SEPLAT Petroleum Development Company Plc

2019 Annual Report and Notice of AGM

Lagos and London – 27 April 2020: SEPLAT Petroleum Development Company Plc ("SEPLAT" or the "Company") confirms it has today published its Annual Report and Accounts for the year ended 31 December 2019 together with the notice of the Company’s seventh Annual General Meeting ("AGM") and forms of proxy. The Company will hold its AGM at 11:00am (local time) on Thursday 28 May 2020 at 16a Temple Road (Olu Holloway), Ikoyi, Lagos, Nigeria.

In accordance with Listing Rule 14.3.6 copies of the Company’s Annual Report and Accounts for the year ended 31 December 2019, the Notice of AGM and proxy forms have also been submitted to the FCA for publication through the document viewing facility of the National Storage Mechanism and will shortly be available for inspection at http://www.morningstar.co.uk/uk/NSM.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 6.3.5R(3), copies are available on the Company’s website, www.seplatpetroleum.com.

The Company’s audited financial statements and extracts of the management report, were included in the Company’s Final Results announcement on 23 March 2020. That information, together with the Appendices to this announcement, which contains the following additional information that has been extracted from the 2019 Annual Report, constitutes the material required for the purposes of compliance with DTR 6.3.5 only:

· the Directors’ Responsibilities Statement;
· a description of principal risks and uncertainties that the Company faces; and
· related party transactions.

This announcement should be read in conjunction with and is not a substitute for reading the full 2019 Annual Report. Page and note references in the text below refer to page numbers and notes in the 2019 Annual Report and terms defined in that document have the same meanings in these extracts.

Dated this 27th day of April 2020

Signed:

Mr. Roger Brown
Chief Financial Officer

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

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

Appendix A: Statement of Directors' responsibilities
The following Statement of Directors' responsibilities is extracted from the 2019 Annual Report and Accounts (page 140).

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

1. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;
2. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
3. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, consistently applied.

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

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

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

Signed on behalf of the Directors by:

A.B.C Orjiako
Chairman
FRC/2014/IODN/0000003161
23 March 2020

Austin Avuru
Chief Executive Officer
FRC/2014/IODN/0000003100
23 March 2020

Appendix B: Principal risks and uncertainties
The following principal risks and uncertainties table is extracted from the 2019 Annual Report and Accounts (pages 56 to 59).

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

<table>
<thead>
<tr>
<th>Key risk</th>
<th>Description</th>
<th>Mitigation</th>
<th>KPI/ Performance metric</th>
<th>Strategic pillars</th>
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</table>
| **Field operations and project deliverability** | Failure to manage operational activities in line with planned expectations can lead to production misses, project delays and cost overruns, high production costs and earlier than expected field decommissioning. | Focus on risk management at planning phase and mitigation plans activated. Compulsory ‘peer-to-peer’ review for high-value projects and better project management techniques. Protracted land acquisition, preparation and rig startup have been contributory factors which have received focused attention and significant process improvements and improved communications with JV partner and approving regulators to mitigate delays. Use of smart/intelligent wells to improve recovery and improved rig performance monitoring and reporting to manage NPTs. | • Net working interest production  
• Operating costs per boe | • Maximise production and cash flows from operated assets  
• Move up 2C resources into 2P reserves category  
• Commercialise and produce gas reserves | High | We continue to refine our project management approach for improved speed of delivery and efficiency, integrate the newly acquired Eland assets into our business, consolidate performance across the board, maximise production, maintain a strong balance sheet, and strategically position the Company for future growth. |
| **Third party infrastructure downtime** | An over-reliance on third party operated transportation infrastructure can expose the Company to extended period of production being shut-in. | Work is ongoing to secure a second export line to complement Forcados. Export via barging is also retained to do limited volumes in extreme cases. Have two contingency tanks in Amukpe for partial storage during shut-in over shorter periods. More tanks are planned. Additional plans to commence FEED/DED and begin construction of a new export line in the coming year 2020. | • Net working interest production  
• Days downtime  
• EBIT | • Maximise production and cash flows from operated assets  
• Commercialise and produce gas reserves | Very high | Remarkably improved uptime of Forcados export system. However, risk trend is rising as there is no near-term line of sight for an alternative evacuation line, in the sudden event of prolonged outage of the TFP. |
| **HSSE** | Oil and gas activities carry significant levels of HSSE risks if not properly managed. As activity levels continue to increase there is a strong focus on preventing major environmental, health or safety incidents. | Deployment of an HSSE Management System in line with best practices. Monitoring and reporting of HSSE performance scorecards at management and Board levels. Our HSSE systems and process are subjected to independent review and identified improvement initiatives are deployed. Continual focus on HSSE training and initiatives on incidence prevention. Emergency Response plan set for any eventuality and comprehensive Incident Review panels to identify and channel lessons learnt to improving activities. | • HSSE scorecards  
• LTIF  
• TRIR | • Maximise production and cash flows from operated assets  
• Commercialise and produce gas reserves  
• Be a highly responsible corporate citizen | High | Though the risk is inherent, we will continue to deploy our HSSE risk management in line with best practices and with strong emphasis on prevention. |
| **Sustained E&A programme failure** | Exploration and appraisal activities carry significant levels of subsurface risk. Sustained E&A drilling failure will impact the Company’s ability to organically replace reserves and production. | Strict compliance with reservoir management guidelines. Building internal capacity with skilled sub-surface expertise. | • Reserve replacement | • Maximise production and cash flows from operated assets  
• Move up 2C resources into 2P reserves category  
• Commercialise and produce gas reserves | Very high | High grading our exploration portfolio through a thorough prospect screening exercise. In the near term, plan is to commence exploration drilling campaign in the West. |
### External risks

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<tr>
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</thead>
<tbody>
<tr>
<td>Niger Delta stability and security</td>
<td>The Company operates in a region where security incidents such as kidnappings, vandalism and criminal attacks on O&amp;G installations can occur.</td>
<td>Continuous security monitoring and intelligence work. Quick mechanism for security advisory to staff and movement restriction for high alert situations. Active participation in the industry pressure groups to find lasting solution.</td>
<td>• LTIF • TRIR • Security incidents • Operating cash flow</td>
<td>• Maximise production and cash flows from operated assets • Commercialise and produce gas reserves • Be a highly responsible corporate citizen</td>
<td>Very high</td>
<td>Efforts by the Government and industry pressure groups aimed at enhancing security in the region seem to be paying off as there was a significant drop in targeted oil and gas facilities attacks in the region in 2019. We will continue our monitoring and vigilance.</td>
</tr>
<tr>
<td>Failure to manage stakeholder relationships</td>
<td>Failure to manage stakeholders can result in business disruptions and interference. The Company prioritises the effective management of relationships with all stakeholders including host communities, JV partners, government, regulatory bodies and shareholders.</td>
<td>Successful operation of the GMOU agreement with host communities, periodic engagement and feedback forums. Tailored CSR programmes, capacity building and infrastructure developments with the host communities. Sustain local content development with priority to community contractors. Organisational focus and clear strategy to deliver shareholder value pursued by the Board and management. Corporate governance, transparency and proactiveness in dealings with regulators and JV partners.</td>
<td>• Net working interest production • LTIF • TRIR • Host community incidences</td>
<td>• Maximise production and cash flows from operated assets • Be a highly responsible corporate citizen</td>
<td>High</td>
<td>We continue to enjoy good working relations with our stakeholders.</td>
</tr>
<tr>
<td>Geo-political risk</td>
<td>Nigeria has at times in its history faced political uncertainties and threats such as terrorism aimed at destabilising and undermining the orderly and effective rule of central government.</td>
<td>Scenarios and response options plan set. Crisis management team in place for high alert political periods. Continue to partner/network with security stakeholders and share intelligence regarding security. Business continuity plans actioned in light of current geo-political situation.</td>
<td>• Occurrences of civil unrest and terrorism</td>
<td>• Maximise production and cash flows from operated assets • Commercialise and produce gas reserves • Be a highly responsible corporate citizen</td>
<td>High</td>
<td>Elections conducted successfully in 2019, with no remarkable impact to the business.</td>
</tr>
</tbody>
</table>

### Financial risks

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<tr>
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<tr>
<td>Oil price volatility</td>
<td>Oil prices have exhibited a history of volatility and can fluctuate sharply in line with external factors.</td>
<td>Hedging continues to be our price risk management tool. Price sensitisation on project economics and cost discipline for capital projects sanctioning. Aggressive focus on cost reduction.</td>
<td>• Realised oil price • Operating cash flow</td>
<td>• Maximise production and cash flows from operated assets</td>
<td>High</td>
<td>Though oil price rallied around the $60 - $68/bbl corridor in 2019, our price risk management policy is to protect the Company’s cash flow stream from downside scenarios. We will also continue to take</td>
</tr>
</tbody>
</table>
### Changes to tax status and legislation
If the tax regime/legislation under which the Company operates its assets were to change, profitability may be impacted. Performance evaluation of business plan and performance metrics exclusive of tax benefits. Project economics were determined on maximum tax basis to mitigate the impact of the now expired pioneer tax status. Impact assessment of potential tax legislation monitored at the Board level.  
- Effective tax rate  
- Tax status  
- Maximise production and cash flows from operated assets  
- Commercialise and produce gas reserves  
- PIB is going through legislative process. Versions in circulation do not have significant impact on Seplat valuation.  
<table>
<thead>
<tr>
<th>Key Point</th>
<th>Impact</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements</td>
<td>High</td>
<td>Cost reduction strategies.</td>
</tr>
</tbody>
</table>

### Availability of capital
The oil and gas industry is highly capital intensive. Significant amounts of capital are required to continue development activities and fund M&A. Non funding of cash calls by JV partners impacts activities and liquidity. Emphasis on compliance with requirements of the JV operating agreement for effective/strict JV partner concurrence. Board review and approval of financial strategy and debt portfolio management with strong banking relationships.  
- JV receivables  
- New M&A activities  
- Maximise production and cash flows from operated assets  
- Commercialise and produce gas reserves  
- JV partners continue to remain current in paying cash calls. Secured approval of cash call relating to legacy items such as the Oben gas plant, disputed engineering projects and Home office overheads.  
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<tr>
<td>JV receivables</td>
<td>Very high</td>
<td>JV partners continue to remain current in paying cash calls. Secured approval of cash call relating to legacy items such as the Oben gas plant, disputed engineering projects and Home office overheads.</td>
</tr>
</tbody>
</table>

### Ineffective cost control
Cost reduction remains central to the Company’s current operating strategy. High operating cost and ineffective capital cost control negatively impacts operating cash flows and profitability. Comprehensive budgeting process approved by the joint venture partner and the Board. Clear cost management targets. Grading of portfolio opportunities and project ranking for capital allocation. Focus on reducing drilling costs at well design phase. Cost monitoring and periodic reporting. Focus on effective contracting strategies for cost reduction.  
- Operating cost per boe  
- EBIT  
- Capex  
- Well costs  
- Maximise production and cash flows from operated assets  
- Commercialise and produce gas reserves  
- Cost discipline remains key focus of the business.  
<table>
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</tr>
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<tbody>
<tr>
<td>Operating cost per boe</td>
<td>High</td>
<td>Cost discipline remains key focus of the business.</td>
</tr>
</tbody>
</table>

### Liquidity
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Manage liquidity risk by ensuring that sufficient funds are available to meet commitments as they fall due. Uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Company’s debts 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.  
- Operating cash flow  
- Capex  
- Maximise production and cash flows from operated assets  
- Move up 2C resources into 2P reserves category  
- Commercialise and produce gas reserves  
- Improved uptime of TFP; improved JV cash call payment; oil price rally; and strategic debt refinance all have greatly improved liquidity risk.  
<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>Medium</td>
<td>Improved uptime of TFP; improved JV cash call payment; oil price rally; and strategic debt refinance all have greatly improved liquidity risk.</td>
</tr>
</tbody>
</table>

### Foreign exchange
The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US dollar. The Company has options to manage its foreign exchange exposure including financial hedge instruments such as forward exchange contracts.  
- Operating cash flow  
- Capex  
- Maximise production and cash flows from operated assets  
- Commercialise and produce gas reserves  
<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>High</td>
<td>Historically, the Company holds majority of its cash and cash equivalent in US dollar. Gas contracts are indexed in US dollar.</td>
</tr>
</tbody>
</table>
## Strategic risks

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Portfolio concentration risk</strong></td>
<td>High dependency on a concentrated portfolio of producing blocks and limited number of wells can leave the company more susceptible to declining long-term growth and reserves depletion.</td>
<td>Focus on portfolio expansion strategy from the Board level to diversify current portfolio. Integrated long-term planning on crude oil and gas business.</td>
<td>• Successful execution of new acquisition and farm-in opportunities</td>
<td>• Maximise production and cash flows from operated assets • Commercialise and produce gas reserves</td>
<td>High</td>
<td>The Company is in portfolio expansion/build phase.</td>
</tr>
<tr>
<td><strong>Merger &amp; Acquisition (‘M&amp;A’) risk</strong></td>
<td>Growth through M&amp;A activities is part of Seplat’s strategy to pursue a focused acquisition and farm-in. M&amp;A deals and transactions come with significant risk including structural, commercial and integration risks. There is also the risk of non-achievement of acquisition targets due to highly competitive landscape.</td>
<td>New business development unit is always looking for the right opportunities for Seplat. Decision review board (DRB) process is in place to ensure deals are properly vetted and adequate due diligence done on new opportunities. The DRB ensures the commercial, structural, KYC and integration risks are fully considered and addressed with mitigation plan approved and in place prior to deal closing.</td>
<td>• Successful execution of new acquisition and farm-in opportunities</td>
<td>• Move up 2C resources into 2P reserves category • Commercialise and produce gas reserves • Pursue a focused acquisition and farm-in strategy</td>
<td>Very high</td>
<td>DRB process in place to vet opportunities and deals. Risk trend decreasing following successful acquisition of Eland Oil and Gas PLC. But current M&amp;A landscape is competitive.</td>
</tr>
<tr>
<td><strong>Bribery and corruption risk</strong></td>
<td>Bribery and corruption presents a risk throughout the global oil and gas industry and represents an ongoing risk to any oil and gas company.</td>
<td>Extensive training on anti-bribery and corruption. Embedding corporate governance principles with key focus on areas of the business which may be more susceptible to corruption such as the contracting and procurement process. Processes exist to guide dealings with public officials.</td>
<td>• Whistleblowing reports • Number of disciplinary cases</td>
<td>• Be a highly responsible corporate citizen</td>
<td>Very high</td>
<td>As geographical location continues to be susceptible to corruption.</td>
</tr>
<tr>
<td><strong>Loss of key employees</strong></td>
<td>The oil and gas industry is very specialised in certain areas and there is competition within the industry to secure talent and highly-skilled and experienced personnel in core areas.</td>
<td>Annual benchmark reviews to ensure competitiveness in reward and recruitment. Succession planning in place as part of business continuity. Focus on training as a key differentiating factor in the operating environment.</td>
<td>• Staff turnover</td>
<td>• Move up 2C resources into 2P reserves category • Pursue a focused acquisition and farm-in strategy</td>
<td>Medium</td>
<td>Risk is rising following crystallisation of actual loss of two personnel during the year.</td>
</tr>
<tr>
<td><strong>Fraudulent activity risk</strong></td>
<td>Fraudulent activity presents a risk throughout the global oil and gas industry and represents an ongoing risk to any oil and gas company.</td>
<td>Extensive whistleblowing campaign. Continuous monitoring and improvement of the system of internal controls by all lines of defence with strong internal audit activity. Automation of processes where possible to reduce manual intervention.</td>
<td>• Number of reported cases</td>
<td>• Be a highly responsible corporate citizen</td>
<td>Very high</td>
<td>Risk is kept at very high and the Company continues to maintain a zero-tolerance policy.</td>
</tr>
<tr>
<td><strong>Information security risk</strong></td>
<td>Potential cyber-attacks and information technology security breaches could result in loss or compromise of sensitive proprietary information, communication and IT business continuity disruption across operations.</td>
<td>We monitor and regularly upgrade the Company’s information technology and security systems. The Company has a clearly defined employee user policy and control of access rights. Our information security framework and infrastructure have been externally reviewed in line with requirements of ISO 27001. IT business continuity plan is in place for quick deployment.</td>
<td>• Information security identification and containment reports</td>
<td>• Move up 2C resources into 2P reserves category • Be a highly responsible corporate citizen</td>
<td>High</td>
<td>While cyber security continues to hold international attention, there has not been material IT breach on our operations.</td>
</tr>
</tbody>
</table>
Appendix C: Related Party Transactions

The following Related party relationships and transactions are extracted from the 2019 Annual Report and Accounts (page 226)

42. Related party relationships and transactions

The Group is controlled by Seplat Petroleum Development Company Plc (the parent Company). The parent Company is owned 6.43% either directly or by entities controlled by A.B.C. Orjiako (SPDCL(BVI)) and members of his family and 12.19% either directly or by entities controlled by Austin Avuru (Professional Support Limited and Platform Petroleum Limited). The remaining shares in the parent Company are widely held.

The goods and services provided by the related parties are disclosed below. The outstanding balances payable to/receivable from related parties are unsecured and are payable/receivable in cash.

i) Shareholders of the parent Company

Shebah Petroleum Development Company Limited SPDCL (‘BVI’): The Chairman of Seplat is a director and shareholder of SPDCL (BVI).

The company provided consulting services to Seplat. Services provided to the Group during the year amounted to ₦322 million, $1.05 million (2018: ₦333 million, $1.09 million)

ii) Entities controlled by key management personnel (Contracts >$1million in 2019)

Nerine Support Services Limited: Is owned by common shareholders with the parent Company and provided rental services for the inventory warehouse at the field base in addition to agency and contract workers for Seplat operations. Nerine on average charges a mark-up of 7.5% on agency and contract workers assigned to Seplat. Total costs for agency and contracts during 2019 are ₦5 billion, $17 million (2018: ₦2 billion, $8 million). These amounts are gross i.e. it includes salaries and Nerine’s mark-up. All other transactions were made on normal commercial terms and conditions, and at market rates. As of December 2019, Nerine ceases to contract any services to Seplat.

Montego Upstream Service Limited: The Chairman’s nephew is shareholder and director. The company provides drilling and engineering services to Seplat. The transactions during the year amounted to ₦783 million, $2.55 million (2018: ₦24 million, $79 thousand). Receivables and payables were nil in the current period (receivables in 2018: ₦1.49 billion, $4.87 million).

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. Transactions with this related party amounted to ₦2.89 billion, $9.44 million (₦621 million, $2.03 million). Receivables and payables were nil in the current period (receivables in 2018: ₦1.49 billion, $4.87 million).

Stage Leasing (Ndosumili Ventures Limited): is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat. This amounted to ₦445 million, $1.45 million (2018: ₦434 million, $1.42 million). Receivables and payables were nil in the current period (2018: ₦13 million, $43 thousand).

iii) Entities controlled by key management personnel (Contracts <$1million in 2019)

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. This amounted to ₦286 million, $0.93 million during the year (2018: ₦334 million, $1.09 million). Payables were nil in the current period (2018: ₦9 million, $28 thousand)

Charismond Nigeria Limited: The sister to the Chief Executive Officer (CEO) works as a General Manager. The company provides administrative services including
stationery and other general supplies to the field locations. This amounted to ₦11 million, $36 thousand (2018: ₦23 million, $74 thousand). Receivables and payables were nil in the current period. (Payables in 2018 were immaterial, receivables in 2018 were nil.)

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. This amounted to ₦221 million, $0.72 million (2018: ₦78 million, $0.25 million). Payables were nil in the current period (2018: ₦19 million, $61 thousand)

Oriental Catering Services Limited: The spouse of the CEO is a shareholder and director. The company provides catering services to Seplat at the staff canteen. This amounted to ₦47 million, $0.15 million (2018: ₦199 million, $0.65 million). Payables were nil in the current period (2018: ₦14 million, $47 thousand). Services from Oriental Catering Service Limited ceased on February 2019.

iv) Entities controlled by the Company – Investment in newly acquired subsidiary

Eland Oil and Gas Limited: During the year, the Group acquired the total issued share capital of Eland Oil and Gas for ₦149 billion ($487 million) at 166 pence per share. This has been accounted for as an investment in subsidiary. Upon acquisition, the Group paid 156 pence/share to the employees of Eland rather than the exercise price of 166 pence/share.

v) Jointly controlled entities

ANOH Gas Processing Company Limited: During the year, the Group disposed some of its stake in ANOH Gas and retained 50% of its previous interest. The retained interest is accounted for as a joint venture between the Group and Nigerian Gas Processing and Transportation Company (NGPTC). In order to float the joint venture, the parties contributed ₦46 billion ($150 million) each, out of which ₦32 billion ($103 million) was paid in cash and ₦14 billion ($47 million) incurred prior to the disposal of its stake. As at year end, the Group also had a commitment of ₦18.4 billion ($60 million) to the ANOH gas project. During the year, the Group incurred expenses of ₦3.9 billion ($12.8 million) on behalf of ANOH to be reimbursed by ANOH. This was treated as a receivable.