and members of his family and 13.15% either directly or by entities controlled by Austin Avuru ('Professional Support Limited' and 'Platform Petroleum Limited'). The remaining shares in the parent Company are widely held.

#### 19a. Related party relationships

The services provided by the related parties:

**Abbeycourt Trading Company Limited:** The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations.

**Berwick Nigeria Limited:** The Chairman of Seplat is a shareholder and director. The company provides construction services to Seplat in relation to a field base station in Sapele.

**Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited):** Is owned by common shareholders with the parent Company. The company provides drilling rigs and drilling services to Seplat.

**Helko Nigeria Limited:** The Chairman of Seplat is shareholder and director. The company owns the lease to Seplat's main office at 25A Lugard Avenue, Lagos, Nigeria.

**Keco Nigeria Enterprises:** The Chief Executive Officer's sister is shareholder and director. The company provides diesel supplies to Seplat in respect of its rig operations.

**Montego Upstream Services Limited:** The Chairman's nephew is shareholder and director. The company provides drilling and engineering services to Seplat.

**Nabila Resources & Investment Ltd:** The Chairman's in-law is a shareholder and director. The company provides lubricant to Seplat.

**Ndosumili Ventures Limited:** Is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.

**Neimeth International Pharmaceutical Plc:** The Chairman of Seplat is also the chairman of this company. The company provides medical supplies and drugs to Seplat, which are used in connection with Seplat's corporate social responsibility and community healthcare programmes.

**Nerine Support Services Limited:** Is owned by common shareholders with the parent Company. Seplat leases a warehouse from Nerine and the company provides agency and contract workers to Seplat.

**Oriental Catering Services Limited:** The Chief Executive Officer of Seplat's spouse is shareholder and director. The company provides catering services to Seplat at the staff canteen.

**Platform Petroleum Limited:** The Chief Executive Officer of Seplat is a director and shareholder of this company. The company seconded support staff to Seplat.

**ResourcePro Inter Solutions Limited:** The Chief Executive Officer of Seplat's in-law is its UK representative. The company supplies furniture to Seplat.

**Shebah Petroleum Development Company Limited (BVI) :** The Chairman of Seplat is a director and shareholder of SPDCL (BVI). SPDCL (BVI) provided consulting services to Seplat.

## Notes to the interim condensed consolidated financial statements continued

The following transactions were carried by Seplat with related parties:

### 19b. Related party relationships

i) Purchases of goods and services	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	\$'000	\$'000	₦'m	₦'m
<b>Shareholders of the parent company</b>				
SPDCL (BVI)	225	239	69	47
	225	239	69	47

Entities controlled by key management personnel:

#### Contracts > \$1million in 2017

Nerine Support Services Limited*	1,203	2,925	368	581
	1,203	2,925	368	581

#### Contracts < \$1million in 2017

Abbey Court trading Company Limited	201	137	62	27
Cardinal Drilling Services Limited	172	1,300	53	258
Keco Nigeria Enterprises	73	27	22	5
Ndosumili Ventures Limited	550	297	168	59
Oriental Catering Services Limited	64	52	20	10
ResourcePro Inter Solutions Limited	-	74	-	15
Berwick Nigeria Limited	-	28	-	6
Montego Upstream Services Limited	-	558	-	111
Nabila Resources & Investment Limited	-	5	-	1
	1,060	2,478	325	492
<b>Total</b>	<b>2,263</b>	<b>5,403</b>	<b>693</b>	<b>1,073</b>

\* Nerine charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross and include salaries paid to contract workers and Nerine's mark-up. Total costs for agency and contracts during the first quarter ended 31 March 2017 is US\$1.2million.

### 19c. Balances

The following balances were receivable from or payable to related parties as at 31 March 2017:

Prepayments / receivables	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	\$'000	\$'000	₦'m	₦'m
<b>Entities controlled by key management personnel</b>				
Cardinal Drilling Services Limited	6,211	8,007	1,907	1,589
	6,211	8,007	1,907	1,589

Payables	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	\$'000	\$'000	₦'m	₦'m
<b>Entities controlled by key management personnel</b>				
Cardinal Drilling Services Limited	1,207	-	371	-
	1,207	-	371	-

## Notes to the interim condensed consolidated financial statements continued

### 20. Commitments and contingencies

#### 20a. Operating lease commitments - group as lessee

The Group has entered into operating leases for the use of drilling rigs and rentals. The Group has no minimum lease payments to be disclosed because the total lease payment has been prepaid at inception of the lease.

#### 20b. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the period ended 31 March 2017 is US\$15.5 million (2016: US\$15.5 million). No provision has been made for this potential liability in these financial statements. Management and the Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

### 21. Events after the reporting period

There was no significant event after the statement of financial position date which could have a material effect on the state of affairs of the Company as at 31 March 2017 and on the profit or loss for the first quarter ended on that date, which have not been adequately provided for or disclosed in these financial statements.

### 22. Compliance with FRC Rule 1

In compliance with the regulatory requirement in Nigeria that the CFO, who signs the Financial Accounts, must be a member of a professional accountancy body recognised by an Act of the National Assembly in Nigeria, the CFO of Seplat, Roger Brown, has been granted a waiver by the Financial Reporting Council of Nigeria to sign the 2017 First Quarter Report and Accounts without indicating any FRC registration number with the certification.

### 23. Exchange rates used in translating the accounts to Naira

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

	Basis	31 March 2017 ₦/\$	31 March 2016 ₦/\$	31 December 2016 ₦/\$
Fixed assets - opening balances	Historical rate	Historical	Historical	Historical
Fixed assets - additions	Average rate	306	199	308
Fixed assets - closing balances	Closing rate	307	198	305
Current assets	Closing rate	307	198	305
Current liabilities	Closing rate	307	198	305
Equity	Historical rate	Historical	Historical	Historical
Income and Expenses:	Overall Average rate	306	199	255

## General information

<b>Company secretary</b>	Mirian Kachikwu
<b>Registered office and business</b>	
<b>Address of directors</b>	25a Lugard Avenue Ikoyi Lagos Nigeria
<b>Registered number</b>	RC No. 824838
<b>FRC number</b>	FRC/2015/NBA/00000010739
<b>Auditors</b>	Ernst & Young 10 <sup>th</sup> & 13th Floor, UBA House 57 Marina Lagos.
<b>Registrars</b>	DataMax Registrars Limited 7 Anthony Village Road Anthony P.M.B 10014 Shomolu Lagos, Nigeria
<b>Solicitors</b>	Abraham Uhunmwagho & Co Adepetun Caxton-Martins Agbor & Segun (‘ACAS-Law’) Austin and Berns Solicitors Chief J.A. Ororho & Co. Consolex LP Freshfields Bruckhaus Deringer LLP G.C. Arubayi & Co. Herbert Smith Freehills LLP J.E. Okodaso & Company Norton Rose Fulbright LLP Ogaga Ovwah & Co. Olaniwun Ajayi LP O. Obrik. Uloho and Co. Streamsowers & Kohn Thompson Okpoko & Partners V.E. Akpoguma & Co. Winston & Strawn London LLP
<b>Bankers</b>	Citibank Nigeria Limited First Bank of Nigeria Limited HSBC Bank Skye Bank Plc Stanbic IBTC Bank Plc Standard Chartered Bank United Bank for Africa Plc Zenith Bank Plc