

Report of the Directors

For the year ended 31 December 2014

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

Principal activity

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

Corporate structure and business

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

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets: OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was \$340 million paid at the completion of the acquisition on 31 July 2010 and a contingent payment of \$33 million payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds \$80 per barrel.

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

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

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

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

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

Results

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

Dividend

During the year the Directors recommended and paid to members an interim dividend of \$0.06 per share, amounting to \$33 million.

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

Changes in property, plant and equipment

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

Board of Directors

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

The Board has the following Committees:

1. Audit Committee

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

2. Finance Committee

Dr. Charles Okeahalam	Committee Chairman
Mr. Michael Alexander	Member
Mrs. Ifueko Omoigui Okauru	Member
Lord Mark Malloch-Brown	Member

3. Nomination and Establishment Committee

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

4. Remuneration Committee

Mr. Michael Alexander	Committee Chairman
Mr. Basil Omiyi	Member
Dr. Charles Okeahalam	Member
Mr. Damian Dinshiya Dodo	Member

5. Risk Management and HSSE

Mr. Basil Omiyi	Committee Chairman
Mr. Macaulay Agbada Ofurhie	Member
Mrs. Ifueko Omoigui Okauru	Member

6. CSR Committee

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

Report of the Directors continued

For the year ended 31 December 2014

Record of attendance at Board and Committee meetings

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

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

Directors' interest in shares

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

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

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

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

Directors' interest in contracts

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

Substantial interest in shares

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

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

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Acquisition of own shares

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

Free float

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

Corporate governance

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

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

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

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

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

Donation

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

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

Employment and employees

a) Employees' involvement and training:

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

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

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

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

b) Health, safety and welfare of employees:

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

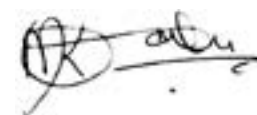
c) Employment of disabled or physically challenged persons:

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

Auditor

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

By Order of the Board



Mirian Kachukwu

FRC/2015/NBA/00000010739

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

Date: 30 March 2015