seplat

Interim management statement and consolidated interim financial results

For the nine months ended 30 September 2016 (expressed in US Dollars and Naira)

27 October 2016

Seplat Petroleum Development Company Plc

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Interim management statement and consolidated interim financial results for the nine months ended 30 September 2016

Lagos and London, 27 October 2016: Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), a leading Nigerian independent oil and gas company listed on both the Nigerian Stock Exchange and London Stock Exchange, today announces its results for the for the nine months ended 30 September 2016 and provides an operational update.

Average working interest production for the first nine months stood at 26,233 boepd, down 34% year-on-year owing to the disruption caused by the suspension of exports at the Forcados terminal. However, working interest gas production was up 22% year-on-year at 93 MMscfd as a result of the capacity expansion at the Oben gas processing plant.

Total revenue in the period was US$203 million. Within this, crude revenue after lifting adjustments was US$125 million, 66% lower than the same period in 2015. Gas revenue increased by 48% year-on-year to US$77 million as the step-change in gas production and higher pricing continue to take effect. Gross profit stood at US$74 million and net loss after tax US$98 million, reflecting the shut-in of the Forcados terminal and lower realised oil price.

Capital investments incurred during the first nine months totaled US$27 million against cash generated from operations of US$106 million. With the support of its lenders the Company has successfully concluded the re-profiling of its seven-year secured term facility over the period to the end of 2017, reducing principal service obligations by US$150 million with no adjustments to the existing tenor of the loan. Cash at bank was US$137 million and net debt US$571 million at 30 September 2016, down from the US$598 million reported at half-yearly results.

The Company has continued to utilise the alternative liquids evacuation route established via the Warri refinery jetty, which in turn permitted gas deliveries into the domestic market during the third quarter to be de-constrained to a gross rate of 243 MMscfd. Phase II of the Oben gas processing plant expansion remains on-track and is set to increase total gross Company operated processing capacity to a minimum of 525 MMscfd. Meanwhile, although the Forcados terminal remains under force majeure a part cargo of Seplat equity crude oil was lifted from the terminal post period end.

"Whilst the obvious challenges we have been confronted with are reflected in our results for the first nine months, we have responded by delivering on what is within our control and by implementing a range of solutions. An alternative liquids export route has been established via the Warri refinery jetty where we are making good progress towards establishing a regular offtake schedule. This in turn has been the enabling factor that has permitted gas production to be de-constrained and can be used going forward as a means of improving security of gas supply to the domestic market. Elsewhere, we are on-track to deliver the Phase II expansion of the Oben gas processing plant and in the coming months step up gas production further to help meet domestic demand" said Austin Avuru, Seplat's Chief Executive Officer.

"Financially, the approval to re-profile our seven-year term loan facility underscores the strength of our relationship with our lenders based on strong business fundamentals, which reflect the quality of our portfolio and strong operating track record. The smoothing of the repayment profile will assist in ensuring that we preserve a sufficient liquidity buffer to operate under prevailing business conditions, at the same time enabling us to invest on a fully discretionary basis in our portfolio of production opportunities" he added.

Information contained within this announcement is un-audited and is subject to further review. 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.

Production update

- Average total working interest production for the first nine months stood at 26,233 boepd, down 34% year-on-year (2015: 40,012 boepd) due to the shut-in and suspension of oil exports at the Forcados terminal from mid-February to mid-October as a result of damage to pipeline infrastructure at the loading arm. Prior to this, the Company's working interest production was averaging over 52,000 boepd.
  - average liquids production down 61% year-on-year at 10,701 bopd
  - average gas production up 22% year-on-year at 93.2 MMscfd
- Although the Forcados terminal still remains under force majeure, a part cargo of Seplat equity crude oil was lifted from the terminal post period end. The terminal operator is currently in the process of returning the terminal to steady state

which will enable Seplat to establish a regular pattern of production into the Trans Forcados Pipeline and loading from the terminal.

- The Company has continued to utilise an interim export solution whereby crude oil and condensate production from OMLs 4,38 and 41 is sent via the joint venture's own 100,000 bopd capacity pipeline to available storage tanks at the Warri refinery and sold FOB to Seplat's off-taker Mecuria at the Warri refinery jetty. At period end a net volume of 782,417 barrels had been monetised via this route (Seplat's equity barrels), with the target being to export a gross average of 30,000 bopd on a longer-term basis. The Company is also working on upgrades to the jetty and liquid treatment infrastructure to be able to secure a reliable continuous export route.
- As a direct result of the alternative liquids export route via the Warri refinery jetty the Company was able to de-constrain gas production during the third quarter to 243 MMscfd on a gross basis, all of which was supplied to the domestic market.
- It is Seplat's intention to keep this alternative export route available for the foreseeable future. Exports via the Warri refinery jetty will not be subject to the reconciliation losses (typically in the order of 10% to 12%) or crude handling charges, to which the Company is subject when exporting via the Trans Forcados System ("TFS"). Availability of the alternative export route will greatly improve security of gas supply to the domestic market.
- Liquid production transported via the TFS in year-to-date was subject to an average reconciliation loss of 10%.
- Average oil price realisation of US$42.82/bbl (2015: US$49.30/bbl) and an average gas price of US$3.03/Mscf (2015: US$2.53/Mscf).

Working interest production for the first nine months of 2016[1]

		Gross			Working Interest		
	Seplat %	Liquids Bopd	Gas MMscfd	Oil equivalent Boepd	Liquids Bopd	Gas MMscfd	Oil equivalent boepd
OMLs 4, 38 & 41	45.0%	17,263	207.1	51,777	7,768	93.2	23,300
OPL 283	40.0%	1,548	-	1,548	619	-	619
OML 53	40.0%	2,962	-	2,962	1,185	-	1,185
OML 55 [2]	n/a	5,017	-	5,017	1,129	-	1,129
Total		**26,790**	**207.1**	**61,304**	**10,701**	**93.2**	**26,233**

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

[2] Volumes associated with Seplat's 56.25% in BelemaOil producing Limited, equivalent to an effective 22.5% working interest in OML 55 through H1 2016, deconsolidation effective July 1

Drilling and capital projects update

- Phase II of the Oben Gas Plant Expansion ("OGPE") project remains on track. Offsite fabrication of the new 3 x 75 MMscfd processing modules and civil foundations was completed in Q3 and installation and commissioning of the new processing modules is expected to be completed in Q1 2017. This will take the Company's gross operated gas processing capacity to a minimum of 525 MMscfd (from the current level of 300 MMscfd). The Oben associated gas ("AG") compression station project, aimed at eliminating routing flares and monetising AG in Oben, was further progressed in Q3 following completion of the foundations for the compressors and award of various contracts. The project is expected to be delivered by Q1 2017.
- Following the fabrication and shipment of modules and ancillaries for the Electrostatic Heater Treater ("EHT") in Q2, the Company completed the MEI installation of the EHT and all integration engineering works in Q3. Commissioning of the EHT is expected to be completed in Q4. Upon completion, this project will generate savings on crude handling charges by eliminating costs incurred by injecting wet crude from OMLs 4, 38 and 41 into the Trans Forcados System and freeing up additional capacity for dry crude. In association with this project, the re-completion of Sapele-4 in OML 41 as a water disposal well was completed in Q3.
- Site preparation works, rig-sourcing and drilling contracts for the Pillar Oil operated Anagba-1 appraisal well on OPL 283 (Marginal Field Area) has been completed. The well is intended to appraise a structure that straddles into the adjacent OML 60 (where it has been on production). Due to contracting delays causing schedule slippage, the well is now expected to spud in November.

Finance update

- Gross revenue for the first nine months was US$203 million (₦48 billion), down 51% year-on-year (2015: US$420 million (₦83 billion)) reflecting the shut-in of the Forcados terminal and lower oil price realisations, partially offset by increased gas sales following completion of OGPE Phase I and higher gas pricing.

  - Crude revenue (after lifting adjustments) was US$125 million (₦29 billion), down 66% year-on-year (2015: US$367 million (₦73 billion))
  - Gas revenue was US$77 million (₦19 billion), up 48% year-on-year (2015: US$53 million ((₦10 billion))

- Working interest sales volumes during the first nine months stood at 6.4 MMboe (2015: 10.9 MMboe. The total volume of crude lifted in the first nine months was 2.1 MMbbls (2015: 5.1 MMbbls). Total gas volume sold was 4.3 MMboe (2015: 3.5 MMboe).
- Whilst the Company awaits the outcome of a review by Nigerian Investment Promotion Commission on whether an extension of the pioneer tax incentive will be granted beyond the initial three year period (which concluded at the end of 2015) the Company has prepared its financial statements for the first nine months of 2016 excluding the effect of pioneer tax status which correspondingly forms the basis of the current and deferred taxation of US$10 million (₦3billion) compared to a tax credit of US$0.2 million (₦43 million) for the same period in 2015.
- Having acquired in 2015 a 56.25% shareholding in BelemaOil Producing Limited ("BelemaOil"), a Nigerian company which in turn acquired from Chevron Nigeria Limited a 40.00% interest in OML 55 located in the swamp to coastal zone of south eastern Niger Delta, Seplat had prior to 30 June 2016 consolidated the accounts of BelemaOil as Seplat believed it exercised control over this subsidiary. At that time the minority shareholders of BelemaOil had begun to dispute Seplat's majority shareholding and steps were purportedly and illegally taken to unilaterally withdraw the shares held by Seplat (through its wholly owned subsidiary Seplat East Swamp Company Limited). Consequently the Company filed an action at the Federal High Court challenging this purported withdrawal. On 3rd June 2016, Seplat received a letter from Chevron Nigeria Limited stating that it had discontinued the provision of support services on the production operations in OML 55 effective on 2nd June 2016 and had handed over the custody of OML 55 operations to BelemaOil. On 7th June 2016, Seplat filed a legal injunction restraining Chevron from engaging with BelemaOil, in the capacity of operator of OML 55, pending the case before the Federal High Court. In a bid to settle the pending legal disputes, representatives of both Seplat and BelemaOil have agreed to a new arrangement, which provides for a discharge sum of US$330 million to be paid to Seplat over a six-year period, through allocation of crude oil reserves of OML 55. In turn, Seplat will no longer be a shareholder in BelemaOil. The 40.00% operated interest in OML 55 will be jointly controlled by Seplat and BelemaOil over the period of this arrangement through an Asset Management Team comprising equal representatives of both parties. The Asset Management Team makes all the key decisions regarding the technical and commercial activities of the underlying asset, and unanimous consent of all parties is required for decision making. As such, Seplat no longer exercises control and has now deconsolidated BelemaOil in the financial statements in accordance with IFRS 10 (par B97). Joint control however will exist over OML 55 through the representation on the Asset Management team. Seplat has recorded its rights to receive the discharge sum from the crude oil reserves of OML 55 as an investment in oil and gas assets within oil and gas properties. Approval of this settlement remains subject to ministerial consent.
- Primarily as a consequence of the shut-in of the Forcados terminal and suspension of exports from mid-February to mid-October, combined with the effect of lower oil prices partially offset by reductions in cost of sales and G&A, the Company is reporting a net loss for the first nine months of US$98 million (₦24 billion) compared to a net profit of US$69 million (₦14 billion) in 2015. Included in the loss is a US$30 million (₦7 billion) unrealised loss on conversion of Naira balances to US Dollars and US$17 million unrealised loss on hedging (₦4 billion)
- For the first nine months to 30 September 2016 the Company had the protection of dated Brent puts covering 4.65 MMbbls at an average strike of US$43.5/bbl. The Company has dated Brent puts covering a further volume of 1.35 MMbbls hedged at a strike price US$40.0/bbl over the fourth quarter and 1.99 MMbbls at a strike price of US$47.0/bbl over the first half of 2017. The board and management continue to closely monitor prevailing oil market dynamics, and will consider further measures to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility.
- Cash at bank stood at US$137 million (₦42 billion) at 30 September.
- Taking into account the unforeseen extended force majeure conditions where the Forcados terminal was shut-in, and the inevitable impact on revenues, the Company adopted a prudent approach and proactively engaged in discussions with its lenders in the US$700 million seven-year term facility (the "term loan") to re-align near-term debt service obligations within the existing tenor. Having re-financed in January 2015 and set a sculpted repayment schedule which was front-ended (i.e. three years average life for a seven-year facility) the Company has received approvals from its lenders and successfully concluded the re-profiling to set a more evenly balanced repayment schedule over the remaining loan life which runs out to 2021. The lenders in the term loan have approved the deferment of H2 2016 and 2017 principal repayment obligations totaling US$150 million until the end of 2017, thereby reducing the Company's principal debt service obligations during this period to US$57 million. Under the terms of the agreed re-profiling, the deferred principal obligations will be repayable over a 30-month period between Q1 2018 and the end of Q2 2020, during which time principal repayments will amount to US$37 million per quarter. From Q2 2020 onwards the principal payments will return to the original schedule as at the time of the refinancing. All other terms under the facility remain unchanged.
- Debt principal repayments of US$155 million were made in the first nine months.
  - Gross debt at 30 September US$708 million

  - Net debt at 30 September US$571 million

- Capital investments of US$27 million were incurred in the first nine months whilst cash flows from operations stood at US$106 million.
- The outstanding NPDC net receivable at 30 September, after offsetting NPDC's share of gas revenue (pursuant to the signed agreement entered into during July 2015 with NPDC on terms for the payment of receivables) and further adjusting for crude handling charges that have also been withheld, was US$328 million (₦100 billion) representing a reduction of US$133 million from the outstanding net receivable of US$461 million (₦92 billion) at the same point in 2015. Confirmation has also been received from Minister of State for Petroleum that 2016 cash calls will be paid current by NPDC. Furthermore, a new funding protocol has also been agreed between NPDC, its funding partner Seven Energy and Seplat whereby an additional crude oil allocation equivalent to around US$100 million is due to Seplat in 2016 that will also be offset against the legacy receivables balance. The new protocol will also see an additional oil entitlement assigned to Seplat from 2017 onwards which the Company expects to monetise through its off-taker Mercuria to fund future cash calls as well as retiring legacy costs (initial arrangement to run for period of up to two years).

Interim dividend

- Owing to the exceptional circumstances as a direct result of force majeure events at the Forcados terminal no interim dividend is being declared. During a period in which Seplat is focusing on preservation of liquidity and selective capital allocation to ensure the Company maintains a necessary level of financial flexibility the Board believes that the Company and its shareholders are better served at this point in time by selectively deploying available capital (on a discretionary basis) into the portfolio of production opportunities and preserving a liquidity buffer.

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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). The Company has interests in six blocks onshore the Niger Delta and since inception has consistently delivered year-on-year reserves and production growth.

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. The Company is also one of the leading suppliers of processed natural gas to the Nigerian domestic market. For further information, please refer to the company website, http://seplatpetroleum.com/

Disclaimer

Interim Condensed Consolidated Financial Statements (Unaudited)

Expressed in US Dollars ('USD')

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

for the third quarter ended 30 September 2016.

	Note	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
		Unaudited	Unaudited	Unaudited	Unaudited
		$'000	$'000	$'000	$'000
Revenue	6	202,689	419,866	59,666	172,280
Cost of sales	7	(128,727)	(227,855)	(44,985)	(88,892)
Gross profit		73,962	192,011	14,681	83,388
General and administrative expenses	8	(76,685)	(84,214)	(27,093)	(33,476)
(Loss)/gains on foreign exchange (net)	9	(30,047)	7,602	(1,717)	(5,761)
Gain on deconsolidation of subsidiary	10c	681	-	681	-
Fair value (loss)/gain	11	(24,615)	(623)	(1,269)	6
Operating profit		(56,704)	114,776	(14,717)	44,157
Finance income	12	27,142	15,649	1,256	4,769
Finance charges	12	(58,083)	(61,962)	(16,651)	(21,724)
(Loss) /profit before taxation		(87,645)	68,463	(30,112)	27,202
Taxation	13	(10,129)	215	(6,497)	-
(Loss) /profit after taxation		(97,774)	68,678	(36,609)	27,202
Profit attributable to:					
(Loss)/profit attributable to equity holders of parent		(96,270)	62,123	(33,764)	28,454
(Loss)/profit attributable to non-controlling interest		(1,504)	6,555	(2,845)	(1,252)
Other comprehensive income		-	-	-	-
Total comprehensive (loss) /income for the period / year		(97,774)	68,678	(36,609)	27,202
(Loss)/profit attributable to equity holders of parent		(96,270)	62,123	(33,764)	28,454
(Loss)/profit attributable to non-controlling interest		(1,504)	6,555	(2,845)	(1,252)
(Loss) /earnings per share ($)	**14**	**(0.17)**	**0.11**	**(0.06)**	**0.05**
Diluted (loss) /earnings per share ($)	**14**	**(0.17)**	**0.11**	**(0.06)**	**0.05**

Interim condensed consolidated statement of financial position

As at 30 September 2016

	Note	As at 30 Sept 2016 Unaudited $'000	As at 31 Dec 2015 Audited $'000
Assets			
Non-current assets			
Oil and gas properties		1,433,746	1,436,951
Property, plant and equipment		8,810	11,602
Goodwill		-	2,000
Deferred tax asset		4,469	-
Prepayments		33,957	36,754
Total non-current assets		**1,480,982**	**1,487,307**
Current assets			
Inventories		108,625	82,468
Trade and other receivables	16	602,708	811,255
Prepayments		3,622	11,639
Derivatives not designated as hedges		300	23,194
Cash and short-term deposits		136,546	326,029
Total current assets		**851,801**	**1,254,585**
Total assets		**2,332,783**	**2,741,892**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	17a	1,821	1,821
Capital contribution	17c	40,000	40,000
Share premium		497,457	497,457
Share equity reserve		11,232	8,734
Retained earnings		746,681	865,485
Foreign currency translation reserve		325	325
Non-controlling interest		-	(745)
Total equity		**1,297,516**	**1,413,077**
Non-current liabilities			
Interest bearing loans & borrowings		558,351	608,846
Deferred tax liabilities		-	21,233
Contingent consideration		11,615	21,900
Provision for decommissioning		1,982	3,869
Defined benefit plan		6,519	6,926
Total non-current liabilities		**578,467**	**662,774**
Current liabilities			
Trade and other payables	18	297,152	375,033
Current taxation	13	23,148	239
Interest bearing loans and borrowings		136,500	290,769
Total current liabilities		**456,800**	**666,041**
Total liabilities		**1,035,267**	**1,328,815**
Total equity and liabilities		**2,332,783**	**2,741,892**

Interim condensed consolidated statement of financial position continued

As at 30 September, 2016

The financial statements on pages 7 to 26 were approved and authorised for issue by the board of directors on 27 October 2016 and were signed on its behalf by

A. B. C. Orjiako	**A. O. Avuru**	**R.T. Brown**
FRC/2013/IODN/00000003161	FRC/2013/IODN/00000003100	FRC/2014/IODN/00000007983
Chairman	Chief Executive Officer	Chief Financial Officer
27 October 2016	27 October 2016	27 October 2016

Interim condensed consolidated statement of changes in equity

for the third quarter ended 30 September 2016

	Share Capital	Share premium	Capital contribution	Share based payment reserves	Foreign currency translation reserve	Retained earnings	Total equity	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	1,821	497,457	40,000	8,734	325	865,485	1,413,822	(745)	1,413,077
(Loss)/profit for the period	-	-	-	-	-	(96,270)	(96,270)	(1,504)	(97,774)
Share based payments	-	-	-	2,498	-	-	2,498	-	2,498
Dividend to equity holders of the company	-	-	-	-	-	(22,534)	(22,534)	-	(22,534)
Derecognition of subsidiary	-	-	-	-	-	-	-	2,249	2,249
At 30 September 2016 (unaudited)	**1,821**	**497,457**	**40,000**	**11,232**	**325**	**746,681**	**1,297,516**	**-**	**1,297,516**

for the third quarter ended 30 September 2015

	Share Capital	Share premium	Capital contribution	Share based payment reserves	Foreign currency translation reserve	Retained earnings	Total equity	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2015	1,798	497,457	40,000	-	26	869,861	1,409,142	-	1,409,142
Profit for the period	-	-	-	-	-	62,123	62,123	6,555	68,678
Dividend to equity holders of the company	-	-	-	-	-	(49,701)	(49,701)	-	(49,701)
Acquisition of subsidiary	-	-	-	-	-	-	-	1,409	1,409
At 30 September 2015 (unaudited)	**1,798**	**497,457**	**40,000**	**-**	**26**	**882,283**	**1,421,564**	**7,964**	**1,429,528**

Interim condensed consolidated statement of cash flow
for the third quarter ended 30 September 2016

	Note	9 months ended 30 Sept 2016 $'000 Unaudited	9 months ended 30 Sept 2015 $'000 Unaudited
Cash Flows from Operations Activities			
Cash generated from operations	22	106,327	10,820
Net cash inflows from operating activities		106,327	10,820
Cash Flow from Investing Activities			
Investment in oil and gas properties		(25,592)	(407,613)
Acquisition of property, plant and equipment		(1,380)	(2,215)
Acquisition of subsidiaries		-	(2,000)
Refunds from deposit for investment		-	368,160
Interest received		760	7,023
Net cash inflows/(outflows) from investing activities		(26,212)	(36,645)
Cash Flows from Financing Activities			
Proceeds from bank financing		-	967,101
Repayments of bank financing		(155,250)	(673,607)
Dividends paid		(22,534)	(49,701)
Interest paid		(57,363)	(58,692)
Net cash (outflows)/inflows from financing activities		(235,147)	185,101
Net (decrease)/increase in cash and cash equivalents		(155,032)	159,276
Cash and cash equivalents at beginning of period		326,029	285,298
Exchange losses on cash and cash equivalents		(34,451)	-
Cash and cash equivalents at end of period		**136,546**	**444,574**

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 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'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 percent 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''). The total purchase price for these assets was US$50 million paid at the completion of the acquisition in June 2014 and a contingent payment of US$10 million (US$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 US$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 US$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.

In 2015, the Group purchased a 40% working interest in OML 53, onshore north eastern Niger Delta, from Chevron Nigeria Ltd. for US$259.4 million. It also concluded negotiations to buy 56.25% of BelemaOil Producing Ltd., a Nigerian special purpose vehicle that bought a 40% interest in the producing OML 55, located in the swamp to coastal zone of south eastern Niger Delta. NNPC holds the remaining 60.00% interest in OML 55, and Seplat's effective working interest in OML 55 as a result of the acquisition was 22.50%.

Seplat paid US$182 million to Chevron on behalf of the BelemaOil entity, including its 22.50% interest in OML 55. It advanced certain loans and costs of US$43 million to the other shareholders of BelemaOil to meet their share of investments and costs associated with BelemaOil. Seplat also paid interest of US$11.25m as service fees towards bank debts taken by BelemaOil to fund their share of the asset.

As at 30 June 2016, the minority shareholders of BelemaOil had begun to dispute the Group's majority shareholding in the entity. Based on management's judgement, the Group continued to consolidate BelemaOil as it believed it exercised control over this subsidiary.

Subsequently, and in a bid to settle the pending legal disputes, representatives of both Seplat and BelemaOil have agreed to a new arrangement which provides for a discharge sum of US$330 million, fair valued at US$250 million, to be paid to Seplat over a six-year period, through allocation of crude oil reserves of OML 55. In turn, Seplat relinquishes all claims to its shareholding of BelemaOil as an entity. The 40% stake in OML 55 will be jointly controlled by Seplat and BelemaOil over the period of this arrangement through an Asset Management Team comprising equal representatives of both parties. The Asset Management Team makes all the key decisions regarding the relevant activities of the underlying asset, and unanimous consent of all parties is required for decision making.

Furthermore, Seplat no longer exercises control and has now deconsolidated BelemaOil in the financial statements in accordance with IFRS 10 (par B97). Joint control however now exists over OML 55 through the representation on the Asset Management team. Seplat has recorded its rights to receive the discharge sum from the crude oil reserves of OML 55 as an investment in oil and gas assets within oil and gas properties.

Notes to the interim condensed consolidated financial statements

The agreements have been signed by both parties but are subject to ministerial consent. The Group however believes consent will be received as the agreements were brokered by the Ministry of Petroleum Resources.

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.

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 Limited	(Nigeria)	100%

2. Accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with accounting standard IAS 34 Interim financial reporting. The financial information has been prepared under the going concern assumption and historical cost convention, except for contingent consideration, borrowings on initial recognition and financial instruments – derivatives not designated as hedges that have been measured at fair value. The historical financial information is presented in US dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated. The accounting policies are applicable to both Company and Group.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 13) and the adoption of new and amended standards as set out below:

(a) New and amended standards adopted by the group

A number of amendments and improvements to existing standards became effective and were adopted by the Group during the current reporting period. None of these had a material impact on the financial statements of the Group.

(b) Impact of standards issued but not yet applied by the entity

(i) 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 assessing whether it should adopt IFRS 9 before its mandatory date.

While the group has yet to undertake a detailed assessment of the classification and measurement of 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 any such liabilities.

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

Notes to the interim condensed consolidated financial statements continued

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 only 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. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may 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.

(ii) 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.

At this stage, the group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the effect over the next twelve months. The group does not expect to adopt the new standard before 1 January 2018.

(iii) 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.

At this stage, the Group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2019.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2016.

This basis is the same adopted for the last audited financial statement as at 31 December 2015.

2.3 Functional and presentation currency

Functional and presentation currency

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

Notes to the interim condensed consolidated financial statements continued

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 period-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 average exchange rates for the reporting period except when there is a significant change in foreign exchange, in this case a more appropriate rate is used. 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.

3. Segment reporting

The Group operates one segment, being the exploration, development and production of oil and gas related products located in Nigeria. Therefore, no segment reporting has been prepared.

4. Critical accounting estimates and judgements

4.1 Impairment of financial assets

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

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

4.2 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 discount and inflation 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.

The defined benefit obligation recognised in 2015 has been based on the same assumptions as in the previous financial year. The subsequent financial year end balance was estimated as at 31 December 2015 and has been recognised in the period to date on a pro rata basis. Therefore, no actuarial gains or losses have been recognised given that last year's assumptions have been adopted.

4.3 Deconsolidation of subsidiary

Following the restructuring of the arrangement with BelemaOil with respect to OML 55, as described in Note 1, the Group has now deconsolidated BelemaOil in these financial statements in accordance with IFRS 10 (par B97), as it no longer exercises control over the entity.

Notes to the interim condensed consolidated financial statements continued

BelemaOil's 40% stake in OML 55 will be jointly controlled by Seplat and BelemaOil over the period of this arrangement through an Asset Management Team comprising of equal representatives of both parties. The Asset Management Team makes all the key decisions regarding the technical and commercial activities of the underlying asset, and unanimous consent of all parties is required for decision making. Asset management team guidelines and other agreements that will govern the operations of the AMT are in process and yet to be finalized. The Group therefore believes it exercises joint control over OML 55 through its representation on the Asset Management team. Seplat has recorded its rights to receive the discharge sum of US$330 million from the crude oil reserves of OML 55 as an investment in oil and gas assets within oil and gas properties. The fair value of the discharge sum on the date of deconsolidation is US$250 million and has been determined using the income approach in line with IFRS 13 (Discounted Cash Flow). The gain on deconsolidation recognized amounted to US$ 681,000 and has been recognized in the income statement (see note 10).

5. Financial risk management

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.

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.

US$ '000

	Effective interest rate %	Less than 1 year	1 -2 years	2 – 3 years	3 – 5 years	After 5 years	Total
30 September 2016							
Variable interest rate borrowings:							
Bank loans:							
Zenith Bank Plc	8.5%+LIBOR	14,975	50,178	59,656	52,640	30,874	208,323
First Bank of Nigeria	8.5%+LIBOR	9,360	31,361	37,285	32,900	19,296	130,202
United Bank of Africa Plc	8.5%+LIBOR	9,360	31,361	37,285	32,900	19,296	130,202
Stanbic IBTC Bank Plc	8.5%+LIBOR	1,403	4,700	5,588	4,930	2,892	19,513
The Standard Bank of South Africa Limited	8.5%+LIBOR	1,403	4,700	5,588	4,930	2,892	19,513
Standard Chartered Bank	6.0%+LIBOR	15,000	15,000	-	-	-	30,000
Natixis	6.0%+LIBOR	15,000	15,000	-	-	-	30,000
Citibank Nigeria Ltd	6.0%+LIBOR	15,000	15,000	-	-	-	30,000
Bank of America Merrill Lynch Int'l Ltd	6.0%+LIBOR	10,000	10,000	-	-	-	20,000
First Rand Bank (Merchant Bank Division)	6.0%+LIBOR	10,000	10,000	-	-	-	20,000
JP Morgan Chase Bank NA, London Branch	6.0%+LIBOR	10,000	10,000	-	-	-	20,000
Ned Bank Ltd London Branch	6.0%+LIBOR	10,000	10,000	-	-	-	20,000
Stanbic IBTC Bank Plc	6.0%+LIBOR	7,500	7,500	-	-	-	15,000
The Standard Bank of South Africa Limited	6.0%+LIBOR	7,500	7,500	-	-	-	15,000
Trade payables		78,792					78,792
Contingent consideration					11,615		11,615
		215,293	**222,300**	**145,402**	**139,915**	**75,250**	**798,160**

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
							US$ '000
31 December 2015							
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	8.5%+LIBOR	51,235	44,012	32,000	46,721	15,065	189,033
United Bank of 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	6.0%+LIBOR	17,534	27,711	-	-	-	45,245
Natixis	6.0%+LIBOR	17,534	27,711	-	-	-	45,245
Citibank Nigeria Ltd	6.0%+LIBOR	17,534	27,711	-	-	-	45,245
Bank of America Merrill Lynch Int'l Ltd	6.0%+LIBOR	11,689	18,474	-	-	-	30,163
First Rand Bank (Merchant Bank Division)	6.0%+LIBOR	11,689	18,474	-	-	-	30,163
JP Morgan Chase Bank NA, London Branch	6.0%+LIBOR	11,689	18,474	-	-	-	30,163
Ned Bank Ltd London Branch	6.0%+LIBOR	11,689	18,474	-	-	-	30,163
Stanbic IBTC Bank Plc	6.0%+LIBOR	8,767	13,856	-	-	-	22,623
The Standard Bank of South Africa Limited	6.0%+LIBOR	8,767	13,856	-	-	-	22,623
Sterling Bank Loan	-	52,500	-	-	-	-	52,500
Trade and 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**

Fair value measurements

Financial instruments measured at fair value were based on the same assumptions as determined in the 31 December 2015 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 the third quarter.

Notes to the interim condensed consolidated financial statements continued

6. Revenue

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	$'000	$'000	$'000	$'000
Crude oil sales	86,367	282,669	26,414	147,040
Underlift	38,925	84,425	2,995	(1,029)
	125,292	367,094	29,409	146,011
Gas Sales	77,397	52,772	30,257	26,269
Total revenue	**202,689**	**419,866**	**59,666**	**172,280**

The off-takers for crude oil are Shell Western Supply and Trading Limited and Mercuria.

7. Cost of sales

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	$'000	$'000	$'000	$'000
Crude handling fees	7,940	49,134	3,160	13,002
Barging costs	10,268	-	4,215	-
Royalties	25,108	69,134	11,732	31,274
Depletion, Depreciation and Amortisation	42,999	58,021	14,490	26,554
Niger Delta Development Commission	4,265	7,346	1,304	1,086
Other Rig related Expenses	2,649	6,203	836	706
Operations & Maintenance Costs	35,498	38,017	9,248	16,270
	128,727	**227,855**	**44,985**	**88,892**

8. General and administrative expenses

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	$'000	$'000	$'000	$'000
Depreciation	4,172	4,131	1,428	1,565
Employee benefit expense	15,119	14,069	4,654	4,310
Professional & Consulting Fees	18,247	38,599	7,073	18,523
Audit fee	56	267	-	-
Directors Emoluments (Execs)	2,461	2,738	848	1,165
Directors Emoluments (Non- Execs)	2,796	2,595	401	831
Rentals	1,422	1,540	414	740
Impairment loss	18,467	-	7,926	-
Other General and Admin Expenses	13,945	20,275	4,349	6,342
	76,685	**84,214**	**27,093**	**33,476**

Notes to the interim condensed consolidated financial statements continued

Directors' emoluments have been split between Executive & Non-Executive directors' emoluments and includes share based benefits recognised in 2016.

There were no non-audit services rendered by the group's auditors during the period.

Impairment loss relates to the impairment of NPDC receivables of $ 18.5 million (see details in note 16 on trade and other receivables).

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

9. (Losses)/gains on foreign exchange (net)

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	$'000	$'000	$'000	$'000
Foreign exchange (losses) /gains (net)	(30,047)	7,602	(1,717)	(5,761)
	(30,047)	**7,602**	**(1,717)**	**(5,761)**

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

10. Deconsolidation of subsidiary

The details of the deconsolidation of subsidiary has been disclosed in Note 1 – Corporate structure and business and Note 4 - Critical accounting estimates and judgments. A summary of assets and liabilities derecognised and the resulting gain on deconsolidation are shown below.

10a. Summary of assets and liabilities derecognised

	9 months ended 30 Sept 2016
	$'000
Non-current assets	
Producing assets	235,888
Goodwill	2,000
Current assets	
Trade and other receivables	86,340
Underlift	38,555
Total assets	**362,783**
Equity	
Non-controlling interest	**(2,249)**
Non-current liabilities	
Deferred tax liability	12,803
Contingent consideration	12,474
Provision for decommissioning	32
Current liabilities	
Short term borrowings	52,500
Trade and other payables	37,701
Current tax	113
Total liabilities	**115,623**
Total equity and liabilities	**113,374**
Net asset derecognised	**249,409**

Notes to the interim condensed consolidated financial statements continued

10b. Summary of assets and liabilities recognised

	9 months ended 30 Sept 2016
	$'000
Investment in oil and gas assets	250,090
Assets recognized	**250,090**

Investment discharge sum agreed amounts to $ 330 million. This is recognized at its fair value of $250 million.

10c. Gain on deconsolidation of subsidiary

	9 months ended 30 Sept 2016
	$'000
Summary of assets and liabilities derecognised (note 10a)	(249,409)
Summary of assets and liabilities recognised (note 10b)	250,090
Gain on deconsolidation of BelemaOil	**681**

11. Fair value (loss)/gain

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	$'000	$'000	$'000	$'000
Fair value (loss)/gain on commodity derivatives	(22,426)	-	(1,639)	-
Fair value (loss)/gain on contingent consideration	(2,189)	(623)	370	6
	(24,615)	**(623)**	**(1,269)**	**6**

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

12. Finance income/charges

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	$'000	$'000	$'000	$'000
Finance income				
Interest income	**27,142**	**15,649**	**1,256**	**4,769**
Finance charges				
Interest on bank loan and other bank charges	57,363	61,942	16,147	22,440
Unwinding of discount on provision for decommissioning	720	20	504	(716)
	58,083	**61,962**	**16,651**	**21,724**

Notes to the interim condensed consolidated financial statements continued

13. 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 ended 30 September 2016 is 65.75% for crude oil activities and 30% for gas activities, compared to 0% for oil and 0% for gas activities estimated for the third quarter ended 30 September 2015. The zero tax rate in prior years was as a result of tax incentives granted.

14. Earnings per share

Basic EPS

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

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

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	$'000	$'000	$'000	$'000
(Loss)/Profit for the period attributable to equity holders of the parent ($'000)	(96,270)	62,123	(33,764)	28,454
Weighted average number of ordinary shares in issue (in 000)	560,576	553,310	560,576	553,310
Share Options (in 000)	3,276	-	3,276	-
Weighted average number of ordinary shares adjusted for the effect of dilution (in 000)	563,852	553,310	563,852	553,310
	$	**$**	**$**	**$**
Basic (loss)/earnings per share	(0.17)	0.11	(0.06)	0.05
Diluted (loss)/earnings per share	(0.17)	0.11	(0.06)	0.05
	$'000	**$'000**	**$'000**	**$'000**
(Loss)/profit attributable to equity holders of the parent	(96,270)	62,123	(33,764)	28,454
(Loss)/profit used in determining diluted earnings per share	(96,270)	62,123	(33,764)	28,454

15. Dividend

As at 30 September 2016, no dividend was proposed (2015: $49.7 million)

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	$'000	$'000	$'000	$'000
Dividend paid during the period	22,534	49,701	-	16,070
Dividend per share	0.04	0.09	-	0.03

Notes to the interim condensed consolidated financial statements continued

16. Trade and other receivables

	As at 30 Sept 2016 $'000	As at 31 Dec 2015 $'000
Trade receivables	81,743	133,905
Nigerian Petroleum Development Company (NPDC) receivables	404,307	491,974
Deposit for Investments	85,272	85,236
Advances to other parties	-	53,175
Under lift	27,433	27,063
Advances to suppliers	8,998	2,597
Hedging receivables	-	7,585
Interest receivable from shareholders of BelemaOil	-	9,546
Other receivables	13,422	174
Impairment loss on (NPDC) receivables	(18,467)	-
	602,708	**811,255**

Trade receivables / NPDC receivables:

Trade receivables:

Included in trade receivables are crude receivables from Chevron/NAPIMS of $10 million (2015: $36 million), Mercuria of Nil (2015: $17 million), Shell $ 0.261 million (2015: $15 million) and gas receivables NGC $59 million (2015: $62 million).

NPDC receivables:

NPDC receivables represent the outstanding cash calls due from the Nigerian National Petroleum Corporation (NNPC). The receivables have been discounted to reflect the impact of time value of money. The resulting adjustment has been recognized in the statement of comprehensive income. As at 30 September 2016, the undiscounted value of this receivables is $404.3 million (2015: $491.97 million)

Deposit for investment:

By a consortium agreement made amongst parties, Newton Energy Limited (a subsidiary of Seplat) agreed to make payments of $453million towards an investment in 2014. In 2015, $367 million was received from an Escrow account set up for this purpose in respect of this investment.

a) $45m refundable deposit made towards the investment in 2014 remains with the potential vendors. As at period-end, the investment was not consummated, this remains a deposit whilst negotiation between the parties continue.
b) $36.5m 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 $7.5m has been paid out in consortium fees, $8.5 million has been returned to Seplat and the balance of $20.5 million remains in Escrow. The deal is still ongoing with the parties concerned.

Notes to the interim condensed consolidated financial statements continued

17. Share capital

17a Authorised and issued share capital

	As at 30 Sept 2016 $'000	As at 31 Dec 2015 $'000
Authorised ordinary share capital		
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	3,335	3,335
Issued and fully paid		
560,576,101 (2015: 560,576,101) issued shares denominated in Naira of 50 kobo per share	1,821	1,821

17b Share options

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. During the third quarter ended 30 September 2016 no shares were vested (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).

17c. Capital contribution

	As at 30 Sept 2016 $'000	As at 31 Dec 2015 $'000
Cash Contribution	40,000	40,000
	40,000	40,000

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.

18. Trade and other payables

	As at 30 Sept 2016 $'000	As at 31 Dec 2015 $'000
Trade payable	78,792	125,408
Accruals and other payables	178,415	216,265
NDDC levy	15,724	6,272
Deferred revenue	1,420	1,420
Royalties	22,801	25,668
	297,152	**375,033**

Notes to the interim condensed consolidated financial statements continued

19. Related party transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the parent company). The parent company is owned 21.37% by Maurel & Prom (MPI), 15.19% either directly or by entities controlled by A.B.C Orjiako (Shebah petroleum Development Company Limited) and members of his family and 13.15% either directly or by entities controlled by Austin Avuru (Professional Support Limited, Abtrust Integrated Services and Platform Petroleum Limited). The remaining shares in the parent company are widely held.

19a. Transactions

The Service provided by related parties are:

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 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.

M&P (MPI SA): is a shareholder of Seplat. The Company provides consultancy and management services to the Group.

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.

Nerine Support Services Limited: is owned by common shareholders with the parent company. 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 Exploration and Production Company Limited ('SEPCOL'): The Chairman of Seplat is a director and shareholder of SEPCOL. SEPCOL provided consulting services to Seplat.

Notes to the interim condensed consolidated financial statements continued

The following transactions were carried by Seplat with related parties:

Purchases of goods and services	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015
	$'000	$'000
Shareholders of the parent company		
M&P (MPI SA)	37	-
Shebah Petroleum Development Company Limited	689	1,011
Platform Petroleum Limited	-	176
	726	**1,187**
Entities controlled by key management personnel		
Abbey Court Trading Company Limited	370	2,264
Cardinal Drilling Services Limited	5,331	13,851
Keco Nigeria Enterprises	191	1,815
Ndosumili Ventures Limited	1,036	1,350
Oriental Catering Services Limited	385	754
ResourcePro Inter Solutions Limited	78	1,686
Berwick Nigeria Limited	28	-
Montego Upstream Services Limited	11,770	8,740
Nerine Support Services Limited	8,021	16,939
Nabila Resources & Investment Ltd	5	226
D.D Dodo & Co	-	322
Helko Nigeria Limited	411	222
	27,626	**48,169**

19b. Balances

The following balances were receivable from or payable to related parties as at 30 September 2016:

Prepayments / receivables	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015
	$'000	$'000
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	7,027	9,466
	7,027	9,466

Payables	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015
	$'000	$'000
Shareholders of the parent company		
MPI	2	-
Entities controlled by key management personnel		
Abbey Court Trading Company Limited	50	-
Cardinal Drilling Services Limited	1,081	-
Keco Nigeria Enterprises	64	-
Berwick Nigeria Limited	29	-
Montego Upstream Services Limited	5,190	-
Nerine Support Services Limited	577	-

	6,993	-

Notes to the interim condensed consolidated financial statements continued

20. Commitments and contingencies

There was no significant commitments during this third quarter.

The Group is involved in a number of legal suits as defendant. The possible liabilities arising from these court proceedings amount to Nil (31 December 2015: $299.9 million). 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 date

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 Group as at 30 September 2016 and on the profit or loss for the third quarter ended on that date, which have not been adequately provided for or disclosed in these financial statements.

22. Reconciliation of net profit to cash from operating activities

Cash provided by operating activities	9 months ended 30 Sept 2016 $'000	9 months ended 30 Sept 2015 $'000
(Loss)/profit before taxation	(87,645)	68,463
Adjusted for:		
Depreciation and amortization	47,171	62,158
Impairment loss	18,467	-
Interest expense	58,083	61,962
Interest income	(27,142)	(15,649)
Fair value loss/(gain)	24,615	(623)
Unrealised foreign exchange loss/(gains)	30,047	(7,721)
Non-cash employee benefits expense – share based payments	2,498	-
Decommissioning liabilities	(2,575)	-
Defined benefit obligation	(407)	-
Gain on deconsolidation of subsidiary	(681)	-
Changes in working capital (excluding the effects of exchange differences and deconsolidation):		
Trade and other receivables and prepayments	83,813	(145,007)
Trade and other payables	(13,760)	8,562
Inventory	(26,157)	(21,325)
Net cash provided by operating activities	106,327	10,820

Interim Condensed Consolidated Financial Statements (Unaudited)

Expressed in Nigerian Naira ('NGN')

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

For the third quarter ended 30 September 2016

	Note	9 months ended 30 Sept 2016 Unaudited	9 months ended 30 Sept 2015 Unaudited	3 months ended 30 Sept 2016 Unaudited	3 months ended 30 Sept 2015 Unaudited
		₦million	₦million	₦million	₦million
Revenue	6	47,672	83,004	18,367	34,243
Cost of sales	7	(30,702)	(45,045)	(13,848)	(17,677)
Gross profit		16,970	37,959	4,519	16,566
General and administrative expenses	8	(18,674)	(16,648)	(8,341)	(6,655)
(Loss)/gain on foreign exchange (net)	9	(6,911)	1,503	(529)	(1,129)
Gain on deconsolidation of subsidiary	10c	210	-	210	-
Fair value (loss) /gain	11	(5,693)	(123)	(391)	1
Operating profit		(14,098)	22,691	(4,532)	8,783
Finance income	12	6,081	3,094	387	951
Finance charges	12	(13,447)	(12,249)	(5,126)	(4,324)
(Loss)/profit before taxation		(21,464)	13,536	(9,271)	5,410
Taxation	13	(2,615)	43	(2,000)	-
(Loss)/profit after taxation		(24,079)	13,579	(11,271)	5,410
Profit attributable to:					
(Loss) /profit attributable to equity holders of parent		(23,616)	12,283	(10,535)	5,652
(Loss) /profit attributable to non-controlling interests		(463)	1,296	(736)	(242)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation differences		141,638	17,383	28,384	36,112
Other comprehensive income/(loss) for the period		141,638	17,383	28,384	36,112
Total comprehensive income for the period		117,559	30,962	17,113	41,522
Total comprehensive income attributable to equity holders of parent		118,095	29,666	19,659	41,764
Total comprehensive income attributable to non-controlling interests		(536)	1,296	(2,546)	(242)
(Loss) /earnings per share (₦)	**14**	**(42.13)**	**22.20**	**(18.79)**	**10.21**
Diluted (loss) /earnings per share (₦)	**14**	**(41.88)**	**22.20**	**(18.68)**	**10.21**

Interim condensed consolidated statement of financial position

As at 30 September 2016

	Note	As at 30 Sept 2016 Unaudited ₦million	As at 31 Dec 2015 Audited ₦million
Assets			
Non-current assets			
Oil and gas properties		435,858	285,723
Property, plant and equipment		2,678	2,307
Goodwill		-	398
Deferred tax asset		1,359	-
Prepayments		10,323	7,308
Total non-current assets		**450,218**	**295,736**
Current assets			
Inventories		33,022	16,398
Trade and other receivables	16	183,223	161,310
Prepayments		1,101	2,315
Derivatives not designated as hedges		91	4,612
Cash and short-term deposits		41,510	64,828
Total current assets		**258,947**	**249,463**
Total assets		**709,165**	**545,199**
Equity and liabilities			
Equity attributable to shareholders			
Share capital	17a	282	282
Capital contribution	17c	5,932	5,932
Share premium		82,080	82,080
Share equity reserve		2,325	1,729
Retained earnings		105,930	134,919
Foreign currency translation reserve		197,893	56,182
Non-controlling interest		-	(148)
Total equity		**394,442**	**280,976**
Non-current liabilities			
Interest bearing loans & borrowings		169,739	121,063
Deferred tax liabilities		-	4,222
Contingent consideration		3,531	4,355
Provision for decommissioning		603	769
Defined benefit plan		1,982	1,377
Total non-current liabilities		**175,855**	**131,786**
Current liabilities			
Trade and other payables	18	90,335	74,572
Current taxation	13	7,037	48
Interest bearing loans and borrowings		41,496	57,817
Total current liabilities		**138,868**	**132,437**
Total liabilities		**314,723**	**264,223**
Total equity and liabilities		**709,165**	**545,199**

Interim condensed consolidated statement of financial position continued

As at 30 September 2016

The financial statements on pages 28 to 48 were approved and authorised for issue by the board of directors on 27 October 2016 and were signed on its behalf by

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
27 October 2016

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
27 October 2016

R.T. Brown
FRC/2014/IODN/00000007983
Chief Financial Officer
27 October 2016

Interim condensed consolidated statement of changes in equity

For the third quarter ended 30 September 2016

	Share capital	Share premium	Capital contribution	Share based payment reserves	Foreign currency translation reserve	Retained earnings	Total equity	Non-controlling interest	Total
	₦million	₦million	₦million	₦million	₦million	₦million	₦million	₦million	₦million
At 1 January 2016	282	82,080	5,932	1,729	56,182	134,919	281,124	(148)	280,976
(Loss)/profit for the period	-	-	-	-	-	(23,616)	(23,616)	(463)	(24,079)
Other comprehensive income/(loss)	-	-	-		141,711	-	141,711	(73)	141,638
Share based payments	-	-	-	596	-	-	596	-	596
Dividend to equity holders of the company	-	-	-		-	(5,373)	(5,373)	-	(5,373)
Derecognition of subsidiary	-	-	-	-	-	-	-	684	684
At 30 September 2016 (unaudited)	**282**	**82,080**	**5,932**	**2,325**	**197,893**	**105,930**	**394,442**	**-**	394,442

For the third quarter ended 30 September 2015

	Share capital	Share premium	Capital contribution	Share based payment reserves	Foreign currency translation reserve	Retained earnings	Total equity	Non-controlling interest	Total
	₦million	₦million	₦million	₦million	₦million	₦million	₦million	₦million	₦million
At 1 January 2015	277	82,080	5,932	-	35,642	135,727	259,658	-	259,658
Profit for the period	-	-	-	-	-	12,283	12,283	1,296	13,579
Other comprehensive income/(loss)	-	-	-	-	17,383	-	17,383	-	17,383
Dividend to equity holders of the company	-	-	-	-	-	(9,825)	(9,825)	-	(9,825)
Acquisition of subsidiary	-	-	-	-	-	-	-	219	219
At 30 September 2015 (unaudited)	**277**	**82,080**	**5,932**	**-**	**53,025**	**138,185**	**279,499**	**1,515**	**281,014**

Interim condensed consolidated statement of cash flow

For the third quarter ended 30 September 2016

	Note	9 months ended 30 Sept 2016 ₦million Unaudited	9 months ended 30 Sept 2015 ₦million Unaudited
Cash Flows from Operations Activities			
Cash generated from operations	22	24,652	2,139
Net cash inflows from operating activities		24,652	2,139
Cash Flow from Investing Activities			
Investment in oil and gas properties		(6,102)	(80,582)
Acquisition of property, plant and equipment		(329)	(438)
Acquisition of subsidiaries		-	(395)
Refunds from deposit for investment			72,782
Interest received		6,081	1,389
Net cash (outflows) from investing activities		(350)	(7,244)
Cash Flows from Financing Activities			
Proceeds from bank financing		-	191,187
Repayments of bank financing		(37,019)	(133,166)
Dividends paid		(5,373)	(9,825)
Interest paid		13,269	(11,603)
Net cash (outflows)/inflows from financing activities		(29,123)	36,593
Net (decrease)/ increase in cash and cash equivalents		(4,821)	31,488
Cash and cash equivalents at beginning of period		64,828	52,571
Net foreign currency exchange differences		(18,497)	4,522
Cash and cash equivalents at end of period		**41,510**	**88,581**

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 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'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 per cent 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 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 per cent Participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the ''Umuseti/Igbuku Fields''). The total purchase price for these assets was $50 million paid at the completion of the acquisition in June 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.

In 2015, the Group purchased a 40% working interest in OML 53, onshore north eastern Niger Delta, from Chevron Nigeria Ltd. for US$259.4 million. It also concluded negotiations to buy 56.25% of BelemaOil Producing Ltd., a Nigerian special purpose vehicle that bought a 40% interest in the producing OML 55, located in the swamp to coastal zone of south eastern Niger Delta. NNPC holds the remaining 60.00% interest in OML 55, and Seplat's effective working interest in OML 55 as a result of the acquisition was 22.50%.

Seplat paid US$182 million to Chevron on behalf of the BelemaOil entity, including its 22.50% interest in OML 55. It advanced certain loans and costs of US$43 million to the other shareholders of BelemaOil to meet their share of investments and costs associated with BelemaOil. Seplat also paid interest of US$11.25m as service fees towards bank debts taken by BelemaOil to fund their share of the asset.

As at 30 June 2016, the minority shareholders of BelemaOil had begun to dispute the Group's majority shareholding in the entity. Based on management's judgement, the Group continued to consolidate BelemaOil as it believed it exercised control over this subsidiary.

Subsequently, and in a bid to settle the pending legal disputes, representatives of both Seplat and BelemaOil have agreed to a new arrangement which provides for a discharge sum of US$330 million, fair valued at US$250 million, to be paid to Seplat over a six- year period, through allocation of crude oil reserves of OML 55. In turn, Seplat relinquishes all claims to its shareholding of BelemaOil as an entity. The 40% stake in OML 55 will be jointly controlled by Seplat and BelemaOil over the period of this arrangement through an Asset Management Team comprising equal representatives of both parties. The Asset Management Team makes all the key decisions regarding the relevant activities of the underlying asset, and unanimous consent of all parties is required for decision making.

Furthermore, Seplat no longer exercises control and has now deconsolidated BelemaOil in the financial statements in accordance with IFRS 10 (par B97). Joint control however now exists over OML 55 through the representation on the Asset Management team. Seplat has recorded its rights to receive the discharge sum from the crude oil reserves of OML 55 as an investment in oil and gas assets within oil and gas properties.

Notes to the Interim condensed consolidated financial statements continued

The agreements have been signed by both parties but are subject to ministerial consent. The Group however believes consent will be received as the agreements were brokered by the Ministry of Petroleum Resources.

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.

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 Limited	(Nigeria)	100%

2. Accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with accounting standard IAS 34 Interim financial reporting. 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 Nigerian Naira and all values are rounded to the nearest million (₦'m), except when otherwise indicated. The accounting policies are applicable to both Company and Group.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 13) and the adoption of new and amended standards as set out below:

(a) New and amended standards adopted by the group

A number of amendments and improvements to existing standards became effective and were adopted by the Group during the current reporting period. None of these had a material impact on the financial statements of the Group.

(b) Impact of standards issued but not yet applied by the entity

(i) IFRS 9 Financial instruments

IFRS 9 Financial instruments addresses the classification, measurement and derecognition 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 assessing whether it should adopt IFRS 9 before its mandatory date.

While the group has yet to undertake a detailed assessment of the classification and measurement of 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 any 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.

Notes to the interim condensed consolidated financial statements continued

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may 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.

(ii) 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.

At this stage, the group is not able to estimate the effect of the new rules on the group's financial statements. The group will make more detailed assessments of the effect over the next twelve months. The group does not expect to adopt the new standard before 1 January 2018.

(iii) 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.

At this stage, the Group is not able to estimate the effect of the new rules on the group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2019.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2016.

This basis is the same adopted for the last audited financial statement as at 31 December 2015.

2.3 Functional and presentation currency

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.

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 period-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.

Notes to the Interim condensed consolidated financial statements continued

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 average exchange rates for the reporting period except when there is a significant change in foreign exchange, in this case a more appropriate rate is used. 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.

For statutory reporting purposes, the Naira components of the consolidated financial statements are derived from the US dollar financial statements translation in which all monetary assets and liabilities are translated at the closing rate, share capital at historical rate while comprehensive income is translated at the average rate for the period. The resulting exchange differences are recognised in other comprehensive income and included as a separate component of equity.

3. Segment reporting

The Group operates one segment, being the exploration, development and production of oil and gas related products located in Nigeria. Therefore, no segment reporting has been prepared.

4. Critical accounting estimates and judgements

4.1 Impairment of financial assets

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

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

4.2 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 and inflation 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.

The defined benefit obligation recognised in 2015 was based on the same assumptions as in the previous financial year. The subsequent financial year end balance was estimated as at 31 December 2015 and has been recognised in the period to date on a pro rata basis. Therefore, no actuarial gains or losses have been recognised given that last year's assumptions have been adopted.

4.3 Deconsolidation of subsidiary

Following the restructuring of the arrangement with BelemaOil with respect to OML 55, as described in Note 1, the Group has now deconsolidated BelemaOil in these financial statements in accordance with IFRS 10 (par B97), as it no longer exercises control over the entity.

BelemaOil's 40% stake in OML 55 will be jointly controlled by Seplat and BelemaOil over the period of this arrangement through an Asset Management Team comprising of equal representatives of both parties. The Asset Management Team

Notes to the interim condensed consolidated financial statements continued

makes all the key decisions regarding the technical and commercial activities of the underlying asset, and unanimous consent of all parties is required for decision making. Asset management team guidelines and other agreements that will govern the operations of the AMT are in process and yet to be finalized. The Group therefore believes it exercises joint control over OML 55 through its representation on the Asset Management team. Seplat has recorded its rights to receive the discharge sum of $330 million from the crude oil reserves of OML 55 as an investment in oil and gas assets within oil and gas properties. The fair value of the discharge sum on the date of deconsolidation is $250 million as has been determined using the income approach in line with IFRS 13 (Discounted Cash Flow). The gain on deconsolidation recognized amounted to $ 681,000 and has been recognized in the income statement (see note 10).

5. Financial risk management

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.

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

							Nigerian ₦ million
	Effective interest rate %	Less than 1 year	1 -2 years	2 – 3 years	3 – 5 years	After 5 years	Total
30 September 2016							
Variable interest rate borrowings:							
Bank loans:							
Zenith Bank Plc	8.5%+LIBOR	4,553	15,254	18,135	16,002	9,386	63,330
First Bank of Nigeria	8.5%+LIBOR	2,845	9,534	11,335	10,002	5,866	39,582
United Bank of Africa Plc	8.5%+LIBOR	2,845	9,534	11,335	10,002	5,866	39,582
Stanbic IBTC Bank Plc	8.5%+LIBOR	426	1,429	1,699	1,499	879	5,932
The Standard Bank of South Africa Limited	8.5%+LIBOR	426	1,429	1,699	1,499	879	5,932
Standard Chartered Bank	6.0%+LIBOR	4,560	4,560	-	-	-	9,120
Natixis	6.0%+LIBOR	4,560	4,560	-	-	-	9,120
Citibank Nigeria Ltd	6.0%+LIBOR	4,560	4,560	-	-	-	9,120
Bank of America Merrill Lynch Int'l Ltd	6.0%+LIBOR	3,040	3,040	-	-	-	6,080
First Rand Bank (Merchant Bank Division)	6.0%+LIBOR	3,040	3,040	-	-	-	6,080
JP Morgan Chase Bank NA, London Branch	6.0%+LIBOR	3,040	3,040	-	-	-	6,080
Ned Bank Ltd London Branch	6.0%+LIBOR	3,040	3,040	-	-	-	6,080
Stanbic IBTC Bank Plc	6.0%+LIBOR	2,280	2,280	-	-	-	4,560
The Standard Bank of South Africa Limited	6.0%+LIBOR	2,280	2,280	-	-	-	4,560
Trade payables	-	23,953		-	-	-	23,953
Contingent consideration	-	-	-	-	3,531	-	3,531
		65,448	**67,580**	**44,203**	**42,535**	**22,876**	**242,642**

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
31 December 2015							
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 of 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	8.5%+LIBOR	1,527	1,312	954	1,392	449	5,634
Standard Chartered Bank	6.0%+LIBOR	3,486	5,510	-	-	-	8,996
Natixis	6.0%+LIBOR	3,486	5,510	-	-	-	8,996
Citibank Nigeria Ltd	6.0%+LIBOR	3,486	5,510	-	-	-	8,996
Bank of America Merrill Lynch Int'l Ltd	6.0%+LIBOR	2,324	3,673	-	-	-	5,997
First Rand Bank (Merchant Bank Division)	6.0%+LIBOR	2,324	3,673	-	-	-	5,997
JP Morgan Chase Bank NA, London Branch	6.0%+LIBOR	2,324	3,673	-	-	-	5,997
Ned Bank Ltd London Branch	6.0%+LIBOR	2,324	3,673	-	-	-	5,997
Stanbic IBTC Bank Plc	6.0%+LIBOR	1,743	2,755	-	-	-	4,498
The Standard Bank of South Africa Limited	6.0%+LIBOR	1,743	2,755	-	-	-	4,498
Sterling Bank Loan	-	10,439	-	-	-	-	10,439
Trade payables	-	74,572	-	-	-	-	74,572
Contingent consideration	-	-	-	-	4,355	-	4,355
		147,981	**70,860**	**24,815**	**40,583**	**11,683**	**295,922**

Fair value measurements

Financial instruments measured at fair value were based on the same assumptions as determined in the 31 December 2015 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 the third quarter.

Notes to the interim condensed consolidated financial statements continued

6. Revenue

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	₦million	₦million	₦million	₦million
Crude oil sales	20,363	55,881	8,131	29,169
Underlift	8,403	16,691	922	(138)
	28,766	72,572	9,053	29,031
Gas sales	18,906	10,432	9,314	5,212
Total revenue	**47,672**	**83,004**	**18,367**	**34,243**

The off-takers for crude oil are Shell Western Supply and Trading Limited and Mercuria.

7. Cost of sales

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	₦million	₦million	₦million	₦million
Crude handling fees	1,243	9,713	301	2,597
Barging costs	3,161	-	1,969	-
Royalties	6,305	13,667	3,612	6,211
Depletion, Depreciation and Amortisation	10,229	11,470	4,461	5,273
Niger Delta Development Commission	992	1,452	401	219
Other Rig related expenses	627	1,226	257	143
Operations & Maintenance costs	8,145	7,517	2,847	3,234
	30,702	**45,045**	**13,848**	**17,677**

8. General and administrative expenses

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	₦million	₦million	₦million	₦million
Depreciation	1,000	817	440	311
Employee benefit expense	3,587	2,781	1,433	858
Professional & Consulting Fees	4,457	7,631	2,178	3,677
Audit Fees	13	52	-	-
Directors Emoluments (Execs)	589	541	261	231
Directors Emoluments (Non- Execs)	614	513	123	166
Rentals	333	305	127	148
Impairment loss	4,775	-	2,440	
Other General and Admin Expenses	3,306	4,008	1,339	1,264
	18,674	**16,648**	8,341	6,655

Directors' emoluments have been split between Executive & Non-Executive directors' emoluments and includes share based benefits recognised in 2016.

There were no non-audit services rendered by the Group's auditors during the period.

Impairment loss relates to the impairment of NPDC receivables of $ N4.8 billion (see details in note 16 on trade and other receivables).

Notes to the interim condensed consolidated financial statements continued

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

9. (Losses)/gains on foreign exchange (net)

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	₦million	₦million	₦million	₦million
(Losses)/gains on foreign exchange (net)	(6,911)	1,503	(529)	(1,129)
	(6,911)	**1,503**	**(529)**	**(1,129)**

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

10. Deconsolidation of subsidiary

The details of the deconsolidation of subsidiary has been disclosed in Note 1 – Corporate structure and business and Note 4 - Critical accounting estimates and judgments. A summary of assets and liabilities derecognised and the resulting gain on deconsolidation are shown below.

10a. Summary of assets and liabilities derecognised

	9 months ended 30 Sept 2016
	₦million
Non-current assets	
Producing assets	71,946
Goodwill	610
Current assets	
Trade and other receivables	26,334
Underlift	11,759
Total assets	**110,649**
Equity	
Non-controlling interest	(684)
Non-current liabilities	
Deferred tax liability	3,905
Contingent consideration	3,805
Provision for decommissioning	10
Current liabilities	
Short term borrowings	16,013
Trade and other payables	11,499
Current tax	34
Total liabilities	**35,266**
Total equity and liabilities	34,582
Net asset derecognised	**76,067**

Notes to the interim condensed consolidated financial statements continued

10b. Summary of assets and liabilities recognised

	9 months ended 30 Sept 2016
	₦million
Investment in oil and gas assets	76,277
Assets recognised	**76,277**

Investment discharge sum agreed amounts to N100billion ($330million). This is recognized at its fair value of N76billion ($250million)

10c. Gain on deconsolidation of subsidiary

	9 months ended 30 Sept 2016
	₦million
Summary of assets and liabilities derecognised (note 10a)	(76,067)
Summary of assets and liabilities recognised (note 10b)	76,277
Gain on deconsolidation of BelemaOil	**210**

11. Fair value (loss)/gain

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	₦million	₦million	₦million	₦million
Fair value (loss)/gain on commodity derivatives	(5,247)	-	(455)	-
Fair value (loss)/gain on contingent consideration	(446)	(123)	64	1
	(5,693)	**(123)**	**(391)**	**1**

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

12. Finance income/charges

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	₦million	₦million	₦million	₦million
Finance income				
Interest income	**6,081**	**3,094**	**387**	**951**
Finance charges				
Interest on bank loan and other bank charges	13,269	12,245	4,971	4,465
Unwinding of discount on provision for decommissioning	178	4	155	(141)
	13,447	**12,249**	**5,126**	**4,324**

13. 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 ended 30 September 2016 is 65.75% for crude oil activities and 30% for gas activities, compared to 0% for oil and 0% for gas activities estimated for the third quarter ended 30 September 2015. The zero tax rate in prior years was as a result of tax incentives granted.

Notes to the interim condensed consolidated financial statements continued

14. Earnings per share

Basic

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

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

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	₦million	₦million	₦million	₦million
(Loss)/profit for the period attributable to equity holders of the parent	(23,616)	12,283	(10,535)	5,652
Weighted average number of ordinary shares in issue (in 000)	560,576	553,310	560,576	553,310
Share Options (in 000)	3,276	-	3,276	-
Weighted average number of ordinary shares adjusted for the effect of dilution (in 000)	563,852	553,310	563,852	553,310
	₦	₦	₦	₦
Basic (loss)/earnings per share	(42.13)	22.20	**(18.79)**	**10.21**
Diluted (loss)/earnings per share	(41.88)	22.20	**(18.68)**	**10.21**
	₦million	**₦million**	**₦million**	**₦million**
(Loss)/profit attributable to equity holders of the parent	(23,616)	12,283	(10,535)	5,652
(Loss)/profit used in determining diluted earnings per share	(23,616)	12,283	(10,535)	5,652

15. Dividend

As at 30 September 2016, no dividend was proposed (2015: ₦9.7 billion)

	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015	3 months ended 30 Sept 2016	3 months ended 30 Sept 2015
	₦million	₦million	₦million	₦million
Dividend paid during the period	5,373	9,825	255	3,201
	₦'000	**₦'000**	**₦'000**	**₦'000**
Dividend per share	9.58	17.76	0.45	5.79

Notes to the interim condensed consolidated financial statements continued

16. Trade and other receivables

	As at 30 Sept 2016 ₦million	As at 31 Dec 2015 ₦million
Trade receivables	24,850	26,626
Nigerian Petroleum Development Company (NPDC) receivables	122,070	97,824
Deposit for Investments	25,923	16,948
Advances to other parties	-	10,573
Under lift	8,340	5,381
Advances to suppliers	2,735	516
Receivables from commodity derivatives	-	1,508
Interest receivable from shareholders of BelemaOil	-	1,898
Other receivables	4,080	36
Impairment loss on NPDC receivables	(4,775)	-
	183,223	**161,310**

Trade receivables / NPDC receivables:

Trade receivables:

Included in trade receivables are receivables from Chevron/NAPIMS of ₦3.04 billion (2015: ₦7.2 billion), Mercuria of Nil (2015: ₦4.81billion), Shell ₦79.34 million (2015: ₦4.25billion) and gas receivables from NGC ₦17.9 billion (2015: ₦17.55billion).

NPDC receivables:

NPDC receivables represent the outstanding cash calls due from the Nigerian National Petroleum Corporation (NNPC). The receivables have been discounted to reflect the impact of time value of money. The resulting adjustment has been recognized in the statement of comprehensive income. As at 30 September 2016, the undiscounted value of this receivables is ₦122.07 billion (2015: ₦97.82 billion)

Deposit for investment:

By a consortium agreement made amongst parties, Newton Energy Limited (a subsidiary of Seplat) agreed to make payments of ₦137.7 billion towards an investment in 2014. In 2015, ₦111.6 billion was received from an Escrow account set up for this purpose in respect of this investment.

a) ₦13.7 billion refundable deposit made towards the investment in 2014 remains with the potential vendors. As at period-end, the investment was not consummated, this remains a deposit whilst negotiation between the parties continue.

b) ₦11.1 billion 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 ₦2.3 billion has been paid out in consortium fees, ₦2.6 billion has been returned to Seplat and the balance of ₦6.2 billion remains in Escrow. The deal is still ongoing with the parties concerned.

Notes to the interim condensed consolidated financial statements continued

17. Share capital

17a. Authorised and issued share capital

	As at 30 Sept 2016 ₦million	As at 31 Dec 2015 ₦million
Authorised ordinary share capital		
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500
Issued and fully paid		
560,576,101 (2015: 560,576,101) issued shares denominated in Naira of 50 kobo per share	282	282

17b. Share options

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. During the third quarter ended 30 September 2016, no shares were vested (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).

17c. Capital contribution

	As at 30 Sept 2016 ₦million	As at 31 Dec 2015 ₦million
Cash Contribution	5,932	5,932
	5,932	5,932

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.

18. Trade and other payables

	As at 30 Sept 2016 ₦million	As at 31 Dec 2015 ₦million
Trade payable	23,953	24,936
Accruals and other payables	54,238	43,003
NDDC levy	4,780	1,247
Deferred revenue	432	282
Royalties	6,932	5,104
	90,335	**74,572**

Notes to the interim condensed consolidated financial statements continued

19. Related party transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the parent company). The parent company is owned 21.37% by Maurel & Prom (MPI), 15.19% either directly or by entities controlled by A.B.C Orjiako (Shebah petroleum Development Company Limited) and members of his family and 13.15% either directly or by entities controlled by Austin Avuru (Professional Support Limited, Abtrust Integrated Services and Platform Petroleum Limited). The remaining shares in the parent company are widely held.

19a. Transactions

The Service provided by related parties are:

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 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.

M&P (MPI SA): is a shareholder of Seplat. The Company provides consultancy and management services to the Group.

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.

Nerine Support Services Limited: is owned by common shareholders with the parent company. 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 Exploration and Production Company Limited ('SEPCOL'): The Chairman of Seplat is a director and shareholder of SEPCOL. SEPCOL provided consulting services to Seplat.

Notes to the interim condensed consolidated financial statements continued

The following transactions were carried out by Seplat with related parties:

Purchases of goods and services	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015
	₦million	₦million
Shareholders of the parent company		
M&P (MPI SA)	9	-
Shebah Petroleum Development Company Limited	164	202
Platform Petroleum Limited	-	35
	173	237
Entities controlled by key management personnel		
Abbey Court Trading Company Limited	88	451
Cardinal Drilling Services Limited	1,271	2,760
Keco Nigeria Enterprises	45	362
Ndosumili Ventures Limited	247	269
Oriental Catering Services Limited	92	150
ResourcePro Inter Solutions Limited	19	336
Berwick Nigeria Limited	7	-
Montego Upstream Services Limited	2,807	1,741
Nerine Support Services Limited	1,913	3,375
Nabila Resources & Investment Ltd	1	45
D.D Dodo & Co	98	64
Helko Nigeria Limited		44
	6,588	**9,597**

19b. Balances

The following balances were receivable from or payable to related parties as at 30 September 2016:

Prepayments / receivables	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015
	₦million	₦million
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	2,136	1,886
	2,136	1,886

Payables	9 months ended 30 Sept 2016	9 months ended 30 Sept 2015
	₦million	₦million
Shareholders of the parent company		
M&P (MPI SA)	1	-
Entities controlled by key management personnel		
Abbey Court Trading Company Limited	15	-
Cardinal Drilling Services Limited	329	-
Keco Nigeria Enterprises	19	-
Berwick Nigeria Limited	9	-
Montego Upstream Services Limited	1,578	-
Nerine Support Services Limited	176	-
	2,127	-

Notes to the interim condensed consolidated financial statements continued

20. Commitments and contingencies

There was no significant commitments during this third quarter. The Group is involved in a number of legal suits as defendant. The possible liabilities arising from these court proceedings amount to **Nil** (31 December 2015: ₦59.6 billion). 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 date

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 Group as at 30 September 2016 and on the profit or loss for the third quarter ended on that date, which have not been adequately provided for or disclosed in these financial statements.

22. Reconciliation of net profit to cash from operating activities

	9 months ended 30 Sept 2016	Nine month ended 30 Sept 2015
Cash provided by operating activities	₦million	₦million
(Loss)/profit before taxation	(21,464)	13,536
Adjusted for:		
Depreciation and amortization	11,229	12,288
Impairment loss	4,775	-
Interest expense	13,447	12,249
Interest income	(6,081)	(3,094)
Fair value loss/ (gain)	5,693	(188)
Unrealised foreign exchange loss/ (gains)	6,911	(1,526)
Non-cash employee benefits expense – share based payments	596	-
Decommissioning liabilities	(614)	-
Defined benefit obligation	(97)	-
Gain on deconsolidation of subsidiary	(210)	-
Changes in working capital (excluding the effect of exchange differences and deconsolidation):		
Trade and other receivables and prepayments	19,985	(28,602)
Trade and other payables	(3,281)	1,692
Inventory	(6,237)	(4,216)
Net cash provided by operating activities	24,652	2,139

23. Exchange rates used in translating accounts to Naira

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

	Basis	₦/$
Fixed assets – opening balances	Historical rate	Historical
Fixed assets - additions	Average rate	308.00
Fixed assets - closing balances	Closing rate	304.00
Current assets	Closing rate	304.00
Current liabilities	Closing rate	304.00
Equity	Historical rate	On the date of issue
Income and Expenses:		
Jan- May	Average rate	199.17
June	Average rate for June	227.00
July - Sept	Average rate	308.00
Jan – Sept	Overall average rate	238.00

General information

Company secretary	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 & 13th Floor, UBA House 57 Marina Lagos.
Registrars	DataMax Registrars Limited 7 Anthony Village Road Anthony P.M.B 10014 Shomolu Lagos, Nigeria
Solicitors	Olaniwun Ajayi LP Adepetun Caxton-Martins Agbor & Segun ("ACAS-Law") Herbert Smith Freehills LLP Freshfields Bruckhaus Deringer LLP Norton Rose Fulbright LLP Winston & Strawn London LLP Chief J.A. Ororho & Co. Ogaga Ovrawah & Co. Consolex LP J.E. Okodaso & Company O. Obrik. Uloho and Co. V.E. Akpoguma & Co. Thompson Okpoko & Partners G.C. Arubayi & Co. Jakpa Edoge & Co. Abraham Uhunmwagho & Co K.S. Sogo & Co. Winston & Strawn London LLP
Bankers	First Bank of Nigeria Limited Skye Bank Plc Stanbic IBTC Bank Plc United Bank for Africa Plc Zenith Bank Plc Citibank Nigeria Limited Standard Chartered Bank HSBC Bank