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ANNUAL REPORT & ACCOUNTS

NIGER DELTA
EXPLORATION & PRODUCTION PLC
191616

NDPR Ltd Mini Diesel Refinery 'Topping Plant'

NDPR Gas Plant Ogbele

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth (19th) Annual General Meeting of the members of NIGER DELTA EXPLORATION & PRODUCTION PLC will hold on Wednesday the 17th September 2014 in the Agip Hall of the MUSON Centre, Onikan, Lagos at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To lay before the members the Audited Financial Statements for the year ended 31st December 2013 and the Report of the Directors, Auditors and Audit Committee thereon.
2. To re-elect Directors
3. To ratify the appointment of new Directors
4. To re-appoint the Auditors
5. To authorise the Directors to determine the remuneration of the Auditors.
6. To re-elect/elect members of the Audit Committee.

SPECIAL BUSINESS

7. To fix the remuneration of Directors for the year ending 31st December 2014.
8. To consider and if thought fit pass the following resolution as Special Resolutions:

i. That the Directors be authorized, subject to the approval of the appropriate regulatory authorities, to raise additional capital of up to US$450,000,000 (Four Hundred and Fifty Million United States Dollars), whether locally or internationally, via any capital raising method that the directors may deem fit, including a public offer or special placing of shares, and in such

proportion, at such time and for such consideration and upon such terms as the directors may deem fit.

ii. That the Directors be and are hereby authorized to exercise all the powers of the Company to allot relevant shares in connection with any offer up to US$450,000,000 (Four Hundred and Fifty Million United States Dollars) in the name of the Company and to take all such incidental, consequential and supplemental actions thereto, and to execute all requisite documents as may be necessary to give effect to the above resolutions.

Dated this 18th August 2014

BY ORDER OF THE BOARD

Titilola O. Omisore COMPANY SECRETARY FRC/2013/NBA/00000003574

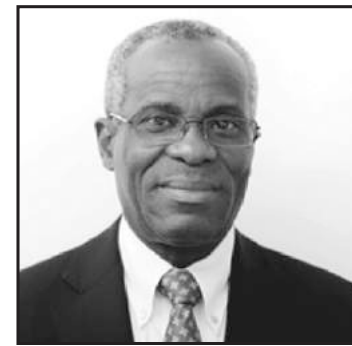
The Board of Directors

Mr. Goodie Ibru

Mr. Goodie Ibru (OON) – Chairman

A lawyer by training, Mr. Goodie Ibru graduated LLB (London) from the Holborn College of Law in 1965 and was called to the English Bar (Inner Temple) in 1966 and is currently a Principal Partner in the Law firm of G.M.Ibru & Co. An astute entrepreneur and businessman, he is well established in the hotel and hospitality industry in Nigeria and is the Chairman of Ikeja Hotels Plc, owners of the Lagos Sheraton Hotel & Towers and the Abuja Sheraton Hotel & Towers. He is also the Chairman of The Tourist Company of Nigeria Plc, owners and operators of the Federal Palace Hotel & Suites Victoria Island, Lagos.

Mr. Ibru is involved in many business associations and is a Past President and Chairman of the Council of the Nigerian Stock Exchange. He is also currently, the Honorary Consul of the Republic of Lithuania in Nigeria, Executive Vice President (West Africa Chapter) African Business Round Table, Chairman NEPAD Business Group and Vice President Lagos Chamber of Commerce. He remains on the board of several companies including The Guardian Press Ltd.; Dunlop Nigeria Plc and Crusader General Insurance Plc. He is an Officer of the Order of the Niger (OON).



Dr. Layi Fatona

Dr. Layi Fatona Ph.D., M.Sc., DIC, FNAPE - Managing Director

Dr. 'Layi Fatona is a Petroleum Geologist with over thirty-five years of practice, commencing with a seven year stint in the Petroleum Engineering and Exploration & Production Departments at The Shell Petroleum Development Company of Nigeria Ltd (SPDC). He obtained both the Master of Science and Doctorate degrees from the Royal School of Mines at the Imperial College of Science Technology and Medicine, University of London, in 1976 and 1980 respectively. He is the Chairman of Geotrex Systems Limited, Nigeria's foremost independent Exploration & Production Consultants, which has offered expertise to all the major oil operators in the country. He is a past President and Fellow of NAPE and a Certified Petroleum Geologist of the American Association of Petroleum Geologists (AAPG).

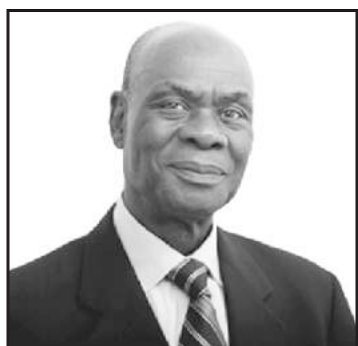
A 2010 recipient of the prestigious Aret Adams Award, bestowed by NAPE, Dr. Fatona is also a leading authority on the geology of the

Niger Delta Oil and Gas Province. In 2011, Dr. Fatona was a Finalist for the Ernst & Young Entrepreneur of the Year Awards, West Africa 2011, Master Category.

Mr Thierry Georger

Mr Thierry Georger (French)

Mr Georger joined the Petrolin Group (Switzerland) in 1995 and is responsible for all crude oil trading activities, including the sale of crude oil cargoes (approx. 60,000 barrels per day) from West Africa and the Far East. He is also responsible for operations on various spot and short term contracts, in varied regions, including West Africa, Russia, the Middle East, Asia, South America and Egypt. Reporting directly to the Chief Executive Officer, he is responsible for all aspects of contracts including negotiation, credit exposure, legal requirements, logistics and the freight, sale and pricing mechanics. Mr Georger has a Master Degree in Commercial and Industrial Sciences from the University of Geneva, Switzerland.


Professor S. J. S. Cookey

Professor S. J. S. Cookey, OFR, KSC, Ph.D.

An astute Administrator and renowned historian, Professor Cookey undertook his Doctorate at the London School of Economics and Political Science (LSE), University of London, in International History. He is a retired Professor of History and a former Vice-Chancellor of the University of Port Harcourt as well as Pro-Chancellor of Obafemi Awolowo University, Ile Ife, Osun State, Nigeria. Earlier in his career, he was the Chairman at the Department of Afro-American Studies, State University of New York, Binghamton USA (1972-74) and at the Department of African Studies, Rutgers University, New Jersey USA (1974-80), and member of the UNDP-GEF (Global Environmental Facility) Mission to Kenya, Zimbabwe, Ghana and Mali. Professor Cookey was awarded the D. Sc. (Honoris Causa) of the University of Port Harcourt and is an Officer of the Order of the Federal Republic of Nigeria (OFR).

Mr. Ladi Jadesimi

Mr. Ladi Jadesimi

A former Partner of Arthur Anderson in Nigeria, Mr Jadesimi is a graduate of Oxford University (Jurisprudence, 1966) and is a Fellow of the Institute of Chartered Accountants, England and Wales. Mr. Ladi Jadesimi is a Chartered Accountant, with over 15 years of practice and took early retirement from practice to engage in private business, primarily in banking, oil and gas and real estate. Mr Jadesimi serves on the board of several companies, including First City Monument Bank (FCMB) as a Non-Executive Director.

Mrs. Zuwairatu Mantu

Mrs. Zuwairatu Mantu

Mrs. Zuwairatu Mantu attended the University of Maiduguri, where she obtained a Bachelor of Law (LL.B) (Hons) degree in 1986, before attending The Law School in Lagos, Nigeria. A lawyer of over 20 years standing, Mrs. Mantu has worked in several law firms before establishing her own practice, in 2002. She holds many international diplomas, including a Post Graduate Diploma in International Law, from the Robert Kennedy College, Switzerland. A generous philanthropist, Mrs. Mantu supports many charitable concerns and is a member of the Nigerian Bar Association and the International Bar Association. Mrs Mantu retired from the NDEP Plc Board on the 15th November 2013.

Mr. Femi Balogun

Mr. Femi Balogun - Executive Director (Finance)

Mr. Femi Balogun is a Chartered Accountant with over thirty years working experience in the finance sector. He graduated from the University of Ibadan in 1973 with a BSc in Chemistry and Geology. He later became an Associate of the Chartered Institute of Taxation in London in 1979. He is a member of the ACCA and ICAN. He practiced as an accountant and started working with Shell Petroleum Development Corporation of Nigeria (SPDC) in 1980 as a Senior Internal Auditor. He later joined the Yinka Folawiyo Group as Group Finance Controller in 1983 and worked there till he joined the International Institute for Tropical Agriculture (IITA) as Finance Manager in 1988. In 1994 he returned to the Oil & Gas Industry and started working for Oilscan Limited in Port Harcourt as the Executive Director (Finance). He has been with NDEP since 2003.

Mr. Nuhu Adaji

Mr. Nuhu Adaji - Executive Director (Technical)

Mr. Nuhu Adaji is a highly skilled oil and gas specialist, with over 30 years of experience. After graduating with a BSc in Mechanical Engineering from the University of Manchester, Mr Adaji began his career as a Well Site Petroleum Engineer at the Shell Petroleum Development Company of Nigeria (SPDC) in 1976. Highlights from his career at Shell include an international posting to Brunei Shell Petroleum (BSP) in 1989 as a Senior Production Technologist, an appointment as Head of Production Technology Information Technology (PT IT) and in 2003, an appointment as the Corporate Chief Production Technologist for SPDC. Mr Adaji left Shell in 2004 to start an independent petroleum industry services consultancy. He joined Oando Exploration & Production Limited as Chief Technical Officer in 2009, before joining NDPR Ltd as Gas Business Adviser in 2010. Mr Adaji is also a member of the Society of Petroleum Engineers.

Management

Dr. Layi Fatona

Dr. Layi Fatona Ph.D., M.Sc., DIC, FNAPE - Managing Director

Dr. 'Layi Fatona is a Petroleum Geologist with over thirty-five years of practice, commencing with a seven year stint in the Petroleum Engineering and Exploration & Production Departments at The Shell Petroleum Development Company of Nigeria Ltd (SPDC). He obtained both the Master of Science and Doctorate degrees from the Royal School of Mines at the Imperial College of Science Technology and Medicine, University of London, in 1976 and 1980 respectively. He is the Chairman of Geotrex Systems Limited, Nigeria's foremost independent Exploration & Production Consultants, which has offered expertise to all the major oil operators in the country. He is a past President and Fellow of NAPE and a Certified Petroleum Geologist of the American Association of Petroleum Geologists (AAPG). A 2010 recipient of the prestigious Aret Adams Award, bestowed by NAPE, Dr. Fatona is also a leading authority on the geology of the Niger Delta Oil and Gas Province. In 2011, Dr. Fatona was a Finalist for the Ernst & Young Entrepreneur of the Year Awards, West Africa 2011, Master Category.

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Ms. Titi Omisore

Ms. Titi Omisore - Company Secretary/Legal Adviser

Ms. Titi Omisore graduated with a BA (Political Science), LLB from the University of Illinois, Champaign Urbana, and the University of Buckingham respectively, thereafter, obtained her BL from the Nigerian Law School. She started her working career with Strachan Partners in 1993. In 1999 she attended Kings College, University of London where she obtained a Masters degree in Tax Law. Ms. Omisore returned to Strachan Partners where she was made a Partner, before joining NDEP as the Company Secretary, in 2001.

Mr. Nuhu Adaji

Mr. Nuhu Adaji - Executive Director (Technical)

Mr. Nuhu Adaji is a highly skilled oil and gas specialist, with over 30 years of experience. After graduating with a BSc in Mechanical Engineering from the University of Manchester, Mr Adaji began his career as a Well Site Petroleum Engineer at the Shell Petroleum Development Company of Nigeria (SPDC) in 1976. Highlights from his career at Shell include an international posting to Brunei Shell Petroleum (BSP) in 1989 as a Senior Production Technologist, an appointment as Head of Production Technology Information Technology (PT IT) and in 2003, an appointment as the Corporate Chief Production Technologist for SPDC. Mr Adaji left Shell in 2004 to start an independent petroleum industry services consultancy. He joined Oando Exploration & Production Limited as Chief Technical Officer in 2009, before joining NDPR Ltd as Gas Business Adviser in 2010. Mr Adaji is also a member of the Society of Petroleum Engineers.

Chairman's Statement

Mr. Goodie Ibru

Esteemed Shareholders, Guests, Ladies and Gentlemen

In my capacity as Chairman of NDEP Plc, I warmly welcome you to the 18th Annual General Meeting (AGM) for the year ended 31st December 2013, belated as it may be.

This report will provide an update on the Company's Audited Financial Statements for the 2013 financial year, including activities undertaken therein.

In my third year of presenting the NDEP Plc Annual Report & Accounts and drawing from my many years' experience as a Director of same, I can state that 2013 was a trying year. With holdbacks and successes. The Company paused on some of its key activities, to reflect, and re-strategise, and therefore emerge stronger. The resilience of your Company was demonstrated, as was the importance of thorough planning and the need for a long term approach to problems faced by the industry. These strategies are what sustained us during a difficult year.

NDEP IN 2013

Your Company continues to advance on its overall objectives, to sustainably increase production and reserves, while staying true to its core values of efficiency, sustainability and supporting local content development and use. Host community engagement and adherence to best industry practices are also enshrined in the Company's business strategy. Your Company will assuredly reap the benefits of its investments as we continue to be the leading, fully integrated Nigerian Independent Company, through our operating Company, NDPR. Be assured, the NDEP Plc Board continues to steer the Company steadily back into profit and to promote the long term growth of the Company. Furthermore, the Board, Management and Staff of NDEP Plc have not lost sight of our goals, and will not fail in our duties to you, our shareholders, who have enabled us to get this far.

After the setback of a dry well in 2011, NDPR undertook a review of its drilling processes and future rig activities. The Company also then completed a multidisciplinary technical review of its flagship asset – The Ogbele producing Field. The results have supported the 2013 drilling programe, which has itself helped boost production. This reversal in production decline has undoubtedly been a significant and positive highlight with which we ended 2013. In itself, this demonstrated your Company's ability and its steady approach to extracting maximum value from the Ogbele Oil and Gas Field.

2013 therefore saw the beginning of a rebound of the Company, with a marked increase in daily production late in the year. Indeed an indication of just how bad the year was, is aptly reflected in the single fact that production activities in the field and the entire region was suspended totally for some 190 days due to 3rd party induced restrictions. Mainly by a declaration of force majeure on Nigerian Bonny Light crude oil exports. Shell's shut down of its Nembe Creek pipeline, for a total of 139 days, with a few more days attached to the removal of reoccurring oil theft points along the Trans Niger Pipeline (TNP) had significant negative impact on the operations of our company. Unfortunately therefore, reduced production over the remaining 2/3 of the year and the continued nefarious activities arising from vandalization and crude oil theft, jointly together negatively impacted the company's production, cash flow and ultimately profit in the financial year under review.

THE GLOBAL ENVIRONMENT

The global economy grew by approximately 3% in 2013, its slowest rate since 2009. While it was a more optimistic year than the previous, tensions developed between advanced economies and slowing growth in developing economies. The convergence between emerging and advanced economies, identified by the World Bank October 2013 Report, noted the challenges of slowing growth and tighter financial conditions for emerging economies. However, overall, emerging economies still drove much of global growth, with their economies forecast to expand significantly more than advanced economies.

China in particular, has grown more slowly than in the recent past, while the US continued to regain confidence and improve employment prospects, despite a partial government shutdown in October 2013. In Europe, a slow recovery from recession continues, albeit with high unemployment (especially in Southern Europe) and tepid growth prospects.

AFRICA

While tensions and unrest limited growth in North Africa, Sub Saharan Africa was a more positive story. Real GDP for the region grew by 4.7%; excluding South Africa, which posted higher growth, illustrating the variations within the continent. There continues to be robust domestic demand, high levels of Foreign Direct Investment and investment in infrastructure, which have all aided growth. While still high, inflation decelerated in many countries, owing to lower food prices and prudent monetary policies. Nevertheless, poverty and unemployment remain high in the region.

NIGERIA:
THE LOCAL OPERATING ENVIRONMENT

The Nigerian economy rose slightly, with growth of 6.87%, a modest increase from the previous year. The non oil sector continued to drive the economy, with agriculture, retail and communications sectors performing well. Attempts to diversify the economy continue, with improvements made to agriculture production and transport links. Reforms were also made in the power sector, with the anticipated privatization within. However, despite these improvements, high levels of poverty and power challenges remain.

For Nigeria's oil and gas industry, worrying levels of vandalism and crude oil theft resulted in a decline in average daily production. Despite fluctuations throughout the year, the OPEC Basket Price remained fairly stable at $105.87USD. The passing of the Petroleum Industry Bill (PIB) disappointingly remains outstanding. This has created much uncertainty for the industry and resulted in postponement of investments, particularly by the IOCs. With the Nigerian elections approaching in 2015, the PIB is unlikely to be passed even by the best of expectations for 2014. Given the likely changes to NDEP's tax obligations, your Company will carefully review any passed PIB to determine its full impact.

Nationwide, security continues to be a serious

concern, with insurgents causing heightened insecurity, and a state of emergency declared in some parts of the Country. Security within the Niger Delta region is also still a concern. We actively monitor and upgrade our security procedures in order to safeguard our staff, assets and operations. I am happy to state that NDPR's operations have never been compromised by community induced restiveness. This modest success can be attributed to the combined efforts of the Host Community Relations Team and the Host Community Environment and Development Trust, whose works align the interests of the Community with those of the Company. We constantly seek to improve our operations and procedures for the sustenance of cordial relationships with each of our host communities.

LOCAL ENVIRONMENT – IFRS

In keeping with the directive of the Financial Reporting Council of Nigeria (FRCN), that requires Companies within the Oil and Gas sector to adopt the International Financial Reporting Standards (IFRS) beginning from 1 January 2013, your Company has prepared its 2013 Annual Report and Accounts accordingly. I commend the Finance Director, his staff and our External Auditors for the work involved in meeting this directive.

OGBELE FIELD PRODUCTION

As at the end of 2013, Ogbele has attained 7,300,863 barrels of cumulative oil production. While this was lower than anticipated, this means that in 2013 your Company attained the significant milestone of 7MM bbls of production. The successful re-completion of Well 3 initially increased production to over 1000 bbls/day, whilst the completion of Well 5ST2 at year end also further increased production beyond the 3,500 bbls/day threshold.

Your Company continues to benefit from its other production related and value enhancing investments, as part of its long term approach to creating growth. The Ogbele Mini Refinery and Gas Processing Plant, continue to provide a diversified additional income stream for the Company. Our refined products Loading Facilities was completed and commissioned in 2013. The steady production of diesel and gas meant the Company is now energy self sufficient, with the switch from diesel to gas fired generators to power the Company's operations. Also, I am delighted to inform you that we have commenced the initial test production of Liquefied Petroleum Gas (LPG) from the Ogbele Gas Processing Plant. The acquisition of OML 34, (the divested interests of Shell, Total/AGIP JV) has also enhanced the production level attributable to the Company and helped raise its profile.

A more detailed report is presented in the Managing Director's Statement.

OPERATIONS AND RESULTS

2013, as enumerated earlier was characterized by various industry wide challenges for your Company, including the statutory requirement for its Audited Financial Statements to be International Financial Reporting Standards (IFRS) compliant.

The global guidelines of the International Financial Reporting Standards require us to re-state and re-measure some specific assets and liabilities in the previous year's results, according to prescribed methods introduced under the new standard.

The year subsequently ended for the Group in a loss position of N1.058 Billion as opposed to the Operating profit for the year 2012 of N2.365 Billion. For the Company, operating loss for the year 2013 was N 4.706 Billion as opposed to an operating profit of N1.671 billion in the year 2012.

The resulting Profit after Tax position for the Company and the Group are therefore as follows:

Profit after Tax for the Company was restated as a loss of N6,050 Billion for the year 2012, and a profit of N1.427 Billion for the year 2013. For the Group, the restated profit after Tax was a loss of N7.012 Billion for the year 2012, and a profit of N6.789 Billion for the year 2013. The IFRS is a global requirement, which is now mandatory for most countries of the world. The restatements and re-measurements of these assets and liabilities will become the standard, to be applied consistently from the year 2013 onwards. We believe that what appears as the delays and inconveniences occasioned by ensuring compliance with the new standard will be a one off impact.

DIVIDEND

Your Company has benefited steadily from its being granted the 'Pioneer Status' since 2010 by the Nigerian Investment Promotion Commission. One of the benefits had been payment of gross dividends without any deduction of the statutory 10% Withholding Tax.

By the provisions of a complementing guideline however, the Pioneer Status limits the recommendation and payment of dividend only to be approved from the Operating Profit of any particular year. The Company, by the re-statements of its accounts as presented above, therefore recorded its first operating loss in the year 2013. It cannot therefore, pay any dividend from the revenue reserves of the previous years.

However, I am pleased and relieved to inform you all of the Company's improved circumstances in its operations. Crude oil production has steadily improved since the start of the year 2014, as evidenced by the Unaudited Financial Statements for the six months to June 2014. As at date, your company has an operating profit of N0.846 Billion for the Company, and N2.635 Billion for the Group.

The Board of your Company, having been satisfied that this improved trend will continue for the rest of the year 2014 and beyond, is happy to recommend an interim dividend of N4.0 per share for approval at this AGM. If this recommendation is positively considered and approved, the interim dividend will be payable as soon as possible after the AGM. This we believe will meet the traditional dividend payment expectations of our esteemed shareholders.

CAPITAL RAISING

Since the proposed additional capital raising of up to $450 million was approved by shareholders at the 2012 AGM, the Management of your Company has been working with the appointed Financial Advisers, FBN Capital and Chapel Hill Advisory Partners to implement the new capital raising exercise. While 2013 saw much preparation for the project, we expect some injection of new capital by the end of 2014. The Board and Management will endeavor to preserve the interest of existing shareholders in this quest to enhance shareholder value.

CHANGES TO THE BOARD

It is with regret that I inform you that Mrs Zuwairatu Mantu resigned from the NDEP Plc Board of Directors in November 2013. We appreciate her contributions to the Board, and to the Host Community Development and Environment Trust, where she served as a Trustee. Also Mr Ahmed Khelif, representing Petrolin Ocean Limited, has retired from the Board. Again, we would like to thank Mr. Khelif for his contributions to the Board since inception. He has since been replaced by Mr Thierry Georger. We congratulate Mr. Georger on his appointment and look forward to benefiting from his wealth of experience.

SUMMARY

2013 was indeed a difficult business year. It has tested to the limits and brought out the resilience of your Company. The outlook for 2014 is very bright and quite promising, as we sustainably become a fully integrated Oil and Gas Company, with a steady rising level of oil and gas production and revenue from diesel and gas sales. Furthermore, your company can expect a deserved rise in income from gas development upon completion of new and any re-negotiated Gas Sales and Purchase Agreement (GSPA) given the rising demand for new gas supply and the willingness of such inquiries to pay market driven prices for such supply.

The injection of new funds from the capital raising exercise all together point towards a brighter future for our company.

As a growing Independent and pioneering Company, we must always anticipate obstacles, challenges or even short term setbacks, especially given the nature of the oil and gas industry and the local operating environment.

However, I urge you, as our shareholders, to remain steadfast as we overcome the lows in our track record. Your Company has shown excellent performance, by way of regular dividends to date. Expectedly as a pioneer, in our unsteady industry, it must occasionally adopt a strategy for self preservation.

The Board, Management and Staff of your Company continue to work tirelessly to ensure its future profitability. Sustainability remains a key approach to our long term decisions that will continue to bear fruit, without any compromise on our core values.

APPRECIATION

2013 was intense and demanding at many levels. I would like to thank everyone that contributed to the year. Firstly, I would like to recognize the Staff and Management of the Company for their work and dedication. Secondly, I would like to commend the efforts of my colleagues, the Directors on the NDEP Plc Board. Their attention to detail and thorough consideration of Company matters have helped propel us to our notable position and have mitigated any hurdles we have faced. Thirdly, to our shareholders, we commend your continued support, patience and understanding. Many of you are long term investors and we appreciate your ability to take a long term view, in anticipation of greener pastures ahead.

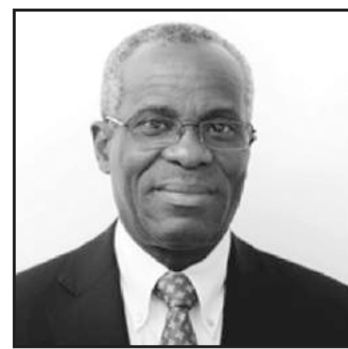
Those residing in our Host Communities are also acknowledged. They are truly partners in progress and we anticipate many more years of mutually beneficial engagement. Finally, I would like to conclude by appreciating the efforts of the industry regulators. Overseeing the legislative environment of the Nigerian oil and gas industry is no easy task. We are grateful to them for their work and positive contributions to the industry.

May God, in His mercy, continue to bless us.

Goodie Ibru (OON)
Chairman

June 2014

Managing Director's Statement



Dr. Layi Fatona

Distinguished Shareholders, Ladies and Gentlemen
It is always a pleasure, to present to you, even more so now than ever, a comprehensive review of our activities for the year 2013. In an industry deeply affected by varying and often complex external factors, your company, Niger Delta Exploration & Production PLC remained firmly on course in achieving the vision of our founding members. These remain to sustainably and profitably exploit small and medium sized oil fields in Nigeria and Sub-Saharan Africa. To fully grasp and appreciate our 2013 results, I would deeply appreciate if you allow me to paint a picture of the environment in which we operated; global, national and local.

GLOBAL ECONOMY

In 2013, the world sadly experienced little change in economic recovery. The global growth rate of 3.0% fell slightly below the 2012 rate of 3.1%. In the United States of America, economic recovery was largely impeded by the expiration of the payroll tax holiday. The effect of this was reduced Gross Domestic Product (GDP) growth rate of 1.9% compared to 2.8% in 2012. Within the Eurozone, reduced public spending coupled with weak domestic demand, resulted in a contraction of GDP in the region to 0.4% (0.7% in 2012). While it may appear that the rate of contraction reduced in 2013, the overall GDP of the Eurozone did not witness any visible improvement.

Slow economic growth in developed economies impacted emerging economies such as Brazil, India, Indonesia, Turkey and South Africa resulting in the withdrawal of foreign investment and devaluation of their respective currencies. The average GDP of developing economies and emerging markets fell to 4.7% compared to the 2012 rate of 4.9%.

Despite the dismal global economic indices reported, global oil demand rose by 1.4% (1.4 million barrels per day) in 2013, essentially driven by increased demand in emerging economies. Global gas demand rose by 2% in 2013 as a direct consequence of demand in the power and industry sectors of Asia-Pacific, the Middle East and the USA.

Global crude oil price dropped to $108.66/bbl in 2013 from $111.67/bbl in 2012 (Brent). West Texas Intermediate however

increased from $94.13/bbl to $97.99/bbl. Henry Hub Natural gas prices also increased from $2.76/MMBtu in 2012 to $3.70/MMBtu in 2013.

NIGERIA ECONOMIC ENVIRONMENT

On December 19, 2013, the Coordinating Minister for the Economy and Minister of Finance, Dr Ngozi Okonjo-Iweala, presented the proposed 2014 National Budget of ₦4.642 trillion to the National Assembly, on behalf of the President of the Federal republic of Nigeria. The passage of the budget encountered a few challenges within the Legislative House, directly related to the allocation of 25% of the budget for Capital Expenditure. After numerous high-level political consultations and meetings, the 2014 Appropriation Bill was passed on 9th April, 2014.

The ₦4.695 trillion Budget passed (₦53 billion more than the proposed) showed that ₦408.7 billion was allocated to statutory transfers, ₦712 billion for debt service, ₦2.45 and ₦1.12 trillion respectively for recurrent and capital expenditures. The Subsidy Reinvestment and Empowerment Programme (SURE-P) was allocated ₦268 billion while ₦1 billion was allocated to 2011 election violence and civil disturbances.

Crude oil benchmark price for the budget year which was originally pegged at $74 per barrel by the Executive was increased to $77.5 per barrel in the budget. Other assumptions for the budget were:

- Crude oil production estimated at 2.3883 million barrels per day

- Gross Domestic Product (GDP) growth rate of 6.75%

- Inflation Rate of 9.5% Exchange rate of N160 to US$1

OUR COMPANY PERFORMANCE

In 2012, the Board and Management of your company resolved to take concerted actions aimed at renewing the company's focus on consistent operational excellence. We began to reap the rewards of this decisive action, very late in 2013, as we reported some increase and complimenting successes in drilling and other operational activities. It was a year in which we laid concrete foundations for enhanced future production and profit.

In all these, the entire Nigerian Petroleum Industry dealt with significant setbacks. With the shutdown of the Bonny Terminal for over 190 days and the declaration of force majeure, our Company was effectively put out of production operations for more than half of the year. These externally induced circumstances were heavy burdens for the year, with consequences on our performance.

Distinguished Shareholders, permit me to draw your attention to our performance in key areas of our operations:

PRODUCTION OPERATIONS

The activities of the planned re-assessment and re-evaluation of our operations in 2012 kick started in 2013 with the commencement of drilling and well operations. May I remind you that the 3D seismic evaluation and interpretation carried out in 2012 further aided the identification of new and potentially viable well targets at which the 2013 drilling campaigns were aimed. Early in the year (March 2013 precisely), we secured the new Acme-5 Land Drilling Rig for a contracted 3 year term (with the option of further renewal).

In June, we successfully completed the work-over of Ogbele Well #3, resulting in additional production of 1,000bopd. We subsequently drilled thereafter, Ogbele Wells 4ST2 and 4ST3, neither of which we were able to complete, as a result of limited commercial hydrocarbon in the target reservoirs encountered. Ogbele 5ST2 was successfully drilled and completed, with the resultant effect being the increase in production to 3,500bopd at year end. This achievement increased year end daily oil production to 1897bopd (2013), a 39% increase from the previous year's end daily oil production. Total oil production from inception in 2005 to 31 December, 2013 stood at 7,300,863bbls.

Distinguished Shareholders, in addition to the above achievements, permit me to highlight a few other key areas of operational attainments. These include;

- Successful completion of the hook-up and commissioning of the mini LACT unit of the refined products loading facilities.

- Upgraded the Combined Control Unit (CCU) of Ogbele 1

- Successfully performed integrity tests on six flowlines

- Recorded our 8th consecutive year of uninterrupted production operations free from host communities induced disturbances.

GAS BUSINESS

The completion and commissioning of the Ogbele Gas Processing Plant, and the resulting start up of commercialization of Ogbele field gas resources, has positioned your company as the foremost integrated Independent oil and gas producer in Nigeria. In 2013, the total volume of gas produced was 9.9bscf, 8.6bscf of which was delivered to the Train 6 of the Nigerian Liquefied Natural Gas (NLNG). I am pleased to announce that your fully owned subsidiary company, Niger Delta Petroleum Resources Ltd is the first and currently, the only non-JV supplier of gas to the Bonny NLNG.

In addition, we successfully commissioned the Gas Products (LPG/Propane) Loading facilities, as well as completed the development of the Operations and Maintenance Manual for the Gas Processing Plant, in compliance with statutory regulatory expectations.

As part of our efforts towards effectively harnessing and commercializing the Ogbele gas resources, the Management of your company, in 2013, explored a number of other viable and potentially profitable opportunities with a number of third party gas off-takers. In July 2013, we entered into Gas Sales and Purchase negotiations with a Liquefied Natural Gas/Compressed Natural Gas (CNG) Company. This on-going discussion (now completed as at June of this year), would not only increase our gas revenue, but also help in our efforts towards diversifying our customer base. We have in addition, been engaged by a number of other potential gas off-takers with the intention of purchasing our gas for CNG, Mini LNG and power generation projects. The prospects for additional gas off-take are bright, and customers are now willing to pay market driven prices for long term off-take commitments.

I am delighted to announce that we have commenced the test production of Propane and Liquefied Petroleum Gas (LPG) at our Ogbele Gas Processing Plant. We have in addition commenced a test delivery of LPG into the Nigerian domestic market. By end year, your company delivered 77,631 liters of test LPG into our domestic market.

THE OGBELE MINI REFINERY (DIESEL TOPPING PLANT)

In 2013, we continued to strategically and profitably reap the rewards of our investment efforts towards diversifying our income stream. Production and sales of diesel has continued to provide us with immediate daily revenue, and in addition, buffer the impact of continued vandalism and theft from our Crude Export lines.

Production of diesel for 2013 stood at 33,524 bbls (5.3 million liters), and cumulative production from commissioning of the plant to December 31, 2013 was 140,085bbls (22.3 million liters). It is noteworthy, that the 76% decrease in diesel production for 2013 compared to the 2012 figures was as a result of the production shut down for a period of 190 days, arising from total stoppage of crude delivery to Bonny Terminal.

HEALTH SAFETY AND ENVIRONMENT MANAGEMENT SYSTEM (HSEMS)

The results of the journey towards embedding Health, Safety and Environment Management System (HSEMS) which started in 2011 became clearly evident in our operations in 2013, as we recorded some noteworthy accomplishments.

- Successful organisation of the second edition

of a company-wide HSE Week

- Successfully monitoring contractors HSEMS compliance

- Recorded Zero fatality and zero Loss Time Incidence from our operations

- Successfully reviewed the 2012 Oil Spill Contingency Plan (OSCP)and completed the 2013 OSCP activation exercise

- Finalised and submitted the Ogbele Environmental Impact Assessment (EIA), which was approved by the Department of Petroleum Resources (DPR)

NEW CAPITAL RAISING PROGRAMME

The Board of Directors on July 9, 2013 authorized the Management of your company to commence plans to raise additional equity capital to enhance development operations in the Ogbele field, development of the Omerelu field to first oil, as well as provide available funds for financing ongoing IOC divestments and marginal field opportunities within Nigeria. The sum of $450,000,000 is expected to be raised by way of a special placement and/or quasi-equity capital. On August 21, 2013 at the 18th Annual General Meeting, the Shareholders passed a resolution to that effect.

On August 26, 2013, the Management of your company signed mandate letters with FBN Capital and Chapel Hill acting as Joint Financial Advisers (JFA's) for the Capital Raising Programme.

The JFA's have to date successfully completed an Investment Teaser now in circulation to potential investors. The Management of your company, supported by the Capital Raising Team remains confident that the first tranche of $200million will be successfully closed out by the end of 2014.

NEW INVESTMENT OPPORTUNITIES

The goal of becoming a leading player in the Nigerian and African exploration and production business space, has guided our investment search efforts in a number of viable opportunities, some of which were pursued in 2013 including;

- Execution of a Joint Participating Agreement between NDPR and the National Oil company of South Sudan- NILE Petroleum Corporation for the provision of Technical Services for production optimization and gas commercialization

- Advanced negotiation with Troisade Energy Limited, Zambia for exploration rights for hydrocarbon in Block 8 in the Northwestern Province of Zambia

2013 FINANCIAL RESULTS

Our modest financial results in 2013 were largely affected by the extended production shut down in Bonny. In addition to the late resumption of drilling and completion of Ogbele Well 3, Ogbele 4ST2, 4ST3,and with only Ogbele Well 3 positively impacting production just before the end of the year, the modest increase in production and Crude Oil revenue, therefore, had minimal impact on the results of the year. The implication being that the Company and the Group for the first time since the commencement of our operations in 2005, recorded operating losses.

The steady ongoing enhanced commercialization of our gas resources, contributed for the first time to the revenue in 2013. Despite the low revenue recorded, your company notwithstanding the production shut down, invested ₦7.76billion for drilling, work-over and completion activities within the Ogbele field, including the commissioning of the mini LACT unit of the Refined Products loading facilities.

The year 2013, for the reasons above, ended with an operational loss for both the Company and the Group. The Group recorded a loss of ₦1.058 Billion compared to the Operating profit for the year 2012 of ₦2.365 Billion. The Company's operating loss for the year 2013 was N4.706 Billion also in contrast to an operating profit of ₦1.671 billion in 2012.

The mandatory transition from the Nigerian Generally Accepted Accounting Principles (GAAP) to the global International Financial Reporting Standards (IFRS) in preparing our Financial Statements occurred in 2013. IFRS require that certain assets and liabilities in the previous year's results, be restated and re-measured according to prescribed methods introduced under the new procedure. In our case, it was a requirement to work out the imposed changes in Equity for the years ended December 2011, 2012 and 2013, and re-measures our Bank loans under the amortisation method. Gratuity provisions and other Staff benefits were also further re-calculated by Professional Actuarial Consultants and the Company's properties were also re-valued by Professional Estate Consultants.

The resulting Profit after Tax figures for the Company and the Group in the years 2012 and 2013 are restated as follows:

- Profit after Tax for the Company was restated as a loss of N6.050 Billion for the year 2012, and a profit of ₦1.427 Billion for the year 2013. For the Group, the restated profit after Tax was a loss of ₦7.012 Billion for the year 2012, and a profit of ₦6.789 Billion for the year 2013.

- Operating Profit for 2012 was ₦2.365 Billion compared to a loss of ₦1.058 Billion for 2013. (Figure 2)

These restatements and re-measurements of our assets and liabilities are the standards to be applied in the preparation of our Financial Statements going forward. The unplanned costs, ensuing delays and inconveniences occasioned by the application of the requirements of the new standard, are not expected to reoccur going forward.

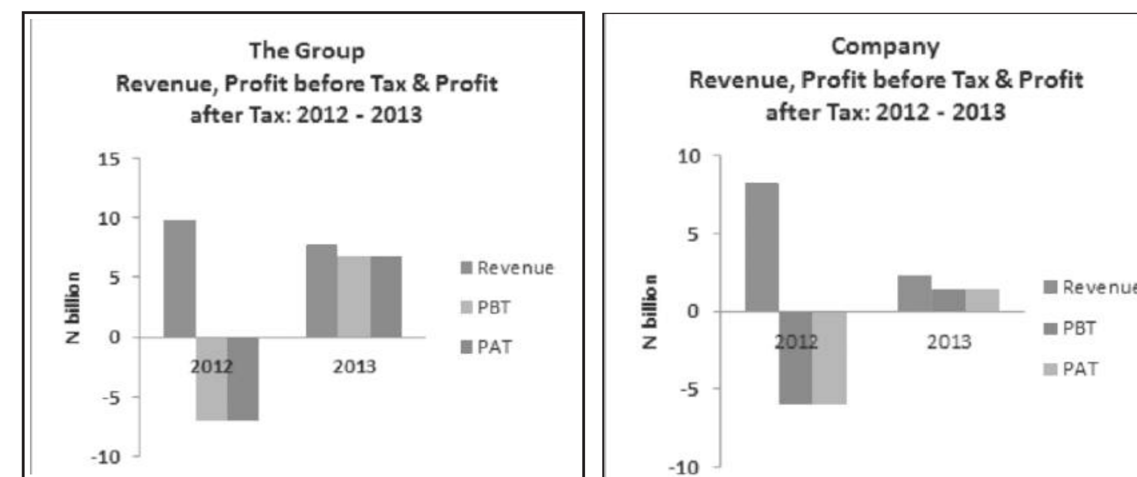


Figure 1

Figure 2

With the re-stated and re-measured results of 2013, Return on Equity rose from -57% in 2012 to 37% in 2013, Return on Asset from -9% in 2012 to 15% in 2013. Return on Capital Employed increased to 23% from -13% in 2012. (Figure 3)

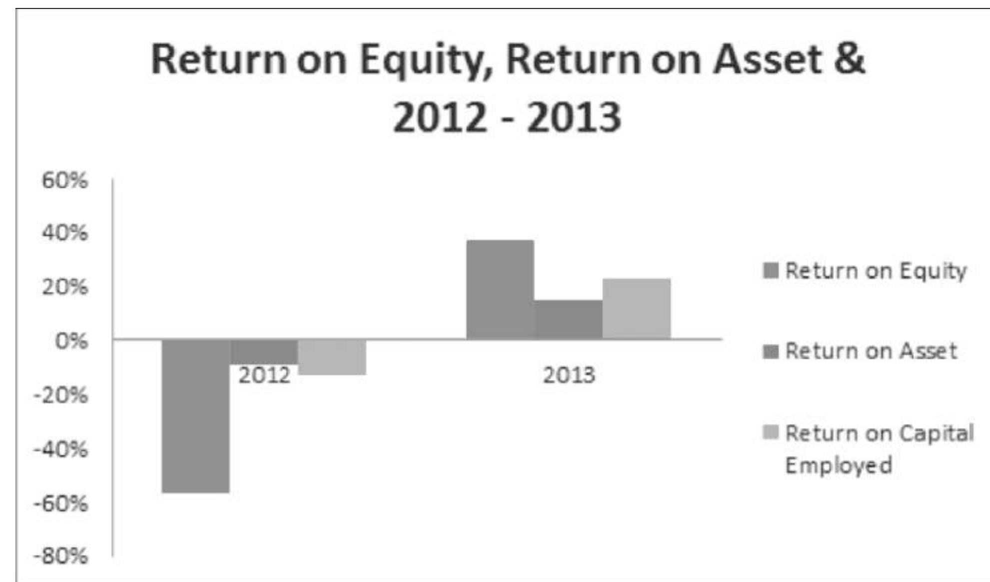


Figure 3

A summary of other indices from our financial and general results are presented in Tables 1 and 2.

SUMMARY OF 2013 FINANCIAL RESULTS

	THE GROUP			THE COMPANY	
	2012	**2013**		**2012**	**2013**
Revenue (billion) (₦)	9.8	7.7		8.2	2.3
Profit before Tax (billion) (₦)	(7.0)	6.8		(6.1)	1.5
Profit after Tax (billion) (₦)	(7.0)	6.8		(6.1)	1.5
Total Cost (billion) (₦)	18.31	10.63		16.4	8.8
Finance + Other Income (billion) (₦)	2.21	7.69		2.1	8.0
Operating Profit/Loss (₦)	2.4	(1.1)		1.7	(4.7)
Earnings Per Share (₦)	(48.2)	39.0		(40.1)	8.1
Dividend per share (₦)	6.0			6.0	
Return on Capital Employed	-13%	23%		-13%	7%
Return on Equity	-57%	37%		-52%	12%
Return on Asset	-9%	15%		-9%	4%

Table 1

RECOMMENDED DIVIDEND PAYMENT

In 2010, your Company was granted a Pioneer Status by the Nigerian Investment Promotion Commission. One benefit of this was that dividend payment was calculated and paid gross without the mandatory 10% Withholding Tax deduction.

With also an important provision of the Pioneer Status being that dividends can only be recommended and approved from the Operating Profits of the particular year, the Company, having recorded its first operating loss in 2013, therefore cannot pay any dividend from the revenue reserves of the previous years. I am however, pleased to announce that there have been sufficient and confidence building improvements in the Company's operations and its daily crude oil and gas production since the start of 2014.The Unaudited Financial Statements for the six months to June 2014 continue to be encouraging, showing an operating profit of ₦0.846 Billion for the Company and ₦2.635 Billion for the Group.

The Board of your Company, having been satisfied that this improved trend will continue for the rest of the year 2014 and beyond, is therefore able to recommend an interim dividend of ₦4.0 per share for approval at this Annual General Meeting. If this is approved, the interim dividend will be payable as soon as possible after the AGM. This interim dividend payment we believe will meet the sustained expectations of our esteemed shareholders.

The improved crude oil and gas production for the first six months of 2014, in addition to the revenue from refined AGO (Diesel) sales in the same period compared to the records of 2012 and 2013 are as presented below in Table 2.

	YEAR 2012	YEAR 2013	6 MONTHS TO JUNE 2014
OPERATING COMPANY	**US $(000)**	**US $(000)**	**US $(000)**
Crude Oil Sales	43,963	35,821	40,388
Gas Sales	1,051	9,663	3,457
Diesel Sales	14,128	3,894	5,064
LPG sales		458	140
Total Rev. ($)	59,142	49,836	49,049
GROUP RESULTS	**₦ (000)**	**₦ (000)**	**₦ (000)**
Revenue	9,848,523	7,738,836	7,840,293
Operating Profit(Loss)	2,365,145	(1,057,836)	2,635,303
COMPANY RESULTS	**₦ (000)**	**₦ (000)**	**₦ (000)**
Revenue	8,319,172	2,295,103	5,229,618
Operating Profit(Loss)	1,670,646	(4,706,226)	845,995
Dividend (₦)	6.00	NIL	

Table 2

RELATIONSHIP WITH OUR HOST COMMUNITIES

As stakeholders and partners, NDEP's operations, continue to be the backbone of the company's relationship with our partnering Host Communities. Our Host Community Development Programmes are driven by the tenets which emphasize collaborative efforts and development commitments of areas impacted by our operations and for long-lasting results.

The range of educational, health, social and financial issues which the average Nigerian society faces daily are all evident within our Host communities in 2013. The answers to these problems, call for varying actions and techniques for good effect, hence our belief in uniquely tailored solutions to each of our host community challenges. Projects for each community are designed with the objectives of creating and in some cases, sustaining visible development and empowering the communities towards self-sustenance, self-sufficiency and self-development.

Development and empowerment projects sponsored by the NDPR Host Community Development Trust in 2013 include:

- Rehabilitation of the Ogbele Community Health Centre (See Picture)
- Provision of skills acquisition grant, bursary and medical aid
- Electrification of Oshiugbokor and Obumeze communities (See Picture)
- Construction of the Obumeze UPE Primary School (See Picture)
- Grading of Obumeze main access road
- Completion of the ongoing new ultra modern town hall for Otari community (see Picture)
- Construction of 2 blocks of Secondary school buildings in Rumuekpe Community.

INVESTING IN OUR PEOPLE

The successes and achievements of our company have, from inception, been firmly linked to our people. Being central to our uniqueness and competitive advantage, we strive to recruit and retain the right people within the organization. In 2013, your company invested a considerable amount of time, resources and finance on training and development of our staff, with the hope of enhancing existing skill sets and developing new and more competitive ones.

CHANGES WITHIN THE COMPANY

In 2013, there were a number changes to the composition of the Board of Directors of your company
On August 19, 2013 Mr. Almed Khelif, representing Petrolin Ocean resigned from the Board of NDEP. He was subsequently replaced by Mr. Thierry Georger on August 20, 2013. Until his replacement on the Board, Mr. Almed Khelif was the Chairman of the Board Technical Committee.

Mr. Thierry Georger is an Operations and Marketing Manager in Petrolin SA, responsible for crude oil trading and sales, operations on spot and term contracts, as well as management of financial transactions, negotiations, and investment opportunities.

The retirements of Mr. Ben Osuno (former Chairman of NDEP's Board of Directors) and Mrs. Zuwairatu Mantu (November 15, 2013) from the Board of Directors, left your company with two vacancies. Following a rigorous screening process of suitable candidates to replace them, the Board Governance Committee made recommendations for the appointment of two new members and on April 17, 2014. Mr. Osten Olorunsola and Mr. Ede Osayande were appointed to the Board of Directors of NDEP.

Mr. Ede Osayande, is a Fellow of the Institute of Chartered Accountants Nigeria, with over thirty five (35) years of experience providing consulting, strategic, fiscal, risk assets management, investment banking, advisory and operational leadership in Banking and Finance.

Mr. Osteen Olorunsola was, before his appointment, the Director, Department of Petroleum Resources, a position which upon acceptance led him to early retirement from Shell. At Shell, he rose to the ranks of Vice President responsible for Commercial Gas and Power Business across Sub Saharan Africa. Mr. Olorunsola in 2008 was a Special Adviser to the Minister of Petroleum Resources, and served two (2) succeeding Petroleum Ministers. In addition, he was instrumental in crafting the Petroleum Industry Bill, currently with the National Assembly.

2014 OUTLOOK

Having squarely surmounted the challenges of 2013, your company is well on its way to truly fulfilling the vision of our founders. Becoming the leading locally owned investment company, providing Nigerians with access to the country's most strategic sector – the oil and gas industry.

With this in mind, the Board of Directors and Management of your company have set a number of goals and targets for 2014. Our priorities for this year lie in three main areas;

- Effectively and efficiently enhancing NDEP's production operations,
- Improving our strategic position within the Nigerian Oil and Gas sector, and
- Exploring and exploiting new business opportunities in Sub Saharan Africa.

MY LONG TERM STRATEGIC VISION

NDEP and its fully owned subsidiary NDPR, has had a full year or nearly so of steady operations. As a nimble yet fully 'Integrated Independent Nigerian E&P Company'. Perhaps also, the '1st and Only one' in its class!

To an extent, it had only just recovered from a steady low period, having been self supported and buoyed certainly back into profit. Through increased internal capacity build up and organic growth, it has added value over time, to its modest initial Chevron booked reserves of some 5MMbbls for the Ogbele marginal Oil field. The company is now into its 9th year of steady and uninterrupted production, with some 8MMbbls of oil and 14Bscf of gas production respectively to its history. All these it had achieved, deriving from an aggressive seismic data re-evaluation activity, followed by a successful ongoing drilling campaign. The future therefore looks even brighter, now that it has secured the executed Farm Out Agreement (FOA) on its second marginal oil field asset - The Omerelu Field. The company is ready for the speedy development of this new asset, with intent to achieve 1st oil within the next 15-18 months. In the same stride, it continues to lead the efforts of its Partners, in ensuring delivery of appropriate value creating work plans, through its associated company (ND Western) and the Operator - The Nigeria Petroleum Development Company (NPDC), of its much bigger producing and strategic asset (OML-34).

After nearly three steady years of declining production and profitability, made manifest and even more so burdensome to bear, the company is once again on a steady and sustainable path to recovery. The reference period also coincided with a time during which the company enhanced its investment exposure, as it led the ND Western Consortium (with other partners), in the successful acquisition of the divested 45% interests of the Shell/Total/Agip Joint Venture, in the strategically important OML-34 producing asset located in the western Niger Delta region. Its path to recovery is evident from its 2014 1st and 2nd Quarter results, characterised by modest operating profits and a healthy steady cash flow situation. This reversal in its declining trend and also in the state of affairs will be sustained, given the now rewarding diversity of revenue streams, derived through steady modest cash-flows from enhanced revenues from oil and gas production, processing of both oil and gas to higher value products (gas to Bonny NLNG, and the domestic market), as well as income from refined diesel supply to the latter, while still maintaining some surplus crude for export on a monthly basis. The company will benefit too, in the immediate near future, as reward from its forward looking investments in gas production and processing infrastructure. Potentially, enhanced revenues will come from any new and or re-negotiated gas sales and development income, given the noticeable

increased demand trend and the readiness of gas buyers to pay market driven prices for such long term supply commitments. The future for NDEP and its affiliated companies look very promising.

The company must now follow this steady growth part in a sustained and self preserving manner. We are conscious always of increased and emerging competition from other new independent Nigerian E&P companies. The competition for growth will henceforth be stiff and enduring going forward.

NDEP has built a solid foundation, drawing and benefiting essentially from a small but dedicated and matured technically savvy professional staff pool. All of them, then readily available within the indigenous E&P labour market place, and at the pioneering inception of the company. It must now support and emerge from that foundation, with a crop of its own home grown and carefully picked, from a dwindling technically well trained external marketplace, a team of some more vibrant, yet skilful, technically endowed and forward looking next generation of 'younger' human capital and into whose firm hands the future of company can be entrusted.

With a robust production infrastructure now in place at its flagship Ogbele marginal field asset, including a 25Kbopd oil processing Flowstation, a 1000b/d Mini Refinery and a 100MMScf/d gas processing plant, all together seamlessly now fully integrated and running, the company has built for itself and for Nigeria, a model oil and gas Production and processing template. Ready to be replicated in many more remote and perhaps too, on the platform of seemingly stranded small to medium sized oil and gas assets, such as the Ogbele Marginal field (upon initial Field development start-up), and perhaps going forward, the Omerelu field.

For its two to five year look forward strategic planning window, NDEP (through its fully owned operating entity NDPR), is now in ready mode and in multiple fronts able to grow not just its business profile as a successful and profitable independent Nigerian E&P entity, delivering steady and healthy dividends plus value for its shareholders. Its E&P growth activities will be steered in a steady and sustainable pace for maximum value derivation from:

A. The Ogbele producing field, enhancing oil and gas production and processing beyond current booked oil and gas reserves and its installed processing capacities.

B. Ensuring the next milestone of 1st oil production from the Omerelu marginal oil field is achieved, on time, within budget and in the traditional environmentally compliant mode of Ogbele- with zero gas flaring at 1st oil production.

C. Steadily supporting and influencing field development investments towards increasing oil and gas production in OML-34, to a level of 40-60Kbopd and 600MMScf/d respectively.

D. With confidence, arising from the newly established Joint Venture strategic partnership with the National Oil Company of South Sudan (The Nile Petroleum Corporation), the company will now step out, into the African sub Saharan region albeit in a calculated manner with minimum risks and exposure, but with a focus for a Pan African spread and attainment of new growth opportunities.

E. Finally, the company will aggressively pursue other near term divestment opportunities within the Niger Delta region, spreading to new operating terrains, and as a steady mobility vehicle for increasing its reserves base to a 500MMboe target, even as it works in full support of active appraisal and development of new oil and gas resources in the mature OML-34 asset.

Building on the Ogbele Integrated Oil and Gas Production infrastructure now in place, we see the full value chain monetization of all the oil and gas reserves (proven, contingent and prospective) attributable to this asset, allowing its continuous and sustained development in full compliance with the gas Flare out policy of the Federal Government of Nigeria.

More specifically defining the strategic vision, Ogbele field is able, and will increase its gas processing capabilities within the period to 300-500MMScf/d processing capacity, taking advantage initially, of its own booked oil and gas resources. Further ahead, it will also then position itself, largely depending on and requiring for full capacity utilisation, other gas resources from a 50km catchment area radius. In addition, Ogbele will gradually within this period, double its oil processing capacity from the current installed 25Kbopd, on the premise that small non producing reserves within the 50 km radius will find processing space in the well established Ogbele oil and gas processing hub.

In effect, Ogbele will evolve into a prototype "Nigerian publicly owned oil and gas based Central Processing Facility" (CPF) not just for use of NDEP and reward to its worthy Shareholders, but available also, for all other stranded oil and gas asset owners around. Thereby, reducing or even eliminating the requirement for the initially large capital expenditure, this will otherwise be burden for any new start-up oil and gas processing facility within the 50 Km radius of Ogbele.

In attaining the objectives described above, Ogbele will additionally not only fully utilize of its existing oil and gas processing capacity for its own reserves, it will expectedly have additional crude oil availability for a steady and systematic expansion of its refining capability and capacity, given that it already has in place, a location specific and upward scalable Refining License. Expanding therefore, the Ogbele Mini Refinery facility initially to a 5Kbopd capacity in the next 2 years and ultimately within 5 years, doubling such capacity is a sure self protection and growth strategy against repeated and now reoccurring production deferments. A phenomenon now so common, arising from pipeline vandalisation, as well as increasing and unstoppable crude oil theft. Both factors continue to pose serious threats to the future of the company and the Nigerian petroleum industry in general.

CONCLUSION

The outlined growth path canvassed above must be pursued within a business development strategy which looks beyond the Ogbele, Omerelu and OML-34 reserves base of the company, given that other viable sources of crude oil feed will be available from adjacent or nearby presently non-producing assets. Such capacity building and utilisation becomes readily realisable with potentials for collaboration with other asset owners.

With these goals already set, and currently being pursued, I am confident that 2014 will be the start of a new life of increased production, profit and enhanced returns to our shareholders and all stakeholders. Thank you all for your patience. Stay well and remain blessed.

Layi Fatona (Dr.)
Managing Director

Corporate Social Responsibility Report (CSR)

NDEP PLC CORPORATE SOCIAL RESPONSIBILITY REPORT (CSR)

As a proudly Nigerian Company, NDEP Plc has a genuine interest in promoting sustainable business practices in its host community environment and operations. Drawing from the values instituted by the Company's founders, NDEP Plc has established itself as a premier independent and integrated operating company. The Company is confident that it will leave a legacy for generations to come. NDEP's remarkable progress has been made possible by a commitment to excellence, and the ability to punch above its weight. In line with this ethos, the Company places a high premium on all of its assets and ensures a positive impact towards all stakeholders, with care taken to mitigate any untoward consequences.

NDEP Plc and its subsidiaries adhere to the Federal and State laws of Nigeria, local regulations and industry best practices. In addition, the company has its own stringent internal processes and controls, including a Code of Conduct for all staff employees and a Community Affairs, Safety, Health, Environment and Security (CASHES) manual and policy. To complement this, the Company regularly undertakes internal audits, so that projects are reviewed and improvements made.

STAFF WELFARE

Often unsung, the staff of NDEP Plc and its subsidiaries are the real heroes of the Company. Given the competitive nature of the oil and gas industry, it is important that staff are kept up to date in their various fields, and are competent, enthusiastic and motivated. Much work is done to ensure a pleasant, safe and conducive working environment for all staff, especially those in the field. Staff are encouraged to report any potential concerns such that any issues can be anticipated and addressed.

Previously, the Company has used different methods to ensure the health needs of staff are met. Most recently, in 2013, a Health Maintenance Organization (HMO) system was introduced, to provide comprehensive health coverage for all staff. NDEP Plc and its subsidiaries have historically experienced low staff turnover, which can be attributed to the acceptable HR policy of the Company.

CHARITY AND DONATIONS

Given the challenging nature of 2013, charitable donations were more modest compared to previous years. In 2013, the Company's donations reflected its longstanding charitable commitments:

- The Lagos Book Festival ₦1,500,000
- The Aret Adams Annual Lecture Series ₦450, 000
- The Aret Adams Edo State Secondary School Anniversary Programme ₦ 1,784,670
- Obafemi Awolowo University, N100,000

SUPPORTING THE INDUSTRY

NDEP Plc continues to support key industry bodies. Not only are staff members of professional organizations to promote development and capacity building, but the company also provided financial support to the following NAPE (Nigerian Association of Petroleum Explorationists) Programmes:

- NAPE July Technical Meeting - ₦2,000, 000
- All Convention Luncheon, NAPE 2013 Annual Conference ₦6, 000, 000

HEALTH, SAFETY AND ENVIRONMENT

NDEP Plc and its subsidiaries have a robust HSE Policy and are committed to HSE excellence. The Company considers outstanding HSE performance an integral measure of overall business success. The Company has a framework in place for continuous HSE improvement. This is regarded as one of the key drivers for enhanced overall business performance.The guiding principles for this framework are:

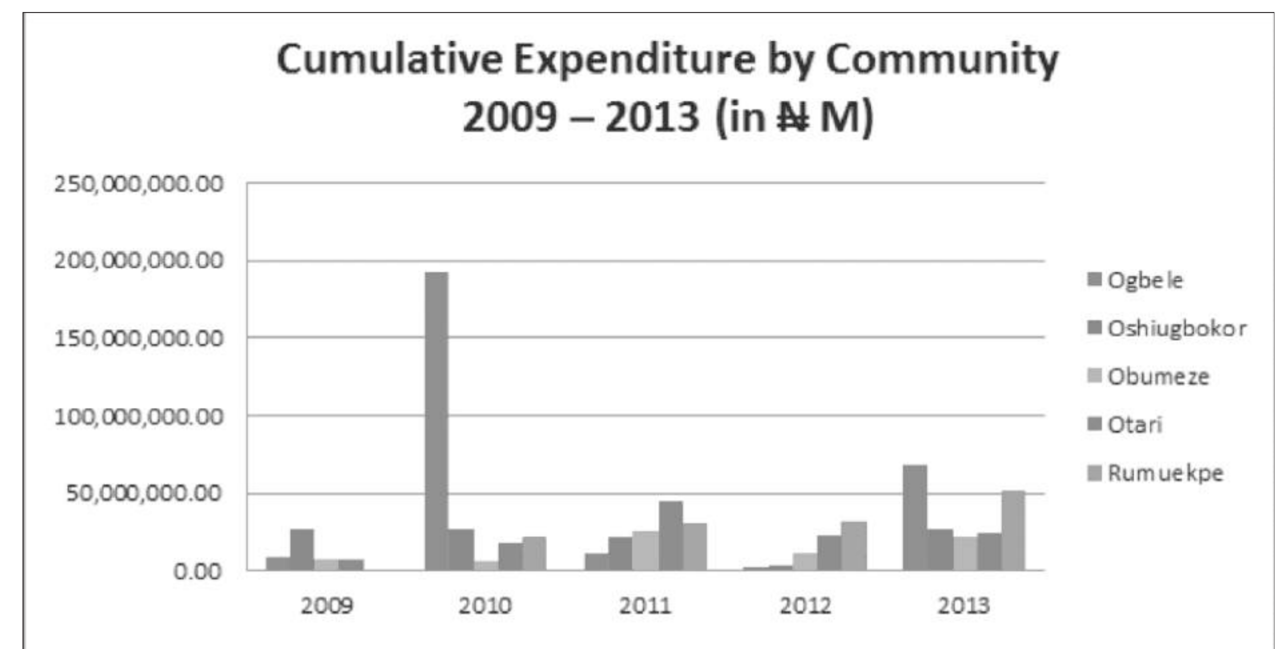
- Protection of Health & Safety of our People & Stakeholders
- Protection of Our Environment
- Proactive HSE Management
- Compliance
- HSE Organisation

In 2013, several key activities were undertaken, with the HSE Management System (HSEMS) re-engineered to include a HSE Management approach in Company Business training and competency development. The second edition of the HSE week 2013 was also conducted successfully, with emphasis placed on contractor HSE Management System monitoring the compliance of contractors.

As part of NDEP Plc Process Safety Assurance, the Operations HSE Case for the Gas Plant was developed and approved by the Department of Petroleum Resources (DPR). Professional Safety Management (PSM) Training for all operations staff was also undertaken. Regarding Environmental Assurance and Compliance, the completed Revalidation of the OgbeleField EIA was approved by the DPR, and the reviewed 2012 OSCP (Oil Spill Contingency Plan) for Ogbele Field was also approved and activated by the DPR. The Impact Monitoring and Mitigation Exercise (IMME) also commenced in 2013.

COMMUNITY AFFAIRS UPDATE

Since commencement of production in 2005, NDEP, through its subsidiary, has donated 5% of its pre-tax profit to the pioneering Host Community Development Trust (HCDT). The Trust, set up to administer funds for the communities, is overseen by a Board of Trustees (BOT), under the Chairmanship of Prof. Cookey, OFR. NDPR's five host communities, Ogbele, Oshuigbuko, Otari, Obumeze, and Rumuekpe, each have an appointed Advisory Committee to ensure that the needs of the wider community are represented. Over the years, many projects have been completed to the benefit of host community residents. This section of the report will give an overview of the community projects executed in 2013, and the corresponding spend during the 2013 financial year.



PROJECTS EXECUTED BY THE HOST COMMUNITY DEVELOPMENT TRUST IN 2013

ELECTRIFICATION

In fulfillment of its commitment to the provision of Electricity for all its host communities, the Company commenced the funding of the electrification of Ogbele, Obumeze and Oshiugbokor communities in the year under review.

By year end 2013, significant progress had been recorded. Ogbele Electrification Project had progressed to 70 percent at a cost of ₦39, 139,045 while both Oshiugbokor and Obumeze communities had recorded 60 per cent progress with a planned expenditure of ₦16, 569,520 and ₦12, 656,640 respectively.

Laying/erection of electricity poles in Ogbele Community

Consumer line in front of Government school leading towards Ogbele Community

Erection of electricity poles/stringing in Obumeze Community

Power line opposite Obumeze Upe Community Primary School

Power stepdown transformer station at Oshiugbokor Community

WOMEN EMPOWERMENT PROGRAMME

The Women Empowerment Programme cut across all NDPR Host communities and had been a huge success. The programme is geared towards the empowerment of women and capacity building in our host communities. The sum of ₦8, 685,000 was expended in four of our host communities in the form of a revolving loan using the instrument of a micro credit scheme.

Community Life Programme Staff administering the Micro Credit Scheme

OGBELE HOST COMMUNITY

MATERNITY UNIT

In response to a request from the Ogbele Women's group, a four room maternity building costing ₦9, 201,318 was funded and completed within the financial year. By the year end, and within the first two weeks of completion, the maternity had recorded the safe delivery of three (3) babies.

- The Ogbele Community Road was rehabilitated at a cost of ₦9, 221,508.

- Skills acquisition programme for 91 people at ₦30, 000 each amounting to ₦2, 730,000 was funded. This enabled the youths in the community to undertake skills based training, aimed at promoting sufficiency and improving employment prospects.

- Medical Aid to 191 elders in the community to support their wellbeing was undertaken at a cost of ₦3, 820, 000

- Annual bursary awards of ₦50,000 each was paid to 145 students from Ogbele community amounting to a total of ₦7,250,000.

- As part of the aforementioned electrification project, ₦27, 878, 166 was disbursed during the 2013 financial year.

The Ogbele Maternity/Health Care Centre

OSHIUGBOKOR HOST COMMUNITY

- The Electrification of the community is underway and at an advanced stage of completion by year end, with ₦16, 569, 429 spent during 2013. The project was 60 per cent completed.

- 85 students from the community have received the yearly bursary payment of ₦50,000 per student, with 25 students receiving a further ₦50, 000 bursary. The 2013 total spend on bursaries for Oshiugbokor host community was ₦5,500, 000.

OTARI HOST COMMUNITY

Multipurpose Ultra Modern Town Hall
In the year under review, a Multipurpose Ultra modern Town hall for Otari Community was completed, furnished and commissioned at a cost of ₦54,525,684. Apart from housing an exquisite event center in the community, this project particularly had added a considerable amount of beauty and had brought so much joy to the entire indigenes of Otari Community.

Otari Multipurpose Ultra Modern Town Hall

Interior of Otari Ultra Modern Town Hall

RUMUEKPE HOST COMMUNITY

Rumuekpe Host Community Secondary School

Prior to this time, the Rumuekpe Host Community had no secondary school. Students willing to progress their primary education to secondary level would have to walk a distance of over 5km daily to Elele Alimini to obtain this rather compulsory level of education. In the pursuit of NDPR's vision to support Education and propagate learning in general, the BOT approved and commenced the funding of the construction of a two block secondary school in the Community valued at ₦67, 845,015 with completion expected by the end of 2014. As at year ended 2013, ₦11, 041, 776.19 had been disbursed towards the project.

The Foundation of the Rumuekpe Secondary School

- Bursary payment was made to 378 students at ₦50, 000 per student, resulting in ₦18, 900, 000 spent in 2013.

- A skills acquisition grant was provided for 402 beneficiaries at N30,000 per participant amounting to ₦12, 060, 000.

OBUMEZE HOST COMMUNITY

Obumeze Primary School

In a continued effort to support education and encourage learning generally in all its hosts communities, NDPR funded and commissioned a purpose built block of 6 Classrooms including staff offices, desks and writing board at a cost of ₦27,700,000 in September 2013. It is noteworthy that prior to the completion of this project, students were taught under trees and churches in the community.

Obumeze Primary School

ROAD GRADING

NDPR responded to the call of the community when its access road was in a state of disrepair and almost impassable during the rains. The road was graded and widened at a cost of ₦8, 500, 000.

Before

After

- ₦ 250, 000 was spent on a supplementary bursary for 5 students in 2013.
- As part of the Electrification project, ₦11, 512, 640 was disbursed during the 2013 financial year.

All above listed projects have benefited NDPR's host communities. Nominated projects had a wide reach and impacted every stakeholder in the communities. The link between production and the accruement of funds to each host community helped to align Company and community interests and promote mutual benefits. Since First Oil in 2005, NDPR Ltd had experienced zero downtime resulting from community induced tension. This showed the meaningful impact of the Host Community Environment and Development Trust and the Community Relations team. The Company is confident that the Trust will leave a positive and sustainable legacy for future generations to come.

Report of the Directors Consolidated Audited Financial Statements

&

Supplementary Financial Information

for the year ended 31 December 2013

ROAD GRADING

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Report of the Directors Consolidated Audited Financial Statements

&

Supplementary Financial Information

for the year ended 31 December 2013

REPORT OF THE DIRECTORS
for the year ended 31 December 2013

The Directors submit to the members of the Company their report together with the consolidated audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is in the business of investing in integrated oil and gas development activities.

STATE OF AFFAIRS

In the opinion of the Directors, the state of affairs of the Company is satisfactory and there has been no material change after the reporting period.

RESULTS FOR THE YEAR

	THE GROUP 2013 ₦'000	THE COMPANY 2013 ₦'000
Turnover	7,738,836	2,295,103
	========	========
Profit before income tax	6,826,504	1,460,256
Taxation	(998)	-
	--------------	-------------
Profit after taxation	6,825,506	1,460,256
	========	========

DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31 December 2013.

PROPERTY, PLANT AND EQUIPMENT

Information relating to property, plant and equipment is given in Note 12 to the financial statements. In the opinion of the Directors, the market value of the Company's property, plant and equipment is not less than the value shown in the financial statements.

CHARITABLE CONTRIBUTIONS

The Company made charitable contributions amounting to ₦15,330,000 during the year (2012: ₦22,351,000).

DIRECTORS

The names of the Directors at the date of this report and of those who held office during the year are as follows:

Mr. Goodie Ibru (OON)		Chairman	
Dr. O. F. Fatona		Managing Director	
Mr. Femi Balogun		Executive Director Finance	
Mr. Nuhu Adaji		Executive Director Technical	
Mr. Ahmed Khelif	(Algerian)		Resigned: 19 August 2013
Prof. S. J. S. Cookey (OFR)			
Mrs. Z. Mantu			Resigned:15 November 2013
Mr. L. Jadesimi			
Mr. Thierry Georger	(French)		Appointed: 20 August 2013
Mr. Osten Olorunsola			Appointed: 17 April 2014
Mr. Ede Osayande			Appointed: 17 April 2014

DIRECTORS' INTERESTS

Directors' interests in the share capital of the Company were as follows:-

	Number of Shares
Mr. L. Jadesimi	5,505,246
Mrs. Z. Mantu	2,977,464
Dr. O.F. Fatona	2,653,456
Mr. Femi Balogun	1,412,467
Mr. Ede Osayande	533,333
Mr. Goodie Ibru (OON)	144,000
Prof. S.J.S. Cookey (OFR)	142,399
Mr. Nuhu Adaji	2,799
Mr. Ahmed Khelif	Nil
Mr. Thierry Georger	Nil
Mr. Osten Olorunsola	Nil

Also, the following Directors have beneficial interests in the shares held by the corporate bodies listed against their names:

Name of Director	Corporate body in whose name shares are held	Number of shares
Mr. Goodie Ibru (OON)	Associated Ventures International Ltd	11,378,468
Dr. O. F. Fatona	Geotrex Systems Ltd.	641,954
Dr. O. F. Fatona	Nouveau Technologies Limited	2,024,924
Mr. L. Jadesimi	First Zenith Investment Holding Company	1,440,000
Mr. L. Jadesimi	Global Resource Management Limited	2,025
Mr. Ede Osayande	Isi Investment Limited	106,666

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 of any disclosable interest in contracts with which the Company is involved as at 31 December 2013.

EMPLOYMENT OF DISABLED PERSONS
The Company has a policy of fair consideration of job application 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.

HEALTH, SAFETY AND WELFARE AT WORK OF EMPLOYEES
One of the Company's primary business objectives is that its operations shall not cause accidents, damage or losses. The Company is committed to protecting people, the environment and physical assets. The Company established adequate health and safety measures within its premises and its areas of operations and in the operation of all its vehicles. The Company aims to provide as far as possible (subject to limits) medical care for all members of its staff and immediate members of their nuclear families.

EMPLOYEES' TRAINING AND INVOLVEMENT
The Directors maintain regular communication and consultation with the employees and staff representatives on matters affecting employees and the Company.

Negotiations on salary packages were concluded and related agreements were signed with both junior and senior staff members.

The Company organises various in-house, local and international training courses and also sends staff abroad for training when the training capacity is not available locally.

PROTECTION OF THE ENVIRONMENT
The Company is committed to protecting the environment within and around its operational areas. In this regard, it has established a framework for complying with all statutory environmental requirements, applying best industry practice and operating in a manner that assumes no harm to the environment.

FORMAT OF FINANCIAL STATEMENTS
The consolidated financial statements are presented in accordance with the reporting and presentation requirements of International Financial Reporting Standards (IFRS) and the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. The Directors consider that the format adopted is most suitable for the Company.

EVENTS AFTER THE REPORTING PERIOD
As stated in Note 34, no significant events have occurred after the reporting date which have a material effect on the financial statements, or the omission of which will make the financial statements misleading as to the financial position or results of operations.

AUDITORS
Ernst & Young have expressed their willingness to continue in office as the auditors to the Company in accordance with section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD

Titilola Omisore
SECRETARY
13 May 2014

FRC/2013/NBA/00000003574

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2013

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

a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;

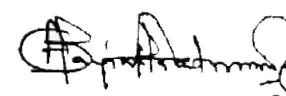
b) Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) issued by IASB and the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

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

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



Dr. O. F. Fatona
Director
13 May 2014

FRC/2013/IODN/00000003811

Mr. Femi Balogun
Director
13 May 2014

FRC/2013/ICAN/00000003297

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NIGER DELTA EXPLORATION & PRODUCTION PLC

Report on the financial statements
We have audited the accompanying consolidated financial statements of Niger Delta Exploration & Production Plc, which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements
The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and for such internal control as the Directors determine necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated audited financial statements give a true and fair view of the financial position of Niger Delta Exploration & Production Plc as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

NIGER DELTA EXPLORATION & PRODUCTION PLC - Continued

Report on other legal and regulatory requirements

In accordance with the requirements of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account,

Bernard Carrena, FCA, FRC/20I3/ICAN/00000000670

For: Ernst & Young
Chartered Accountants
Lagos, Nigeria.
13 May 2014

REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF NIGER DELTA EXPLORATION & PRODUCTION PLC

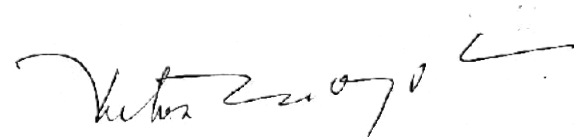
FOR THE YEAR ENDED 31 DECEMBER 2013

In accordance with the provisions of sections 359(4) and (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we have reviewed;

1. the scope and planning of the audit requirements and

2. the accounting and reporting policies of the Company for the year ended 31 December 2013 and ascertained that they are in accordance with legal requirements and agreed ethical practice.

In our opinion, the scope and planning of the audit for the year ended 31 December 2013 together with the consolidated audited financial statements were satisfactory. The external auditors had discharged their duties conscientiously and satisfactorily. We were satisfied with management responses to the auditors' findings.



Chief Victor Oyolu, FCA, FRC/2013/ICAN/00000003347
Chairman
Audit Committee

13 May 2014

Members of the Audit Committee

1. Chief Victor Oyolu Chairman
2. Engr. Alex Ogedegbe
3. Mr. Goodie Ibru (OON)
4. Mr. L. Jadesimi
5. Mr. Gbola Akinola
6. Mrs. Z. Mantu Resigned: 15 November 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

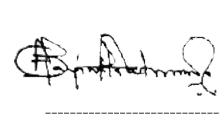
	Note	GROUP		THE COMPANY	
		2013 ₦'000	2012 ₦'000	2013 ₦'000	2012 ₦'000
Revenue	3	7,738,836	9,848,523	2,295,103	8,319,172
Cost of sales	4	(5,603,076)	(5,624,978)	(4,753,385)	(5,057,388)
Gross Profit/(Loss)		2,135,760	4,223,545	(2,458,282)	3,261,784
Other income	5	686,711	2,175,100	959,402	2,091,718
General and administrative expenses	6	(3,880,306)	(4,033,500)	(3,207,347)	(3,682,856)
Operating (loss)/profit		(1,057,835)	2,365,145	(4,706,227)	1,670,646
Finance income	7	7,003,576	37,554	6,999,357	32,655
Finance expenses	7	(1,151,128)	(8,651,237)	(832,874)	(7,709,191)
Finance cost (net)		5,852,448	(8,613,683)	6,166,483	(7,676,536)
		4,794,613	(6,248,538)	1,460,256	(6,005,890)
Impairment on financial assets	8	-	(58,218)	-	(53,156)
Share of profit /(loss) of associate	15	2,031,891	(720,952)	-	-
Profit/(loss) before taxation		6,826,504	(7,027,708)	1,460,256	(6,059,046)
Income Tax expense	27	(998)	(1,942)	-	-
Profit/(Loss) after taxation		6,825,506	(7,029,650)	1,460,256	(6,059,046)
Profit/(Loss) attributable to:					
Equity holders of the parent		6,825,506	(7,029,650)	1,460,256	(6,059,046)
Profit/(Loss) for the year		6,825,506	(7,029,650)	1,460,256	(6,059,046)
Other comprehensive income:					
Re-measurement (loss)/gain on employment benefit obligations, net of tax	23	(36,896)	8,284	(33,688)	8,547
Other comprehensive (expense)/income for the year, net of tax		(36,896)	8,284	(33,688)	8,547
Total comprehensive income/(loss) for the year		6,788,610	(7,021,366)	1,426,568	(6,050,499)
Earnings/(loss) per share – basic		₦39.02	(₦48.22)	₦8.05	(₦40.08)

See notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		THE GROUP			THE COMPANY		
	Note	31-Dec-13 ₦'000	31-Dec-12 ₦'000	1-Jan-12 ₦'000	31-Dec-13 ₦'000	31-Dec-12 ₦'000	1-Jan-12 ₦'000
Assets							
Non-current assets							
Property, plant and equipment	12	27,247,981	26,732,826	25,802,052	11,996,688	11,285,603	11,426,080
Intangible assets	14	3,769	5,328	-	3,769	5,328	-
Investments in associate	15	9,071,001	41,062,218	32,229,899	7,760,062	41,783,170	32,229,899
Investments in subsidiaries	28	-	-	-	95,527	95,527	95,527
Available-for-sale financial assets	13	55,242	35,242	35,242	55,242	35,242	35,242
Total non-current assets		**36,377,993**	**67,835,614**	**58,067,193**	**19,911,288**	**53,204,870**	**43,786,748**
Current assets							
Inventories	17	314,739	65,011	475,784	255,320	59,358	434,416
Trade and other receivables	18	8,297,744	1,411,649	630,926	19,245,061	9,023,348	7,231,401
Prepayments	19	217,629	173,041	323,518	200,534	159,259	299,762
Current tax assets	27	47,251	48,249	50,191	622,750	622,750	622,750
Cash and cash equivalents	20	1,011,121	5,434,377	4,346,982	691,116	4,528,677	3,555,952
Total current assets		**9,888,484**	**7,132,327**	**5,827,401**	**21,014,781**	**14,393,392**	**12,144,281**
Total assets		**46,266,477**	**74,967,941**	**63,894,594**	**40,926,069**	**67,598,262**	**55,931,029**
Equity and liabilities							
Shareholders' equity							
Issued capital	21	1,749,364	1,457,803	1,493,877	1,814,084	1,511,737	1,503,121
Share premium	21	13,008	13,008	55,809	13,008	13,008	55,809
Retained earnings	22	16,475,309	10,885,302	18,813,710	10,285,021	10,067,842	17,025,383
Equity attributable to equity holders		**18,237,681**	**12,356,113**	**20,363,396**	**12,112,113**	**11,592,587**	**18,584,313**
Total shareholders' equity		**18,237,681**	**12,356,113**	**20,363,396**	**12,112,113**	**11,592,587**	**18,584,313**
Non-current liabilities							
Retirement Benefit Obligation	23	1,375,088	1,058,515	802,801	1,269,780	977,827	742,481
Borrowings	24	4,958,734	35,493,108	20,349,168	3,484,106	31,030,341	13,168,484
Deferred tax liabilities	16	3,728,023	3,728,023	3,728,023	3,403,871	3,403,871	3,403,871
Asset Retirement Obligation	25	1,402,812	1,273,586	1,160,123	1,280,837	1,162,847	1,059,250
Total non-current liabilities		**11,464,657**	**41,553,232**	**26,040,115**	**9,438,594**	**36,574,886**	**18,374,086**
Current liabilities							
Accounts payable and accrued liabilities	26	8,989,774	8,308,010	9,797,407	15,827,262	10,706,365	12,051,571
Taxation	27	-	-	-	-	-	-
Borrowings	24	7,574,365	12,750,586	7,693,676	3,548,100	8,724,424	6,921,059
Total current liabilities		**16,564,139**	**21,058,596**	**17,491,083**	**19,375,362**	**19,430,789**	**18,972,630**
Total liabilities		**28,028,796**	**62,611,828**	**43,531,198**	**28,813,956**	**56,005,675**	**37,346,716**
Total equity & liabilities		**46,266,477**	**74,967,941**	**63,894,594**	**40,926,069**	**67,598,262**	**55,931,029**

Mr. Femi Balogun
Executive Director Finance
FRC/2013/ICAN/00000003297



Dr. O. F. Fatona
Managing Director
FRC/2013/IODN/00000003811

Mr. Goodie Ibru (OON)
Chairman
FRC/2013/NIM/00000003510

See notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2013

GROUP

		Issued capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2012		**1,493,877**	**55,809**	**18,813,710**	**20,363,396**
Profit for the year		-	-	(7,029,650)	(7,029,650)
Other comprehensive income for the year		-	-	8,284	8,284
Total comprehensive income for the year		**-**	**-**	**(7,021,366)**	**(7,021,366)**
Proceeds from shares issued	21	8,616	-	-	8,616
Treasury share reserve –					
Shares warehoused by NDPR (Note 31)	21	(44,690)	-	-	(44,690)
Share issue cost	21	-	(42,801)	-	(42,801)
Dividends to equity holders of the Company	22	-	-	(907,042)	(907,042)
Total distributions to owners of the Company recognised directly in equity		(36,074)	(42,801)	(907,042)	(985,917)
Balance at 31 December 2012		**1,457,803**	**13,008**	**10,885,302**	**12,356,113**
Balance at 1 January 2013		**1,457,803**	**13,008**	**10,885,302**	**12,356,113**
Profit for the year		-	-	6,825,506	6,825,506
Other comprehensive income for the year		-	-	(36,896)	(36,896)
Total comprehensive income for the year		**-**	**-**	**6,788,610**	**6,788,610**
Bonus issue		291,561	-	(291,561)	-
Dividends to equity holders of the Company		-	-	(907,042)	(907,042)
Total contributions by and (distributions to) owners of the Company recognised directly in equity		**291,561**	**-**	**(1,198,603)**	**(907,042)**
Balance at 31 December 2013		**1,749,364**	**13,008**	**16,475,309**	**18,237,681**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2013

THE COMPANY

	Notes	Issued capital ₦'000	Share premium ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2012		**1,503,121**	**55,809**	**17,025,383**	**18,584,313**
Profit for the year		-	-	(6,059,046)	(6,059,046)
Other comprehensive income for the year		-	-	8,547	8,547
Total comprehensive income for the year		**-**	**-**	**(6,050,499)**	**(6,050,499)**
Proceeds from shares issued	21	8,616	-	-	8,616
Share issue cost	21	-	(42,801)	-	(42,801)
Dividends to equity holders of the Company	22	-	-	(907,042)	(907,042)
Total contributions by and (distributions to) owners of the Company recognised directly in equity		8,616	(42,801)	(907,042)	(941,227)
Balance at 31 December 2012		**1,511,737**	**13,008**	**10,067,842**	**11,592,587**
Balance at 1 January 2013		1,511,737	13,008	10,067,842	11,592,587
Profit for the year		-	-	1,460,256	1,460,256
Other comprehensive income the year		-	-	(33,688)	(33,688)
Total comprehensive income for the year		**-**	**-**	**1,426,568**	**1,426,568**
Bonus issue		302,347	-	(302,347)	-
Dividends paid to equity holders of the Company		-	-	(907,042)	(907,042)
Total contributions by and (distributions to) owners of the Company recognised directly in equity		302,347	-	(1,209,389)	(907,042)
Balance at 31 December 2013		**1,814,084**	**13,008**	**10,285,021**	**12,112,113**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	GROUP		THE COMPANY	
		2013 ₦'000	2012 ₦'000	2013 ₦'000	2012 ₦'000
Profit/(loss) before taxation		6,826,504	(7,027,708)	1,460,256	(6,059,046)
Adjustments for:					
Interest paid	7	974,294	8,465,000	713,050	7,600,559
Interest received	7	(7,003,576)	(37,554)	(6,999,357)	(32,655)
Share of profit from associate	15	(2,031,891)	720,952	-	-
Accretion costs	25	129,226	113,463	117,990	103,597
Depreciation and amortisation	10	2,125,039	2,006,878	1,520,221	1,737,931
Loss on disposal of equipment	6	-	3,665	-	3,665
Defined benefits provision	23	279,677	263,998	258,265	243,893
Operating cash inflows/(outflows) before movement in working capital		**1,299,273**	**4,508,694**	**(2,929,575)**	**3,597,944**
Movement in working capital:					
Increase in trade and other debtors	18	(6,886,095)	(780,723)	(10,221,713)	(1,791,947)
(Increase)/decrease in prepayment	19	(44,588)	150,477	(41,275)	140,503
(Increase)/decrease in inventory	17	(249,728)	410,773	(195,962)	375,058
Increase/(decrease) in trade, other creditors and accruals	26	681,764	(1,489,397)	5,120,897	(1,345,206)
Net cash (absorbed)/generated by operating activities		**(5,199,374)**	**2,799,824**	**(8,267,628)**	**976,352**
Investing activities					
Interest earned	7	7,003,576	37,554	6,999,357	32,655
Purchase of equipment		(2,638,635)	(2,949,873)	(2,229,747)	(1,603,110)
Purchase of intangible assets		-	(6,237)	-	(6,237)
Proceeds from disposal of assets		-	9,465	-	2,900
Divestment from/(Investment) in subsidiary	28	-	-	-	-
Divestment from/(Investment) in associate	15	34,023,108	(9,553,271)	34,023,108	(9,553,271)
Investment in other financial assets	13	(20,000)	-	(20,000)	-
Net cash generated from/(used in) investing activities		**38,368,049**	**(12,462,362)**	**38,772,718**	**(11,127,063)**
Financing activities					
Issue of ordinary shares	21	-	8,616	-	8,616
Premium paid on issue of shares	21	-	(42,801)	-	(42,801)
Issue of treasury shares	31	-	(44,690)	-	-
Dividend paid		(907,042)	(907,042)	(907,042)	(907,042)
Interest paid	7	(974,294)	(8,465,000)	(713,050)	(7,600,559)
Increase in / (repayment) of borrowing	24	(35,710,595)	20,200,850	(32,722,559)	19,665,222
Net cash generated in financing activities		**(37,591,931)**	**10,749,933**	**(34,342,651)**	**11,123,436**
Increase (decrease) in cash and cash equivalents		(4,423,256)	1,087,395	(3,837,561)	972,725
Cash and cash equivalents – Beginning of year	20	5,434,377	4,346,982	4,528,677	3,555,952
Cash and cash equivalents – End of year	**20**	**1,011,121**	**5,434,377**	**691,116**	**4,528,677**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate Information

Niger Delta Exploration & Production Plc. ("the Company"). The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and the Group and the Group's Interest in associates.

The Group is engaged in the exploration for and development and production of oil and natural gas.

The Head Office of the Company is located at:
15 Babatunde Jose Street,
Victoria Island, Lagos,
Nigeria.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2 Basis of preparation

The Group previously prepares its financial statements in accordance with Nigerian generally accepted accounting principles as defined by the Statement of Accounting Standards in Nigeria. In 2010, the Financial Reporting Council of Nigeria (FRCN) announced the roadmap for the adoption of International Financial Reporting Standard (IFRS); this requires companies in the oil and gas sector to effectively adopt IFRS in the year beginning 1 January 2013.

Accordingly, these are the Group's first annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a going concern basis. In these financial statements, the term "Nigerian GAAP" refers to Nigerian GAAP before the adoption of IFRS.

The consolidated financial statements of Niger Delta Exploration & Production Plc. and all of its subsidiaries (the "Group") have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in the transition note, the Group has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position as at 1 January 2012 throughout all periods presented, as if these policies had always been in effect.

The transition note discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended 31 December 2011 prepared under Nigerian GAAP.

(a) New standards, interpretations and amendments to existing standards that are not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated and separate financial statements.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

■ **IFRS 9 Financial Instruments: Classification and Measurement**
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

■ **IFRS 10 Consolidated Financial Statements (amendments effective on or after 1 January 2014) -**
The standard was amended to incorporate new definitions for 'investment entity'.

■ **IFRS 12 Disclosure of Interests in other Entities (amendments effective on or after 1 January 2014) –**
The standard was amended to incorporate new definitions for 'investment entity'.

■ **IFRIC 21 Levies**
IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation includes guidance illustrating how the Interpretation should be applied. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.

■ **IAS 36 Impairment of Assets – Amendments to IAS 36**
The IASB amended IAS 36 by removing the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. It also requires the disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed and detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. The amendments are effective from annual periods beginning on or after 1 January 2014 and should be applied retrospectively. Early adoption is permitted although the amendments may not be applied before an entity applies IFRS 13

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively the Group) as at 31 December 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.
Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, the non- controlling interest are allocated their share of the total comprehensive income of the period, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

■ Derecognises the assets (including goodwill) and liabilities of the subsidiary

■ Derecognises the carrying amount of any non-controlling interest

■ Derecognises the cumulative translation differences recognised in equity

■ Recognises the fair value of the consideration received

■ Recognises the fair value of any investment retained

■ Recognises any surplus or deficit in profit or loss

■ Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) Interests in joint arrangements

IFRS defines joint control as the contractually agreed sharing of control over an economic activity, and this exists only when the strategic

financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

Joint Operations

A joint operation (JO) involves joint control and often joint ownership of assets contributed to, or acquired for the purpose of, the joint venture, without the formation of a corporation, partnership or other entity.

Where the Group's activities are conducted through JOs, the Group recognises its share of the jointly controlled assets and liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture and a share of production.

When the Group receives reimbursement of direct costs recharged to the joint venture, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint venture and therefore have no effect on profit or loss.

When the Group charges a management fee (based on a fixed percentage of total costs incurred for the year) to cover other general costs incurred in carrying out the activities on behalf of the joint venture, it is not acting as an agent.

Therefore, the general overhead expenses and the management fee are recognised in profit or loss as an expense and income, respectively.

(d) Investments in associates

Associates are entities over which the Company has significant influence, but not control. The Company accounts for its investment in associates using the equity method. The Company's share of profits or losses of associates is recognized in the consolidated statement of comprehensive income and its share of other comprehensive income (loss) of associates is included in other comprehensive income.

Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising from changes in interests in investments in associates are recognized in the consolidated statement of comprehensive income.

(e) Foreign currency translation

I. Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') US Dollar. The consolidated financial statements are presented in Naira ('the presentation currency') and all values are rounded to the nearest thousand (₦'000), except when otherwise indicated.

II. Transactions and balances

Foreign currency transactions that are transactions denominated, or that requires settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; nonmonetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(f) Oil and natural gas exploration, evaluation and development expenditure

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

I. Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

II. Licence and property acquisition costs

Exploration license and leasehold property acquisition costs are capitalised within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned, the carrying value of the license and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

III. Exploration and evaluation costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.
License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Geological and geophysical costs are recognised in profit or loss as incurred.
If no potentially commercial hydrocarbons are discovered, the exploration asset is written off as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. No amortisation is charged during the exploration and evaluation phase.

For exchanges or parts of exchanges that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognized.

IV. Farm-outs in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and

evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

V. Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

(g) Property, plant and equipment (including Oil and gas properties).

I. Initial recognition

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, excluding land.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets (where applicable), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

II. Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Other property, plant and equipment (excluding land) are generally depreciated on a straight-line basis over their estimated useful lives. Property, plant and equipment held under finance leases are depreciated over the shorter of lease term and estimated useful life.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period, and adjusted prospectively if appropriate.

Useful lives

The useful lives of the assets are estimated as follows:

Asset	Useful life
Buildings	20 - 60 years
Plant and equipment	20 - 60 years
Computer and IT equipment	4 - 6 years
Furniture and Fittings	4 - 6 years
Motor vehicles	4 - 6 years

III. Farm-outs outside the exploration and evaluation phase

In accounting for a farm-out arrangement the Group:

- Derecognises the proportion of the asset that it has sold to the farmee

- Recognises the consideration received or receivable from the farmee, which represents the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor

- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is only recognised when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets.

and

- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired.

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a definition of a financial asset and is accounted for at amortised cost.

IV. Major maintenance, inspection and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset, that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised.

Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

(h) Intangible assets

Intangible assets include computer software.
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight line basis over their useful lives) and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead the related expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the

expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Impairment of non-financial assets

I. Assets (excluding goodwill and indefinite life intangibles)

The Group assesses at each reporting date whether there is an indication that an asset (or cash-generating unit (CGU)) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets or CGU's recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU to it belongs.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets/CGUs excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the assets/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset / CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset/CGU in prior years.
Such a reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase and is recognised through other comprehensive income.

II. Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually (as at 31 December) either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(j) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity investment and available for sale. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at recognition.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables and unquoted financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the consolidated statement of financial position (Note 18).

(iii) Held to maturity investment

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(v) Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example cash set aside to cover rehabilitation obligations.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(vi) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date –the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for- sale financial assets and financial assets at fair value through profit or loss are

subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in the profit or loss within 'other (losses)/gains –net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit or loss as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

(vii) Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated profit or loss.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss –measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss –is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated profit or loss on equity instruments are not reversed through the consolidated profit or loss. If, in a subsequent period, the fair value of a debt instrument classified available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed though the consolidated profit or loss.

(viii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(k) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss should be designated at the initial recognition date and only if the criteria set out in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(b) Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR method amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

(iii) Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(l) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(m) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of producing and refining crude oil is accounted for on a weighted average basis.

Net realisable value of crude oil and refined products is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
Where the time value of money is material, these future prices and costs to complete are discounted.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil and refined products is the purchase cost, cost of refining, including the appropriate proportion of depreciation, depletion and amortisation and overheads based on normal capacity.

■ **Provisions**

I. General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in profit or loss.

II. Decommissioning liability

The Group recognises a decommissioning liability when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of inventory are expensed as incurred.

Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

The Group recognises neither the deferred tax asset regarding the temporary difference on the decommissioning liability nor the corresponding deferred tax liability regarding the temporary difference on a decommissioning asset.

(p) Income taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

I. Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at 31 December 2013 in the countries where the Group and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

II. Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by 31 December 2013 and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable

profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

III. Royalties, resource rent tax and revenue-based taxes

In addition to corporate income taxes, the Group's consolidated financial statements also include and recognize as taxes on income, other types of taxes on net income which are calculated based on oil and gas production.

Royalties, resource rent taxes and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income (rather than based on quantity produced or as a percentage of revenue) after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of income tax.

Obligations arising from royalty arrangements and other types of taxes, that do not satisfy these criteria, are recognised as current provisions and included in cost of sales. The revenue taxes payable by Niger Delta Exploration & Production Plc. are considered to meet the criteria to be treated as part of income taxes.

IV. Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(q) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, sales taxes, excise duties and similar levies. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from the sale of oil and petroleum products is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. Revenue is recognised net of crude-over lifts which is carried as a current liability in the statement of financial position.

Revenue from the production of oil, in which the Group has an interest with other producers, is recognised based on the Group working interest and the terms of the relevant production sharing contracts.

The following criteria are also applicable to other specific revenue transactions:

I. Take or pay contracts

Under these contracts, the Group makes a long-term supply commitment in return for a commitment from the buyer to pay for minimum quantities, whether or not the customer takes delivery. These commitments contain protective (force majeure) and adjustment provisions. If a buyer has a right to get a ”makeup” delivery at a later date, revenue recognition is deferred and only recognised when the product is delivered, or the make-up product can no longer be taken. If no such option exists within the contractual terms, revenue is recognised when the take or- pay penalty is triggered.

II. Interest revenue

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest revenue is included in finance income in statement of comprehensive income.

(r) Cost of sales

Cost of sales includes the cost of crude oil and gas inventory (including depreciation, amortization and impairment charges), costs related to transportation, impairment, the allowance for doubtful accounts and inventory write downs.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Retirement benefit obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
Termination benefits repayable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefit are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed.

■ **Valuation of property, plant and equipment**

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

I. Hydrocarbon reserve and resource estimates

Oil and gas production properties are depreciated on units of production (UOP) basis at a rate calculated by reference to total proved developed and undeveloped reserves determined in accordance with Society of Petroleum Engineers rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results which include:

■ The carrying value of exploration and evaluation assets, oil and gas properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.

■ Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change.

■ Provisions for decommissioning may change - where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.

■The recognition and carrying value of deferred income tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

II. Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

III. Units of production depreciation of oil and gas assets

Oil and gas properties are depreciated using the units of production (UOP) method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

■ The effect on proved reserves of differences between actual commodity prices and commodity price assumptions.
Or
■ Unforeseen operational issues

Changes are accounted for prospectively.

IV. Recoverability of oil and gas assets

The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) every reporting period to determine whether any indication of impairment exists.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price

trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves (see Hydrocarbon reserves and resource estimates above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for oil and gas assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its CGUs as being its operations, which is the lowest level for which cash inflows are largely independent of those of other assets.

V. Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties.

The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

VI. Recovery of deferred income tax assets

Judgment is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred income tax assets are recognised in the statement of financial position. Deferred income tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred income tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgment about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred income tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

VII. Retirement benefits obligation

The accounting policy applied by the Group for defined benefit pension schemes requires management to make judgments as to the nature of such benefits provided by each scheme which thereby determines the classification of each scheme. The cost of defined benefit pension plans and the present value of the pension obligation are required to be determined annually using actuarial valuations. An actuarial valuation involves making various estimates and assumptions. These include the determination of the future returns on each different type of scheme asset, discount rate, future salary increases, employee attrition rates, mortality rates, expected remaining periods of service of employees and future pension increases. Due to the complexity of the valuation, the underlying assumptions 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.

In determining the appropriate discount rate, management considers the interest rates on corporate bonds in the respective currency with at least an AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation, unless the obligations relate to a country that is considered to not have a deep market in corporate bonds. In these situations, the government rate on bonds with similar maturities is used.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

VIII. Fair value hierarchy

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

IX. Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

3 Revenue

	GROUP 2013 ₦'000	GROUP 2012 ₦'000	THE COMPANY 2013 ₦'000	THE COMPANY 2012 ₦'000
Crude oil	5,633,094	7,489,256	995,157	6,239,482
Diesel	606,104	2,196,033	553,403	2,005,088
Gas	1,499,638	163,234	746,543	74,602
Total revenue	**7,738,836**	**9,848,523**	**2,295,103**	**8,319,172**

Revenue represents sales of crude oil, diesel and gas from Ogbele oil field.

4 Cost of sales

	GROUP 2013 ₦'000	GROUP 2012 ₦'000	THE COMPANY 2013 ₦'000	THE COMPANY 2012 ₦'000
Consultancy fee	604,937	575,479	552,735	523,686
Crude oil handling charges	437,624	429,232	454,281	390,601
Depreciation	1,974,506	1,813,884	1,387,233	1,589,292
Exploration costs and gas flaring	1,485,497	698,068	1,356,333	635,203
Field cost written – off	-	523,300	-	476,203
Gas flaring	6,413	12,835	5,855	11,719
Other cost	32,395	180,515	29,578	164,269
Royalties to FGN	399,746	794,340	364,988	722,849
Staff costs	661,958	597,325	602,382	543,566
Total	5,603,076	5,624,978	4,753,385	5,057,388

Other cost includes materials & supplies, flowstation expenses and pollution control.

5 Other income

	GROUP 2013 ₦'000	GROUP 2012 ₦'000	THE COMPANY 2013 ₦'000	THE COMPANY 2012 ₦'000
Crude handling	-	-	640,990	89,886
Dividend received from Petrodata	2,760	3,600	2,760	3,600
Exchange gain	614,918	-	262,467	-
Miscellaneous	10,815	504	29	4
Provision no longer required:				
- on receivables	58,218	-	53,156	-
- on gas flaring	-	2,170,996	-	1,998,228
Total	686,711	2,175,100	959,402	2,091,718

In 2013, Provision no longer required relates to the recovery of previously impaired receivables. In 2012, it relates to overprovision for gas flaring. The actual gas flared was lower than the estimated, hence the reversal of excess provision.

6a. General and administrative expenses

	GROUP 2013 ₦'000	GROUP 2012 ₦'000	THE COMPANY 2013 ₦'000	THE COMPANY 2012 ₦'000
Auditor's remuneration	36,457	30,108	25,470	21,509
Bank charges	40,588	730	37,663	667
Depreciation and amortisation	150,533	192,994	132,988	148,639
Directors' fees	30,405	35,993	30,405	35,993
Exchange loss	61,626	928,544	56,817	744,384
Fuel & Utilities	198,596	197,652	181,648	296,598
Information technology	95,000	138,545	73,548	130,756
Insurance	243,048	221,426	224,116	221,426
Loss on disposal of equipment	-	3,665	-	3,665
Other administrative cost	199,610	619,123	478,831	602,554
Professional fees	551,051	131,001	506,272	131,001
Repairs and maintenance	351,048	382,052	32,814	81,280
Staff costs	1,679,584	984,107	1,199,524	887,777
Training	45,823	19,018	41,989	67,747
Travelling	196,937	148,542	185,262	308,860
Total	**3,880,306**	**4,033,500**	**3,207,347**	**3,682,856**

Other administrative cost consists of executive management fees, printing and stationery, cleaning and other administrative related costs incurred by the Group during the period.

Professional fees consists of cleaning service, security service, legal fees, registrar management fee, SEC fee and consultancy fees.

7 Finance cost and income

	GROUP 2013 ₦'000	GROUP 2012 ₦'000	THE COMPANY 2013 ₦'000	THE COMPANY 2012 ₦'000
Finance cost:				
– Bank borrowings (Note 24)	974,294	8,465,000	713,050	7,600,559
– IPIN Interest (Note 24)	45,599	67,260	-	-
– Provisions: unwinding of discount (Note 25)	131,235	118,977	119,824	108,632
Total finance cost	**1,151,128**	**8,651,237**	**832,874**	**7,709,191**
Finance income:				
– Interest income on short-term bank deposits	25,798	37,554	21,579	32,655
– Interest income on bank borrowings atamortised cost	6,977,778	-	6,977,778	-
Finance income	**7,003,576**	**37,554**	**6,999,357**	**32,655**
Net finance costs	**(5,852,448)**	**8,613,683**	**(6,166,483)**	**7,676,536**

8 Impairment loss on financial assets

	GROUP 2013 ₦'000	GROUP 2012 ₦'000	THE COMPANY 2013 ₦'000	THE COMPANY 2012 ₦'000
Impairment loss on available for sale financial assets	-	-	-	-
Recoveries on other assets	-	-	-	-
Impairment loss on receivables (Note 18)	-	58,218	-	53,156
Total	**-**	**58,218**	**-**	**53,156**

9 Employee Benefits

	GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
Included in cost of sales:				
Salaries and other costs	661,958	597,325	602,382	543,566
Included in general admin expenses:				
Salaries and other staff costs	1,347,678	716,694	893,354	640,766
Current service costs	196,168	164,770	180,739	152,041
Interest costs	135,738	102,643	125,431	94,970
Total	**2,341,542**	**1,581,432**	**1,801,906**	**1,431,343**

10 Depreciation

	GROUP 2013	GROUP 2012	THE COMPANY 2013	THE COMPANY 2012
Included in cost of sales:				
Depreciation of oil & gas properties	1,974,506	1,813,884	1,387,233	1,589,292
Included in general admin expenses:				
Depreciation of property, plant $ equipment	148,974	192,085	131,429	147,730
Amortisation of intangible assets	1,559	909	1,559	909
Total	**2,125,039**	**2,006,878**	**1,520,221**	**1,737,931**

11. Earnings per share

Basic - GROUP

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

	2013	2012
	₦'000	₦'000
Profit attributable to equity holders of the Group	6,825,506	(7,029,650)
Total	6,825,506	(7,029,650)
Weighted average number of ordinary shares in issue (thousands)	174,936	145,780
Earnings per share (₦)	39.02	(48.22)

Basic – THE COMPANY

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

	2013	2012
	₦'000	₦'000
Profit attributable to equity holders of the Company	1,460,256	(6,059,046)
Weighted average number of ordinary shares in issue (thousands)	181,408	151,173
Earnings per share (₦)	**8.05**	**(40.08)**

12 Property, plant and equipment

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Oil and gas properties (12a)	26,366,698	25,763,337	24,706,547	11,835,329	11,040,373	11,070,424
Other property, plant and equipment (12b)	881,283	969,489	1,095,505	161,359	245,230	355,656
Total	**27,247,981**	**26,732,826**	**25,802,052**	**11,996,688**	**11,285,603**	**11,426,080**

12 a THE GROUP

OIL AND GAS PROPERTIES	Project Equipment	Civil works	Gas pipeline	Gas plant facilities	Motor vehicles	Assets under development	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost or deemed cost							
Balance at 1 January 2012	12,249,890	533,107	-	-	98,581	16,910,626	29,792,204
Additions	40,506	50,885	7,354	1,155,592	-	1,616,337	2,870,674
Transfers	4,045,469	122,651	3,397,854	9,085,449	-	(16,651,423)	-
Balance at 31 December 2012	16,335,865	706,643	3,405,208	10,241,041	98,581	1,875,540	32,662,878
Balance at 1 January 2013	16,335,865	706,643	3,405,208	10,241,041	98,581	1,875,540	32,662,878
Additions	1,262,640	207,952	-	187,866	-	919,409	2,577,867
Transfers	1,418,252	-	-	-	-	(1,418,252)	-
Balance at 31 December 2013	19,016,757	914,595	3,405,208	10,428,907	98,581	1,376,697	35,240,745
Depreciation and impairment losses							
Balance at 1 January 2012	4,787,823	297,834	-	-	-	-	5,085,657
Depreciation for the year	1,620,312	120,328	12,127	36,472	24,645	-	1,813,884
Balance at 31 December 2012	6,408,135	418,162	12,127	36,472	24,645	-	6,899,541
Balance at 1 January 2013	6,408,135	418,162	12,127	36,472	24,645	-	6,899,541
Depreciation for the year	1,409,799	109,540	105,793	324,728	24,646	-	1,974,506
Balance at 31 December 2013	7,817,934	527,702	117,920	361,200	49,291	-	8,874,047
Net book value							
At 1 January 2012	7,462,067	235,273	-	-	98,581	16,910,626	24,706,547
At 31 December 2012	9,927,730	288,481	3,393,081	10,204,569	73,936	1,875,540	25,763,337
At 31 December 2013	11,198,823	386,893	3,287,288	10,067,707	49,290	1,376,697	26,366,698

12a THE COMPANY

OIL AND GAS PROPERTIES	Project Equipment ₦'000	Civil works ₦'000	Assets under development ₦'000	Total ₦'000
Cost or deemed cost				
Balance at 1 January 2012	11,184,763	486,753	4,042,367	15,713,883
Additions	36,984	46,461	1,475,796	1,559,241
Transfers	3,570,398	111,986	(3,682,384)	-
Balance at 31 December 2012	14,792,145	645,200	1,835,779	**17,273,124**
Balance at 1 January 2013	14,792,145	645,200	1,835,779	17,273,124
Additions	1,152,852	189,871	839,466	2,182,189
Transfers	1,418,252	-	(1,418,252)	-
Balance at 31 December 2013	17,363,249	835,071	1,256,993	**19,455,313**
Depreciation and impairment losses				
Balance at 1 January 2012	4,371,522	271,937	-	4,643,459
Depreciation for the year	1,479,426	109,866	-	1,589,292
Balance at 31 December 2012	5,850,948	381,803	-	**6,232,751**
Balance at 1 January 2013	5,850,948	381,803	-	6,232,751
Depreciation for the year	1,287,217	100,016	-	1,387,233
Balance at 31 December 2013	7,138,165	481,819	-	**7,619,984**
Net book value:				
At 1 January 2012	6,813,241	214,816	4,042,367	**11,070,424**
At 31 December 2012	8,941,197	263,397	1,835,779	**11,040,373**
At 31 December 2013	10,225,084	353,252	1,256,993	**11,835,329**

The net book value at 31 December 2013 includes ₦1.38 billion for Group and ₦1.26 for Company (Dec 2012: ₦1.88 billion and ₦1.83 bilion for Group and Company respectively and Jan 2012: ₦16.91 billion and ₦4.04 billion for Group and Company respectively), in respect of development assets under construction which are not being depreciated. Cash outflow for the purchases of oil and gas properties was ₦2.58 bilion for Group and ₦2.18 billion for Company in the current reporting period.

The major triggers for the impairment tests are primarily the effect of flooding and reduced estimates of the quantities of hydrocarbons recoverable from some of these fields. However, during the period there was no impairment trigger identified. Therefore, oil and gas properties are not considered impaired.

12b THE GROUP

OTHER PROPERTY, PLANT AND EQUIPMENT	Plant and machinery ₦'000	Furniture and Fittings ₦'000	Office equipment ₦'000	Motor vehicles ₦'000	Building ₦'000	Land ₦'000	Total ₦'000
Cost or deemed cost							
Balance at 1 January 2012	120,255	13,831	442,371	291,840	139,000	569,000	1,576,297
Additions	16,960	7,036	29,405	24,917	881	-	79,199
Disposals	(24,580)	-	-	(44,796)	-	-	(69,376)
Balance at 31 December 2012	112,635	20,867	471,776	271,961	139,881	569,000	**1,586,120**
Balance at 1 January 2013	112,635	20,867	471,776	271,961	139,881	569,000	1,586,120
Additions	8,707	546	42,013	-	9,502	-	60,768
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2013	121,342	21,413	513,789	271,961	149,383	569,000	**1,646,888**
Depreciation and impairment losses							
Balance at 1 January 2012	60,786	13,831	231,311	174,864	-	-	480,792
Depreciation for the year	19,536	2,235	87,756	76,963	5,595	-	192,085
Disposals	(11,450)	-	-	(44,796)	-	-	(56,246)
Balance at 31 December 2012	68,872	16,066	319,067	207,031	5,595	-	**616,631**
Balance at 1 January 2013	68,872	16,066	319,067	207,031	5,595	-	616,631
Depreciation for the year	14,801	2,070	87,091	39,035	5,977	-	148,974
Balance at 31 December 2013	83,673	18,136	406,158	246,066	11,572	-	**765,605**
Net book value:							
At 1 January 2012	59,469	-	211,060	116,976	139,000	569,000	**1,095,505**
At 31 December 2012	43,763	4,801	152,709	64,930	134,286	569,000	**969,489**
At 31 December 2013	37,669	3,277	107,631	25,895	137,811	569,000	**881,283**

12a THE COMPANY

OIL AND GAS PROPERTIES	Project Equipment ₦'000	Civil works ₦'000	Assets under development ₦'000	Total ₦'000
Cost or deemed cost				
Balance at 1 January 2012	11,184,763	486,753	4,042,367	15,713,883
Additions	36,984	46,461	1,475,796	1,559,241
Transfers	3,570,398	111,986	(3,682,384)	-
Balance at 31 December 2012	14,792,145	645,200	1,835,779	**17,273,124**
Balance at 1 January 2013	14,792,145	645,200	1,835,779	17,273,124
Additions	1,152,852	189,871	839,466	2,182,189
Transfers	1,418,252	-	(1,418,252)	-
Balance at 31 December 2013	17,363,249	835,071	1,256,993	**19,455,313**
Depreciation and impairment losses				
Balance at 1 January 2012	4,371,522	271,937	-	4,643,459
Depreciation for the year	1,479,426	109,866	-	1,589,292
Balance at 31 December 2012	5,850,948	381,803	-	**6,232,751**
Balance at 1 January 2013	5,850,948	381,803	-	6,232,751
Depreciation for the year	1,287,217	100,016	-	1,387,233
Balance at 31 December 2013	7,138,165	481,819	-	**7,619,984**
Net book value:				
At 1 January 2012	6,813,241	214,816	4,042,367	**11,070,424**
At 31 December 2012	8,941,197	263,397	1,835,779	**11,040,373**
At 31 December 2013	10,225,084	353,252	1,256,993	**11,835,329**

The net book value at 31 December 2013 includes ₦1.38 billion for Group and ₦1.26 for Company (Dec 2012: ₦1.88 billion and ₦1.83 bilion for Group and Company respectively and Jan 2012: ₦16.91 billion and ₦4.04 billion for Group and Company respectively), in respect of development assets under construction which are not being depreciated. Cash outflow for the purchases of oil and gas properties was ₦2.58 bilion for Group and ₦2.18 billion for Company in the current reporting period.

The major triggers for the impairment tests are primarily the effect of flooding and reduced estimates of the quantities of hydrocarbons recoverable from some of these fields. However, during the period there was no impairment trigger identified. Therefore, oil and gas properties are not considered impaired.

12b THE GROUP

OTHER PROPERTY, PLANT AND EQUIPMENT	Plant and machinery ₦'000	Furniture and Fittings ₦'000	Office equipment ₦'000	Motor vehicles ₦'000	Building ₦'000	Land ₦'000	Total ₦'000
Cost or deemed cost							
Balance at 1 January 2012	120,255	13,831	442,371	291,840	139,000	569,000	1,576,297
Additions	16,960	7,036	29,405	24,917	881	-	79,199
Disposals	(24,580)	-	-	(44,796)	-	-	(69,376)
Balance at 31 December 2012	112,635	20,867	471,776	271,961	139,881	569,000	**1,586,120**
Balance at 1 January 2013	112,635	20,867	471,776	271,961	139,881	569,000	1,586,120
Additions	8,707	546	42,013	-	9,502	-	60,768
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2013	121,342	21,413	513,789	271,961	149,383	569,000	**1,646,888**
Depreciation and impairment losses							
Balance at 1 January 2012	60,786	13,831	231,311	174,864	-	-	480,792
Depreciation for the year	19,536	2,235	87,756	76,963	5,595	-	192,085
Disposals	(11,450)	-	-	(44,796)	-	-	(56,246)
Balance at 31 December 2012	68,872	16,066	319,067	207,031	5,595	-	**616,631**
Balance at 1 January 2013	68,872	16,066	319,067	207,031	5,595	-	616,631
Depreciation for the year	14,801	2,070	87,091	39,035	5,977	-	148,974
Balance at 31 December 2013	83,673	18,136	406,158	246,066	11,572	-	**765,605**
Net book value:							
At 1 January 2012	59,469	-	211,060	116,976	139,000	569,000	**1,095,505**
At 31 December 2012	43,763	4,801	152,709	64,930	134,286	569,000	**969,489**
At 31 December 2013	37,669	3,277	107,631	25,895	137,811	569,000	**881,283**

12b THE COMPANY

OTHER PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Furniture and Fittings	Office equipment	Motor vehicles	Building	Land	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost or deemed cost							
Balance at 1 January 2012	110,050	12,668	404,870	267,687	-	-	795,275
Additions	5,569	6,425	27,624	4,251	-	-	43,869
Disposals	(12,290)	-	-	(22,398)	-	-	(34,688)
Balance at 31 December 2012	103,329	19,093	432,494	249,540	-	-	**804,456**
Balance at 1 January 2013	103,329	19,093	432,494	249,540	-	-	804,456
Additions	8,637	547	38,374	-	-	-	47,558
Balance at 31 December 2013	111,966	19,640	470,868	249,540	-	-	**852,014**
Depreciation and impairment losses							
Balance at 1 January 2012	55,622	12,668	211,669	159,660	-	-	439,619
Depreciation for the year	13,170	2,041	80,445	52,074	-	-	147,730
Disposals	(5,725)	-	-	(22,398)	-	-	(28,123)
Balance at 31 December 2012	63,067	14,709	292,114	189,336	-	-	559,226
Balance at 1 January 2013	63,067	14,709	292,114	189,336	-	-	**559,226**
Depreciation for the year	13,711	1,901	79,870	35,947	-	-	131,429
Balance at 31 December 2013	76,778	16,610	371,984	225,283	-	-	**690,655**
Net book value:							
At 1 January 2012	54,428	-	193,201	108,027	-	-	**355,656**
At 31 December 2012	40,262	4,384	140,380	60,204	-	-	**245,230**
At 31 December 2013	35,188	3,030	98,884	24,257	-	-	**161,359**

13 Available for sale financial assets

	Notes	THE GROUP 2013	2012	1-Jan-12	THE COMPANY 2013	2012	1-Jan-12
		N'000	N'000	N'000	N'000	N'000	N'000
At beginning		35,242	35,242	35,242	35,242	35,242	35,242
Additions		20,000	-	-	20,000	-	-
At 31 December		**55,242**	**35,242**	**35,242**	**55,242**	**35,242**	**35,242**
Less: non-current portion		55,242	35,242	35,242	55,242	35,242	35,242
Current portion		-	-	-	-	-	-

Available-for-sale financial assets include the following:

	THE GROUP 2013	2012	1-Jan-12	THE COMPANY 2013	2012	1-Jan-12
	N'000	N'000	N'000	N'000	N'000	N'000
Unlisted securities:						
Petro–Data Management Services Limited	16,000	16,000	16,000	16,000	16,000	16,000
Petroleum Prospects International Limited (OPL 227 JV)	19,242	19,242	19,242	19,242	19,242	19,242
Dharmattan Gas and Power Ltd	20,000	-	-	20,000	-	-
Total	**55,242**	**35,242**	**35,242**	**55,242**	**35,242**	**35,242**
Naira	55,242	35,242	35,242	55,242	35,242	35,242
Other currencies	-	-	-	-	-	-
Total	**55,242**	**35,242**	**35,242**	**55,242**	**35,242**	**35,242**

The Group has carried its unlisted investments at cost less impairment, if any. This is due to the difficulty encountered by the Group in obtaining information for a fair value assessment.

14 Intangible assets

	GROUP		THE COMPANY	
	Software	Total	Software	Total
	₦'000	₦'000	₦'000	₦'000
Cost or deemed cost				
Balance at 1 January 2012	6,133	6,133	6,133	6,133
Additions	6,237	6,237	6,237	6,237
Balance at 31 December 2012	**12,370**	**12,370**	**12,370**	**12,370**
Balance at 1 January 2013	12,370	12,370	12,370	12,370
Additions	-	-	-	-
Balance at 31 December 2013	**12,370**	**12,370**	**12,370**	**12,370**
Amortisation and impairment:				
Balance at 1 January 2012	6,133	6,133	6,133	6,133
Amortisation charge for the year	909	909	909	909
Impairment loss	-	-	-	-
Balance at 31 December 2012	**7,042**	**7,042**	**7,042**	**7,042**
Balance at 1 January 2013	7,042	7,042	7,042	7,042
Amortisation charge for the year	1,559	1,559	1,559	1,559
Balance at 31 December 2013	8,601	8,601	8,601	8,601
Net book value:				
At 1 January 2012	-	-	-	-
At 31 December 2012	**5,328**	**5,328**	**5,328**	**5,328**
At 31 December 2013	**3,769**	**3,769**	**3,769**	**3,769**

Intangible assets consist of computer software used by the entity for recording transactions and reporting purposes. Additions during the period relates to new licenses acquired in respect of computer software. The entity's software has a finite life and is amortised on a straight line basis over the life of the software licenses

15 Investment in associate - ND Western Limited

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At beginning	41,062,218	32,229,899	-	41,783,170	32,229,899	-
Share of profit	2,031,891	(720,952)	-	-	-	
-						
Exchange differences	-	-	-	-	-	-
(Divestment)/Increase in investment	(34,023,108)	9,553,271	32,229,899	(34,023,108)	9,553,271	32,229,899
At end	**9,071,001**	**41,062,218**	**32,229,899**	**7,760,062**	**41,783,170**	**32,229,899**

The divestment represents the refinancing of the loan used in acquiring OML 34. This was done in proportion to the percentage holding of all investors, thus leaving the percentage interest held by the Group unchanged at 41.667%. The summarised financial statements of ND Western limited are presented below;

Summarised statement of financial position – ND Western Limited

	31-Dec-13	31-Dec-12	1-Jan-12
	₦'000	₦'000	₦'000
Current assets	31,266,310	4,921,271	18,483,017
Non-current asset	91,190,074	97,875,418	341,426
Current liabilities	(14,913,136)	(11,075,748)	(80,443)
Non-current liabilities	(77,730,879)	(76,141,938)	-
Equity	29,812,369	15,579,003	18,744,000

Summarised profit or loss statement

	2013	2012	2011
	₦'000	₦'000	₦'000
Revenue	40,944,607	11,483,810	-
Operating expenses	(20,778,209)	(7,746,867)	-
Finance income	99,028	-	-
Finance cost	(6,027,474)	(4,376,454)	-
Profit before tax	14,237,952	(639,511)	-
Income tax	(9,361,453)	(1,090,759)	-
Profit for year	4,876,499	(1,730,270)	-
Proportion of Group's ownership	41.667%	41.667%	41.667%
Amount taken	2,031,891	(720,952)	-

16 Deferred income tax

Deferred tax liabilities
Statement of financial position

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Properties plant and equipment	3,728,023	3,728,023	3,728,023	3,403,871	3,403,871	3,403,871
Borrowings	-	-	-	-	-	-
Recognised in OCI/Equity	-	-	-	-	-	-
Total	3,728,023	3,728,023	3,728,023	3,403,871	3,403,871	3,403,871

Statement of comprehensive income

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Properties plant and equipment	-	-	–	-	-	-
Borrowings	-	-	-	-	-	-
Total	-	-	-	-	-	-

Deferred taxation

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
At start of period	3,728,023	3,728,023	3,403,871	3,403,871
Income statement charge	-	-	-	-
Tax (charged)/credited directly to equity	-	-	-	-
At end of period	**3,728,023**	**3,728,023**	**3,403,871**	**3,403,871**

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Deferred tax liabilities:						
Deferred tax liability to be recovered after more than 12 months	3,728,023	3,728,023	3,728,023	3,403,871	3,403,871	3,403,871
Deferred tax liability to be recovered within 12 months	-	-	-	-	-	-
Total	3,728,023	3,728,023	3,728,023	3,403,871	3,403,871	3,403,871
Deferred tax (net)	**(3,728,023)**	**(3,728,023)**	**(3,728,023)**	**(3,403,871)**	**(3,403,871)**	**(3,403,871)**

The Company and its subsidiary, Niger Delta Petroleum Resources Limited, were granted pioneer status incentive during the financial year ended 31 December 2011, by the Nigeria Investment Promotion Council. The pioneer status is effective for five (5) years and it exempts both the Company and its subsidiary from tax payment during the period. The commencement dates are1 February 2011 for the subsidiary and 1 March 2010 for the Company. As a result, no provision was made for tax in the current year. The deferred tax balances relate to temporary differences that occurred before the pioneer status was granted.

17 Inventories

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Crude	35,105	-	351,150	-	-	320,618
Diesel	235,714	21,071	80,431	215,219	19,239	73,438
Materials	43,920	43,940	44,203	40,101	40,119	40,360
Total	**314,739**	**65,011**	**475,784**	**255,320**	**59,358**	**434,416**

There were no write-downs of inventory during the period and all inventory balances are current in nature. Inventory balances will be turned over within 12 months after the financial year. The cost of inventory recognized as expense during the period was in the sum of ₦2.7 and ₦1.9 for Group and Company respectively (2012: ₦2.8billion and ₦2.69billion for Group and Company respectively).

At 31 December 2012, the Joint Venture had an over lift as a result of sale of 58,179 barrels of crude oil belonging to joint storage partners in the Shell Petroleum Development Company of Nigeria's pipelines and storage tanks. There were no overlifts as at 31 December 2013.

18 Trade and other receivables

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade receivables	795,913	957,043	1,938	623,402	724,787	1,769
Less: provision for impairment of trade receivables	-	-	-	-	-	-
Trade receivables – net	795,913	957,043	1,938	623,402	724,787	1,769
Other debtors	274,719	512,824	624,105	258,687	475,693	572,906
Deposit for shares (18a)	-	-	-	-	7,335,157	-
Receivables from related parties	7,227,112	-	4,883	18,362,972	540,867	6,656,726
Total	**8,297,744**	**1,469,867**	**630,926**	**19,245,061**	**9,076,504**	**7,231,401**
Less non-current portion: loans to related parties	-	-	-	18,362,972	540,867	6,656,726
Current portion	8,297,744	1,469,867	630,926	882,089	8,535,637	574,675
Less: specific impairment of other receivables	-	(58,218)	-	-	(53,156)	-
Total	**8,297,744**	**1,411,649**	**630,926**	**19,245061**	**9,023,348**	**7,231,401**

Trade receivables are non-interest bearing and are generally on 30-90 day terms. The receivables impairment is a specific impairment. The entity has not performed any collective impairment as all receivables have been assessed on a specific basis. No receivables was considered impaired as at 31 December 2013 as management believes all amounts are recoverable and there is no history of default in the receivable balances that existed as at 31 December 2013.

Other debtors includes sundry debtors, ACME rig, Chemex inc., community trust fund and staff advances.

Movement in specific impairment;

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
At beginning	58,218	-	53,156	-
Impairment during the year	-	58,218	-	53,156
Impairment no longer required	(58,218)	-	(53,156)	-
At end of year	-	58,218	-	53,156

18a Deposit for shares

Deposit for shares relates to funds provided by the parent company to ND Gas Limited which may be converted to ordinary shares based on agreements.

19 Prepayments

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Prepaid rent	8,524	16,036	21,100	7,783	14,642	19,265
Prepaid expenses	4,386	2,263	-	4,005	2,066	-
Prepaid insurance	123,299	117,646	151,014	114,402	108,680	142,249
Other prepayments	81,420	37,096	151,404	74,344	33,871	138,248
Total	**217,629**	**173,041**	**323,518**	**200,534**	**159,259**	**299,762**

Other prepayments includes home ownership scheme and prepaid internet access.

20 Cash and cash equivalents

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and bank balances	866,905	5,433,691	4,321,519	666,899	4,527,991	3,530,489
Short term deposits	144,216	686	25,463	24,217	686	25,463
Total	**1,011,121**	**5,434,377**	**4,346,982**	**691,116**	**4,528,677**	**3,555,952**

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities less than three months. The entire balances are also cash and cash equivalent for cash flow purposes.

21 Share capital and premium

Share capital and premium – THE GROUP

	Number of shares	Ordinary shares ₦'000	Share premium ₦'000	Total ₦'000
At 1 January 2012	149,387	1,493,877	55,809	1,549,686
– Proceeds from shares issued	862	8,616	(42,801)	(34,185)
Treasury share reserve –Shares warehoused by NDPR	(4,469)	(44,690)	-	(44,690)
Balance at 31 December 2012	145,780	1,457,803	13,008	1,470,811
Balance at 1 January 2013	145,780	1,457,803	13,008	1,470,811
– Bonus issue	29,156	291,561	-	291,561
Balance at 31 December 2013	**174,936**	**1,749,364**	**13,008**	**1,762,372**

Treasury shares represent shares repurchased by the Group from IPIN (Irredeemable Participatory Investment Notes) holders, which effectively reduced the share capital.

Share capital and premium – THE COMPANY

	Number of shares	Ordinary shares ₦'000	Share premium ₦'000	Total ₦'000
At 1 January 2012	150,312	1,503,121	55,809	1,558,930
– Issue of shares	861	8,616	(42,801)	(34,185)
Balance at 31 December 2012	151,173	1,511,737	13,008	1,524,745
Balance at 1 January 2013	151,173	1,511,737	13,008	1,524,745
– Bonus issue	30,235	302,347	-	302,347
Balance at 31 December 2013	181,408	1,814,084	13,008	1,827,092

The issue of shares in exchange for the cancelled Irredeemable Participatory Investment Notes (IPIN) resulted in a premium due to the difference between the value in the books and the consideration paid.

In 2013, a bonus of 1 for every 5 shares held was declared and paid. During the year 2012, 861,650 shares were issued to the NDPR Irredeemable Participating Investment Notes (IPIN) holders for cancellation of the Notes.

22 Retained earnings

	THE GROUP ₦'000	THE COMPANY ₦'000
At 1 January 2012	18,813,710	17,025,383
Loss for the year	(7,029,650)	(6,059,046)
Other comprehensive income	8,284	8,547
Dividends paid relating to 2012	(907,042)	(907,042)
At 31 December 2012	**10,885,302**	**10,067,842**
At 1 January 2013	10,885,302	10,067,842
Profit for the year	6,825,506	1,460,256
Other comprehensive income	(36,896)	(33,688)
Bonus issue	(291,561)	(302,347)
Dividends paid	(907,042)	(907,042)
At 31 December 2013	**16,475,309**	**10,285,021**

23 Employee benefit obligation

The Company operates an unfunded defined benefit pension plan and a home ownership benefit scheme in Nigeria based on employee pensionable remuneration and length of service. Plan liability is based upon actuarial valuation using the projected unit credit basis. This valuation was carried out as at 31 December 2013, 31 December 2012 and 1 January 2012 appropriately.

The amounts recognised in the statement of financial position are determined as follows:

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Obligations in the statement of financial position for:						
–Employee benefits	1,375,088	1,058,515	802,801	1,269,780	977,827	742,481
Liability in the statement Of financial position	**1,375,088**	**1,058,515**	**802,801**	**1,269,780**	**977,827**	**742,481**
Income statement charge for:						
– Defined benefits	279,677	263,998	-	258,265	243,893	-
	279,677	263,998	-	258,265	243,893	-

Actuarial losses/(gains) recognised in the statement of other comprehensive income in the period

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Present value of funded						
Losses/(Gains)- Gross	36,896	(8,284)	-	33,688	(8,547)	-
Tax	-	-	-	-	-	-
Losses/(Gains) – Net	36,896	(8,284)	-	33,688	(8,547)	-
Present value of unfunded obligations	1,375,088	1,058,515	802,801	1,269,780	977,827	742,481
Fair value of plan assets	-	-	-	-	-	-
Deficit of unfunded plans obligations	1,375,088	1,058,515	802,801	1,269,780	977,827	742,481
	-	-	-	-	-	-
	1,375,088	1,058,515	802,801	1,269,780	977,827	742,481
Unrecognised past service cost	-	-	-	-	-	-
Liability in the statement financial position	**1,375,088**	**1,058,515**	**802,801**	**1,269,780**	**977,827**	**742,481**

The movement in the defined benefit obligation over the year is as follows:

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Beginning	1,058,515	802,801	-	977,827	742,481	-
Current service cost	196,168	164,770	802,801	180,739	152,041	742,481
Interest cost	135,738	102,643	-	125,431	94,970	-
Employee contributions	-	-	-	-	-	-
Actuarial losses/(gains)	36,895	(8,284)	-	33,688	(8,547)	-
Exchange differences	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Benefits paid	(52,228)	(3,415)	-	(47,905)	(3,118)	-
Settlements	-	-	-	-	-	-
Ending	**1,375,088**	**1,058,515**	**802,801**	**1,269,780**	**977,827**	**742,481**

The principal actuarial assumptions were as follows:

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Discount rate	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
Inflation rate	10%	10%	10%	10%	10%	10%
Expected return on plan assets	-	-	-	-	-	-
Future salary increases	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%

The rates of mortality assumed for employees are the rates published in the A6/70 ultimate tables, published jointly by the institute and faculty of actuaries UK.

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	2013		2012	
	GROUP	COMPANY	GROUP	COMPANY
	₦'000	₦'000	₦'000	₦'000
Discount rate (Increase/decrease by 1%)	86,417	86,417	88,839	88,839
Salary growth rate (Increase/decrease by 1%)	124,176	124,176	105,329	105,329

24 Borrowings

		THE GROUP			THE COMPANY		
		2013	2012	1-Jan-12	2013	2012	1-Jan-12
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Bank borrowings		12,426,352	48,136,947	27,886,344	7,032,206	39,754,765	20,089,543
PetRe IPINs		106,747	106,747	156,500	-	-	-
Total		**12,533,099**	**48,243,694**	**28,042,844**	**7,032,206**	**39,754,765**	**20,089,543**
Current	24b	7,574,365	12,750,586	7,693,676	3,548,100	8,724,424	6,921,059
Non-current	24b	4,958,734	35,493,108	20,349,168	3,484,106	31,030,341	13,168,484
Total		**12,533,099**	**48,243,694**	**28,042,844**	**7,032,206**	**39,754,765**	**20,089,543**

(a) Irredeemable Participating Investment Notes (IPINs)

On 9th May 2003, by a Share Purchase Agreement ("SPA"), Niger Delta Exploration `& Production Plc (NDEP) acquired all the shares of Niger Delta Petroleum Resources Limited of which the net consideration was paid to the then existing shareholders by issuing ordinary shares in NDEP of a total value of US$ 2,113,738 at an agreed price of US$ 0.30 per share and the issue of NDPR Participating Investment Notes of $ 1.00 each to a value of US$ 2,113,738 at an agreed price of $1.00 per note. The changes in the value of the notes is as a result of part-redemption.

	THE GROUP	
	2013	2012
	₦'000	₦'000
At beginning of year	106,747	156,500
Redemption	-	(49,753)
At end of year	106,747	106,747

(b) Bank borrowings

The Group obtained loans from Skye Bank Plc and Guaranty trust Bank Plc

Skye Bank

Skye Bank Plc borrowings relates to the first tranche ($ 50million) of the $ 75million with an interest rate of 8.75% above three months LIBOR currently 0.3% to give an initial gross rate of 9.05% per annum, subject to review in line with changes in money market conditions as may apply from time to time . The loan is repayable over 48 monthly instalments after principal repayment moratorium of eighteen months from the date of initial disbursement. Full repayment is to be completed by June

2015. On 21 September 2012, additional USD 4million was disbursed by the bank, making a total of USD 54million. In 2013, the Group made an additional draw down of $4m in May 2013. It is secured by all assets debenture on the NDPR Ogbele Gas Plant Offtake contract in favour of Skye Bank Plc, unconditional and irrevocable standing order instruction from NDPR to the Gas Offtakers to route the gas sales proceeds from the Ogbele field (OML 54) through Skye Bank Plc, irrevocable and unconditional assignment of rights accruing to NDPR in the Ogbele field (OML 54) – Gas plant to Skye Bank Plc, irrevocable and unconditional assignment of rights to all insurance policies (including but not limited to business disruption cover for 6 months)on the NDPR Ogbele Gas plant to Skye Bank Plc, charge over the permitted accounts including but not limited to: collection accounts, compensation accrual accounts and Debt Service Reserve Accounts (DSRA) and full continuous, irrevocable and unconditional corporate guarantee of Niger Delta Exploration & Production Plc.

GT Bank

This represents the $310,000,000 loan facility from Guaranty Trust Bank Plc (GTB). $150,000,000 (22,848,451,000) being the first tranche with an interest rate of 9% per annum was repayable over 60 monthly instalments from the date of initial disbursement and $160 million (interest of 9.25 %) being the second tranche to finance the acquisition of interests in OML 34 . In 2013, both loans were restructured and partly to be repaid by ND Western, an associate company. In addition to the restructuring, an additional loan of $3 million was disbursed to the Company in 2013 which brought the loan amount to $4.9 million outstanding. It is secured by: all assets debenture on fixed and floating assets of NDPR; floating charge on the crude oil produced from the acreage operated by NDPR in OML 54, assignment and domiciliation of crude oil sales proceeds to GTB; charge over collection accounts and corporate guarantee of NDEP Plc for the full facility amount and interest thereon.

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the end of the `reporting period are as follows:

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
6 months or less	-	-	-	-	-	-
6-12 months	7,574,365	12,750,586	7,693,676	3,548,100	8,724,424	6,921,059
1-5 years	4,958,734	35,493,108	20,349,168	3,484,106	31,030,341	13,168,484
Over 5 years	-	-	-	-	-	-
Total	**12,533,099**	**48,243,694**	**28,042,844**	**7,032,206**	**39,754,765**	**20,089,543**

The carrying amounts and fair value of the non-current borrowings are as follows:

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Carrying amount:						
Borrowings	12,533,099	48,243,694	28,042,844	7,032,206	39,754,765	20,089,543
Total	**12,533,099**	**48,243,694**	**28,042,844**	**7,032,206**	**39,754,765**	**20,089,543**
Fair value:						
Borrowings	13,023,725	38,992,532	26,801,660	6,901,085	31,625,242	19,474,231
Total	**13,023,725**	**38,992,532**	**26,801,660**	**6,901,085**	**31,625,242**	**19,474,231**

The fair value of current borrowings is lower than their carrying amount, as the impact of discounting is significant. The fair values are based on cash flows discounted using a rate based on the average effective interest rate of 9.77% (2012: 10.24%, 1 January 2012: 10.32%).

25 Asset retirement obligation

	THE GROUP ₦'000	THE COMPANY ₦'000
Balance as at 1 January 2012	1,160,123	1,059,250
Charged/(credited) to the profit or loss:		
Unwinding of discount due to passage of time	113,463	103,597
Balance at 31 December 2012	**1,273,586**	**1,162,847**
Charged/(credited) to the profit or loss:		
Unwinding of discount due to passage of time	129,226	117,990
Balance at 31 December 2013	**1,402,812**	**1,280,837**

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2012. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain. The discount rate used in the calculation of the provision as at 31 December 2013 is 10.32% (31 December 2012 : 10.32%, 01 January, 2012: 10.32%)

26 Accounts payable and accrued liabilities

	THE GROUP			THE COMPANY		
	2013	2012	1-Jan-12	2013	2012	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Trade payables	1,858,252	445,452	1,525,829	1,696,676	406,722	1,393,159
Accruals	1,735,426	1,248,544	3,211,524	1,629,291	1,131,670	2,926,406
Investors' deposit	4,217	4,083	9,243	4,217	4,083	9,243
Sundry creditors	41,916	68,316	70,425	38,272	62,408	64,813
Royalty payable	5,349,963	5,515,552	4,980,386	4,884,783	5,035,975	4,547,341
Crude due to third party	-	1,026,063	-	-	936,847	-
Amounts due to related parties	-	-	-	7,574,023	3,128,660	3,110,609
	8,989,774	**8,308,010**	**9,797,407**	**15,827,262**	**10,706,365**	**12,051,571**

At 31 December 2012, the Joint Venture had an over lift as a result of sale of 58,179 barrels of crude oil belonging to joint storage partners in the Shell Petroleum Development Company of Nigeria's pipelines and storage tanks. This represents crude oil due to third party.

Due to related parties represents amounts owed by the parent company to ND Properties Limited, ND Gas Limited and Niger Delta Petroleum Resources Limited.

- Trade payables are non-interest bearing and are normally settled on 30-day terms.

- Accruals are non interest bearing.
- Investors deposit are deposits for Company's share.
- Sundry creditors includes withholding taxes.

27 Taxation

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
Petroleum profit tax	-	-	-	-
Income tax expense	832	1,618	-	-
Education tax	166	324	-	-
Current taxes referring to previous periods	-	-	-	-
Amount of previously unused tax losses	-	-	-	-
Total current tax	**998**	**1,942**	**-**	**-**
Deferred tax				
Origination and reversal of temporary differences	-	-	-	-
Impact of change in tax rate	-	-	-	-
Amount of previously unused tax losses	-	-	-	-
Write down or reversal of deferred tax assets	-	-	-	-
Total deferred tax	**-**	**-**	**-**	**-**
Income tax expense	**998**	**1,942**	**-**	**-**

The movement in the current and petroleum income tax liability is as follows:

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
At 1 Jan	(48,249)	(50,191)	(622,750)	(622,750)
Tax paid	-	-	-	-
Prior period over provision	-	-	-	-
Income tax charge	998	1,942	-	-
At 31 December	**(47,251)**	**(48,249)**	**(622,750)**	**(622,750)**

The current tax assets relate to overpayment of tax which is recoverable against future tax liablities.

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
Reconciliation of effective tax rate				
Profit before income tax	**6,826,504**	**(7,027,708)**	**1,460,256**	**(6,059,046)**
Income tax using the domestic corporation tax rate	4,488,426	(4,620,718)	960,118	(3,983,823)
Effect of tax rates in foreign jurisdictions	-	-	-	-
Deferred taxes	-	-	-	-
Education tax levy	-	324	-	-
Tax exempt income	-	69	-	-
Tax incentives	(4,488,426)	4,622,267	(960,118)	3,983,823
Tax loss effect	-	-	-	-
(Over) / under provided in prior years	-	-	-	-
Total income tax expense in profit or loss	**-**	**1,942**	**-**	**-**
Effective tax rate	**0%**	**0%**	**0%**	**0%**

The Company and its subsidiary, Niger Delta Petroleum Resources Ltd, were granted pioneer status incentive during the financial year ended 31 December 2011 by the Nigeria Investment Promotion Commission. The pioneer status incentive is for a period of five (5) years. This exempts both the Company and its subsidiary from tax payment during the period. The commencement dates are 1 February 2011 for the subsidiary and 1 March 2010 for the Company. As a result of this no provision was made for taxation in the financial statements. The tax shown relates to ND Properties Limited which is not under pioneer status.

Also, ND Gas Limited was granted pioneer status incentive during the financial year ended 31 December 2012 by the Nigeria Investment Promotion Commission. The pioneer status incentive is for a period of five (5) years. This exempts the Company from tax payment during the period. The commencement date is 1 December 2012. As a result of this no provision was made for taxation in its financial statements.

28 Subsidiaries

The Niger Delta Exploration and Production Company ('the parent') controls the following subsidiaries:

	Ownership interest	31-Dec-13 ₦'000	31-Dec-12 ₦'000	1-Jan-12 ₦'000
Niger Delta Petroleum Resources	100%	50,000	50,000	50,000
Niger Delta Exploration and Production - Uganda	100%	15,527	15,527	15,527
ND Properties Limited	100%	20,000	20,000	20,000
ND Gas Limited	100%	10,000	10,000	10,000
		95,527	**95,527**	**95,527**

Summarized statement of comprehensive income

	NDPR Ltd		ND Gas Limited		ND Properties Ltd	
	2013	2012	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	123,794	792,237	6,042,806	818,820	18,000	18,000
Cost of sales	(597,499)	(475,699)	(779,443)	(81,617)	(15,656)	(7,912)
	(473,705)	316,538	5,263,363	737,203	2,344	10,088
Other income	422,167	890,322	3,347	43,889	-	500
General and Admin expenses	(318,185)	(889,125)	(1,761,772)	(406,752)	-	-
Finance costs	(54,115)	(73,809)	(259,920)	(858,260)	-	-
Profit before tax	(423,838)	243,926	3,245,018	(483,920)	2,344	10,588
Tax expense	-	-	-	-	(998)	(1,942)
Profit after tax	(423,838)	243,926	3,245,018	(483,920)	1,346	8,646

Summarised statement of financial position

	Niger Delta Petroleum Resources Ltd				ND Gas Limited		ND Propertes Limited		
	31-Dec-13	31-Dec-12	1-Jan-12	31-Dec-13	31-Dec-12	1-Jan-12	31-Dec-13	31-Dec-12	1-Jan-12
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Assets									
Property plant and equipment	1,140,196	1,072,351	1,086,088	13,404,285	13,671,586	12,581,884	-	-	-
Investment property	-	-	-	-	-	-	706,811	703,286	708,000
Inventory	5,650	5,653	41,368	35,105	-	-	-	-	-
Trade and other receivables	3,691,807	2,996,184	3,121,354	4,544,694	404,806	-	44,000	26,000	8,000
Cash and cash equivalents	181,241	464,894	352,268	138,764	440,806	438,762	-	-	-
Other assets	81,815	67,716	33,000	-	-	-	-	-	-
Total assets	**5,100,709**	**4,606,798**	**4,634,078**	**18,122,848**	**14,517,198**	**13,020,646**	**750,811**	**729,286**	**716,000**
Liabilities									
Borrowings	-	-	-	5,500,893	8,382,182	7,796,801	-	-	-
Employee benefit obligations	105,308	80,688	60,320	-	-	-	-	-	-
Asset retirement obligation	121,975	110,739	100,873	-	-	-	-	-	-
Accounts payable and accruals	1,511,191	867,058	1,184,517	10,580,079	7,338,158	5,943,067	561,048	541,867	539,169
Other liabilities	896,058	896,058	896,058	-	-	-	3,593	2,595	653
Total liabilities	**2,634,532**	**1,954,543**	**2,241,768**	**16,080,972**	**15,720,340**	**13,739,868**	**564,641**	**544,462**	**539,822**
Equity									
Share capital	50,000	50,000	50,000	10,000	10,000	10,000	20,000	20,000	20,000
Retained earnings	2,158,928	2,585,974	2,342,310	2,031,876	(1,213,142)	(729,222)	166,170	164,824	156,178
Other reserves	257,249	16,281	-	-	-		-	-	-
Total equity	**2,466,177**	**2,652,255**	**2,392,310**	**2,041,876**	**(1,203,142)**	**(719,222)**	**186,170**	**184,824**	**176,178**
Total liabilities and equity	**5,100,709**	**4,606,798**	**4,634,078**	**18,122,848**	**14,517,198**	**13,020,646**	**750,811**	**729,286**	**716,000**

Summarised statement of cashflow

	ND Gas Limited		ND Properties Limited		Niger Delta Petroleum Resources Limited	
	2013	2012	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Net cashflow from operating activities	(302,403)	381,001	3,027,033	1,437,869	9,502	881
Net cashflow from investing activities	(176,445)	(216,917)	(186,542)	(1,161,843)	(9,502)	(881)
Net cashflow from financing activities	(45,599)	(67,260)	(3,142,533)	(273,982)	-	-
Net (decrease)/ increase incash and cash equivalents	**(524,447)**	**96,824**	**(302,042)**	**2,044**	**-**	**-**

Goodwill was not recognised on acquisition of subsidiaries as the Group as elected to account for business combinations on a prospective basis from the transition date and no business combinations have occurred after 1 January 2012, the transition date. Goodwill previously recognised under local GAAP has been written off before the transition date.
NDEP Uganda carries a share capital of ₦15.527 million and a negative accumulated reserves of same amount, giving a net assets of zero. The investment is not considered impaired as management is committed to making additional investments in the future which would enhance the fortunes of the Company. The Company has no assets and liabilities and its performance has been included in the Group accounts presented herein.

29 Commitments

As at 31st December, 2013, there are no capital commitments that have not been provided for (2012 - Nil)

30 Contingencies

The Group has contingent liabilities in respect of legal suits against Niger Delta Resources Limited (NDPR) as the operator of the Ogbele oil field. The possible liabilities from these cases amount to ₦1,020,740 (₦'000). These have not been incorporated in these financial statements. Management and Group's solicitors are of the opinion the Group will suffer no loss from these claims.

31 Treasury shares

Treasury shares represent shares repurchased by the Group from the Participatory Investment Notes' holders, which effectively reduced the share capital. In 2013, no shares were repurchased (2012 ; 44.69 million)

32 Related party disclosures

The consolidated financial statements include the financial statements of Niger Delta Exploration & Production Plc and the subsidiaries listed in the following table:

	Country of incorporation	% equity interest 2013	2012
Niger Delta Petroleum Resources Limited	Nigeria	100	100
ND Gas Limited	Nigeria	100	100
ND Properties Limited	Nigeria	100	100
Niger Delta Exploration & Production - Uganda	Uganda	100	100

The summarised financial statements of these subsidiaries are presented in Note 28 .

Other related parties include ND Western Limited, an associate company in which the Group has a 41.667% ownership interest.

The ultimate parent of the Group is Niger Delta Exploration & Production Plc.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2013	2012
Goods	**₦'000**	**₦'000**
- Associates	Nil	Nil
- ND Western Limited (Associate)	Nil	Nil
Sales of services:		
– Ultimate parent (legal and administration services)	Nil	Nil
Total	**Nil**	**Nil**

(b) Purchase of goods and services

	2013	2012
	₦'000	**₦'000**
Purchase of services:		
– Entity controlled by key management personnel	653,936	644,854
Total	**653,936**	**644,854**

Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions.

(C) Key management compensation

Key management includes Directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

	2013 ₦'000	2012 ₦'000
Salaries and other short-term employee benefits	180,830	179,140
Post-employment benefits	16,037	84,833
Total	**196,867**	**263,973**

(d) Year-end balances arising from sales/purchases of goods/services

	2013 ₦'000	2012 ₦'000
Receivables from related parties		
Associate	7,227,172	7,876,024

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2012: nil).

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

(e) There were no loans to related parties during the period.

33 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. 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, and credit risk, and investment of excess liquidity.

(a) Market risk

(I) Foreign exchange risk

Management has setup a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group ensure that significant transactions are contracted in the Group's functional currency. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. However, the Group is currently not exposed to foreign exchange risk as most of its transactions are denominated in US dollars.

(ii) Price risk

The Group is not exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position are majorly carried at cost. However, the Group is also exposed to commodity price risk in form of crude oil inventory. To manage its price risk arising from and crude oil inventory, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

As at 31 December 2012, the Group did not have any crude-oil inventory in its books, hence, the Group had little or no exposure as at that date.

(iii) Cash flow and interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 100% of its borrowings in fixed rate instruments. During 2013 and 2012, the Group's borrowings at fixed rate were denominated in US Dollar. Hence, the Group's exposure to interest rate risk is insignificant as the dollar is fairly stable

The table below shows the impact on profit before tax of interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant.

	THE GROUP		THE COMPANY	
	2013 ₦'000	2012 ₦'000	2013 ₦'000	2012 ₦'000
Effect of 100 basis points movement on profit before tax	125,331	482,437	70,322	397,548

The effect of 100 basis points movement on profit is considered moderate and we do not expect all the rates to move at the same time and in the same direction. This risk can largely be handled by the flexibility in the changing/adjustment rates on loans and deposits.

(b) Credit risk

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and

cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from nonperformance by these counterparties. See below summary of receivables into Non-impaired, Past due but not impaired and Past due but impaired.

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
Non – impaired	1,070,632	1,411,649	882,089	1,147,324
Past due but not impaired	-	-	-	-
Past due and impaired	-	58,218	-	53,156
Total	**1,070,632**	**1,469,867**	**882,089**	**1,200,480**

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 21) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. The entity's cash and cash equivalents and receivables all redeemable between 0 and 90 days

(d) Fair value estimation

The Group has available for sale equity instruments which are carried at fair value. The fair values are similar to the carrying amounts in the financial statement. All other financial instruments are measured at amortised cost. Other financial instruments as: receivables and payables have fair values that are similar to the carrying amount. However, the fair value of the entity's borrowings have been disclosed in Note 21.

Capital Management Disclosures

- The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the oil and gas industry, where the Company operates;

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of Regulatory Capital are monitored daily by the Group's Finance Department, employing techniques based on the applicable regulatory guideline.

The regulatory capital requirements are strictly observed when managing economic capital.

The Company's gearing ratio is computed below:

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
Total interest bearing debt	12,533,099	48,243,693	7,032,206	39,754,765
Total Equity	18,237,681	12,356,113	12,112,113	11,592,587
Capital Gearing (Using Debt to Equity)	**69%**	**390%**	**58%**	**343%**

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000
Total Assets	46,266,477	74,967,940	40,926,069	67,598,262
Total Equity	18,237,681	12,356,113	12,112,113	11,592,587
Capital Gearing (Using Total Equity to Total Assets)	**39%**	**16%**	**30%**	**17%**

e) Fair Value

The fair values of financial assets and liabilities have been included at the amount at which the instruments can be exchanged, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair values;

- Cash and short-term deposits, trade receivables , trade payables and other current liabilities approximate their carrying amounts largely due to the short-term nature of these instruments.

- Long-term borrowings are evaluated by the Group based on parameters such as interest rates,

specific country factors, and risk characteristics of the projects financed. The fair value of borrowings is lower than their carrying amount, as the impact of discounting is significant. The fair values are based on cash flows discounted using a rate based on the average effective interest rate of 9.77% (2012: 10.24%, 1 January 2012: 10.32%).

- Fair value of available-for-sale financial assets is derived from quoted market prices , if available.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

The following table discloses the fair value measurement hierarchy of the Group's assets and liabilities.

	Date of Valuation	Total	Level 1 (quoted market price)	Level 2 (observable market inputs)	Level 3 (unobservable market inputs)
Assets measured at fair value	31-Dec-13	-	-	-	-
Liabilities for which fair values are disclosed					
Interest bearing loans	31-Dec-13	13,023,725	-	13,023,725	-
Assets measured at fair value	31-Dec-12	-	-	-	-
Liabilities for which fair values are disclosed					
Interest bearing loans	31-Dec-12	38,992,532	-	38,992,532	-

34 Events after the reporting period

At the date of this report, there are no significant events after the reporting period which would have a material effect on the financial statements.

RECONCILIATION OF EQUITY AS AT 1 JANUARY 2012 (DATE OF TRANSITION TO IFRS)

		THE GROUP			THE COMPANY		
	Note	Local GAAP ₦'000	Remeasurement ₦'000	IFRS ₦'000	Local GAAP ₦'000	Remeasurement ₦'000	IFRS ₦'000
Assets							
Non-current assets							
Property, plant and equipment	TN(A)	24,430,787	1,371,265	25,802,052	10,366,830	1,059,250	11,426,080
Intangible assets		-	-	-	-	-	-
Investments in associates	TN(B)	-	32,229,899	32,229,899	-	32,229,899	32,229,899
Investments in subsidiaries	TN(C)	-	-	-	-	95,527	95,527
Available-for-sale financial assets	TN(C)	32,408,818	(32,373,576)	35,242	39,669,885	(39,634,643)	35,242
Total non-current assets		**56,839,605**	**1,227,588**	**58,067,193**	**50,036,715**	**(6,249,967)**	**43,786,748**
Current assets							
Inventories		475,784	-	475,784	434,416	-	434,416
Trade and other receivables	TN(V)	954,444	(323,518)	630,926	1,052,427	6,178,974	7,231,401
Prepayments	TN(V)	-	323,518	323,518	-	299,762	299,762
Current tax assets		50,191	-	50,191	622,750	-	622,750
Cash and cash equivalents		4,346,982	-	4,346,982	3,555,952	-	3,555,952
Total current assets		**5,827,401**	**-**	**5,827,401**	**5,665,545**	**6,478,736**	**12,144,281**
Total assets		**62,667,006**	**1,227,588**	**63,894,594**	**55,702,260**	**228,769**	**55,931,029**
Equity and liabilities							
Shareholders' equity							
Issued capital		1,493,877	-	1,493,877	1,503,121	-	1,503,121
Share premium		55,809	-	55,809	55,809	-	55,809
Translation reserve	TN(D)	1,643,614	(1,643,614)	-	1,639,385	(1,639,385)	-
Retained earnings	TN(Z)	15,504,751	3,308,959	18,813,710	14,700,232	2,325,151	17,025,383
Equity attributable to equity holders		**18,698,051**	**1,665,345**	**20,363,396**	**17,898,547**	**685,766**	**18,584,313**
Total shareholders' equity		**18,698,051**	**1,665,345**	**20,363,396**	**17,898,547**	**685,766**	**18,584,313**
Non-current liabilities							
Retirement Benefit Obligation	TN(X)	-	802,801	802,801	-	742,481	742,481
Borrowings	TN(E)	25,503,206	(5,154,038)	20,349,168	17,693,206	(4,524,722)	13,168,484
Deferred tax liabilities		3,728,023	-	3,728,023	3,403,871	-	3,403,871
Asset Retirement Obligation	TN(F)	1,480,774	(320,651)	1,160,123	1,352,021	(292,771)	1,059,250
Total non-current liabilities		**30,712,003**	**(4,671,889)**	**26,040,115**	**22,449,098**	**(4,075,012)**	**18,374,086**
Current liabilities							
Accounts payable and accrued liabilities	TN(G)	9,953,908	(156,500)	9,797,408	12,051,571	-	12,051,571
Taxation		-	-	-	-	-	-
Borrowings	TN(E)	3,303,044	4,390,632	7,693,676	3,303,044	3,618,015	6,921,059
Total current liabilities		**13,256,952**	**4,234,132**	**17,491,084**	**15,354,615**	**3,618,015**	**18,972,630**
Total liabilities Total shareholders' equity and liabilities		**62,667,006**	**1,227,588**	**63,894,594**	**55,702,260**	**228,769**	**55,931,029**

RECONCILIATION OF EQUITY AS AT 31 DECEMBER 2012

		THE GROUP			THE COMPANY		
	Note	Local GAAP ₦'000	Remeasurement ₦'000	IFRS ₦'000	Local GAAP ₦'000	Remeasurement ₦'000	IFRS ₦'000
Non-current assets							
Property, plant and equipment	TN(H)	25,648,687	1,084,139	26,732,826	10,496,493	789,110	11,285,603
Intangible assets	TN(I)	-	5,328	5,328	-	5,328	5,328
Investments in associates	TN(J)	-	41,062,218	41,062,218	-	41,783,170	41,783,170
Investment in subsidiaries	TN(K)	-	-	-	-	95,527	95,527
Available-for-sale financial assets	TN(L)	41,833,939	(41,798,697)	35,242	42,616,270	(42,581,028)	35,242
Total non-current assets		**67,482,626**	**352,988**	**67,835,614**	**53,112,763**	**92,107**	**53,204,870**
Current assets							
Inventories	TN(M)	(961,052)	1,026,063	65,011	(877,489)	936,847	59,358
Trade and other receivables	TN(V)	1,642,908	(231,259)	1,411,649	9,235,763	(212,415)	9,023,348
Prepayments	TN(V)	-	173,041	173,041	-	159,259	159,259
Current tax assets		48,249	-	48,249	622,750	-	622,750
Cash and cash equivalents		5,434,377	-	5,434,377	4,528,677	-	4,528,677
Total current assets		**6,164,482**	**967,845**	**7,132,327**	**13,509,701**	**883,691**	**14,393,392**
Total assets		**73,647,108**	**1,320,833**	**74,967,941**	**66,622,464**	**975,798**	**67,598,262**
Equity and liabilities							
Shareholders' equity							
Issued capital		1,457,803	-	1,457,803	1,511,737	-	1,511,737
Share premium		13,008	-	13,008	13,008	-	13,008
Translation reserve	TN(N)	985,670	(985,670)	-	1,479,911	(1,479,911)	-
Retained earnings	TN(Z)	17,304,505	(6,419,203)	10,885,302	16,168,980	(6,101,138)	10,067,842
Equity attributable to equity holders		**19,760,986**	**(7,404,873)**	**12,356,113**	**19,173,636**	**(7,581,049)**	**11,592,587**
Total shareholders' equity		**19,760,986**	**(7,404,873)**	**12,356,113**	**19,173,636**	**(7,581,049)**	**11,592,587**

RECONCILIATION OF EQUITY AS AT 31 DECEMBER 2012

	Note	THE GROUP Local GAAP ₦'000	THE GROUP Remeasurement ₦'000	THE GROUP IFRS ₦'000	THE COMPANY Local GAAP ₦'000	THE COMPANY Remeasurement ₦'000	THE COMPANY IFRS ₦'000
Non-current liabilities							
Retirement Benefit Obligation	TN(X)	-	1,058,515	1,058,515	-	977,827	977,827
Borrowings	TN(E)	32,100,988	3,392,120	35,493,108	27,070,240	3,960,101	31,030,341
Deferred tax liabilities		3,728,023	-	3,728,023	3,403,871	-	3,403,871
Asset Retirement Obligation	TN(F)	1,258,007	15,579	1,273,586	1,148,623	14,224	1,162,847
Total non-current liabilities		**37,087,018**	**4,466,214**	**41,553,232**	**31,622,734**	**4,952,152**	**36,574,886**
Current liabilities							
Accounts payable and accrued liabilities	TN(R)	7,388,695	919,315	8,308,010	9,769,517	936,848	10,706,365
Taxation		-		-	-	-	-
Borrowings	TN(E)	9,410,409	3,340,177	12,750,586	6,056,577	2,667,847	8,724,424
Total current liabilities		**16,799,104**	**4,259,492**	**21,058,596**	**15,826,094**	**3,604,695**	**19,430,789**
Total liabilities Total shareholders' equity and liabilities		**73,647,108**	**1,320,833**	**74,967,941**	**66,622,464**	**975,798**	**67,598,262**

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	THE GROUP Local GAAP ₦'000	THE GROUP Remeasurement ₦'000	THE GROUP IFRS ₦'000	THE COMPANY Local GAAP ₦'000	THE COMPANY Remeasurement ₦'000	THE COMPANY IFRS ₦'000
Turnover		9,848,523	-	9,848,523	8,319,172	-	8,319,172
Cost of sales	TN(Y)	(2,973,521)	(2,651,457)	(5,624,978)	(2,705,904)	(2,351,484)	(5,057,388)
Gross Profit		6,875,002	(2,651,457)	4,223,545	5,613,268	(2,351,484)	3,261,784
Other income	TN(P)	2,526,485	(351,385)	2,175,100	2,124,373	(32,655)	2,091,718
General and administrative expenses	TN(Q)	(5,713,353)	1,679,853	(4,033,500)	(5,303,418)	1,620,562	(3,682,856)
Operating profit		3,688,134	(1,322,989)	2,365,145	2,434,223	(763,577)	1,670,646
Finance income	TN(R)	-	37,554	37,554	-	32,655	32,655
Finance expenses	TN(S)	(979,396)	(7,671,841)	(8,651,237)	(58,433)	(7,650,758)	(7,709,191)
Finance cost (net)		(979,396)	(7,634,287)	(8,613,683)	(58,433)	(7,618,103)	(7,676,536)
Impairment on financial assets	TN(W)	-	(58,218)	(58,218)	-	(53,156)	(53,156)
Share of (loss)/profit of associates	TN(T)	-	(720,952)	(720,952)	-	-	-
Profit Before income tax		**2,708,738**	**(9,736,446)**	**(7,027,708)**	**2,375,790**	**(8,434,836)**	**(6,059,046)**
Income Tax expenses	TN(U)	(1,942)	-	(1,942)	-	-	-
Profit/(Loss) for the year from continuing operations		2,706,796	(9,736,446)	(7,029,650)	2,375,790	(8,434,836)	(6,059,046)
Profit/(Loss) attributable to: Owners of the parent		2,706,796	(9,736,446)	(7,029,650)	2,375,790	(8,434,836)	(6,059,046)
		2,706,796	(9,736,446)	(7,029,650)	2,375,790	(8,434,836)	(6,059,046)
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year **Basic earnings per share**		**₦18.57**	**(₦67)**	**(₦48.22)**	**₦15.72**	**(₦56)**	**(₦40.08)**
Profit/(Loss) for the year		**2,706,796**	**(9,736,446)**	**(7,029,650)**	**2,375,790**	**(8,434,836)**	**(6,059,046)**
Other comprehensive income:							
Actuarial loss on post employment benefit obligations	TN(X)	-	8,284	8,284	-	8,547	8,547
Change in value of available-for-sale financial assets		-	-	-	-	-	-
Other comprehensive income for the year, net of tax		-	8,284	8,284	-	8,547	8,547
Total comprehensive income for the year		**2,706,796**	**(9,728,162)**	**(7,021,366)**	**2,375,790**	**(8,426,289)**	**(6,050,499)**

35 Transition to IFRS

Explanation of transition to IFRS

As stated in note 2, these are the Group's first financial statements prepared in accordance with IFRS. The Group has applied IFRS 1 in preparing these financial statements and the accounting policies set out in note 2 have been applied in preparing the financial statements for the period ended 31 December 2013, the comparative information presented in these financial statements for the period ended 31 December 2012, and in the preparation of an opening IFRS statement of financial position at 1 January 2012 (the date of the Company's transition to IFRS).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Statements of Accounting Standards issued by the Nigerian Accounting Standards Board ("Nigerian GAAP"). An explanation of how the transition from Nigerian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

In preparing these financial statements in accordance with IFRS 1, the Company has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Company are summarised below.

The Group also performed a reconciliation of equity and profit or loss under NGAAP to the IFRS balances. Reconciliation was performed for the opening statement of financial position (01 January 2012) and the comparative statement of financial statement and statement of comprehensive income (31 December 2012). No reconciliation of the cash flow statement was performed as there were no changes in the statement of cash flow balances.

1. Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the conversion from NGAAP to IFRS.

1.1 IFRS exemption options

The Group applied the following optional exemptions from retrospective application:

(a) Property plant & Equipment
The Group elected to measure its land and buildings at fair value at the transition date and the fair value was adopted as the deemed cost at transition date.

(b) Lease
The optional exemption was chosen and agreements existing at the transition date were assessed whether they contain lease based on the facts and circumstances that exist at transition date.

(c) Business combinations
The Group elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated, hence, the Group and Company have not retrospectively applied IFRS 3.

(d) IFRIC 1 - Changes in Existing
Decommissioning, Restoration and Similar Liabilities Niger Delta Exploration & Production Plc has elected the exemption which allows the Group to apply IFRIC 1 transitional exemptions. As a result, the decommissioning liability was calculated based on circumstances that existed at reporting date.

(e) IAS 23 - Borrowing costs
Niger Delta has elected the exemption which allows the Group to apply the provisions of IAS 23 retrospectively. All borrowing costs will be appropriately capitalised to qualifying assets prospectively from the transition date

(f) Foreign currency translation reserve
The Group has elected the exemption which allows it to write-off foreign currency translation reserve into retained earnings

1.2 IFRS mandatory exceptions

Set out below are the applicable mandatory

exceptions in IFRS 1 applied in the conversion from NGAAP to IFRS.

Exception for estimates
IFRS estimates as at 1 January 2012 are consistent with the estimates as at the same date made in conformity with Nigerian GAAP.

Derecognition of financial assets and liabilities exception
Financial assets and liabilities derecognised before 1 January 2012 are not re-recognised under IFRS.

Hedge accounting exception
This exception requires the entity to apply hedge accounting only if the hedge relationship meets all the hedge accounting criteria under IAS39. The Company has not applied hedge accounting under IFRS.

Non-controlling interests' exception
From 1 January 2012 total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. There are no non-controlling interests in the Group.

Classification and measurement of financial assets
The entity is not early adopting IFRS9. However, the Company's financial assets have been classified in accordance with IAS39 based on the nature of the assets.

Explanation of transition adjustments

TN(A)
The adjustment relates to a review of the useful life and residual value of the Group's property, plant and equipment. Also, recognition of decommissioning assets which were not recognised under the Nigerian GAAP. Hence,

decommissioning assets adjustments passed are in the sum of ₦1.42billion for the Company and ₦1.55billion for the Group.

TN(B)
This adjustment represents a reclassification of investment in ND Western from investment securities to investment in associates. The parent's investment in ND Western represents a significant influence in the investee company. Hence, a reclassification adjustment was passed.

TN(C)
The adjustments passed relates to a reclassification of investment in ND Western from investment securities as stated in TN(B). Investment in subsidiaries was also reclassified. Also, additional adjustments were passed, which represents impairment of certain items which were classified as investments but were deemed impaired under IFRS.

TN(D)
This adjustment represents a write-off of foreign currency translation reserve into retained earnings. The Group has selected this option, hence, foreign currency translation reserve has been nilled off as at transition date.

TN(E)
This adjust relates to a reclassification of the Group's IPIN borrowing from accounts payable to borrowings and the remeasurement of loans at amortised cost

TN(F)
This is a transition adjustment in respect of decommissioning liability. The Group reviewed its decommissioning obligations in accordance with IAS 37 as at transition date. The adjustment represents a reversal of an excess provision made in respect of decommissioning liabilities.

TN(G)
The adjustment represents a reclassification of the Group's participating investment issued. This instrument, which is a debt instrument, was classified under Nigerian GAAP as accounts payable. Hence, an adjustment was raised to reclassify the balance as a borrowing. The instrument has been assessed as a debt instrument in accordance with IAS 32.

TN(H)
The change relates to a rollover of adjustments relating to decommissioning assets from the opening statement of financial position and also netting off 2012 amortisation of decommissioning assets.

TN(I)
This adjustment represents a reclassification of computer software cost and amortisation from PPE to intangible assets. Under NGAAP, the Group classified computer software as property, plant and equipment. However, IAS 38, requires that software be recognised as intangible assets. Hence, a reclassification adjustment was raised.

TN(J)
This represents an adjustment to reclassify investment in ND Western from investment securities to investments in associate. The Group's investment in ND western was reviewed in accordance with IAS 28 leading to a decision that the Group has significant influence over ND Western. The entries passed are: Dr. investment in associates, Cr. Investment securities.

TN(K)
This adjustment represents a reclassification of investment in subsidiaries (ND Gas, Properties and Petroleum Resources), from investment securities into investment in subsidiaries.

TN(L)
The adjustments relate to the corresponding entries passed in respect of TN(J) and TN(K)

TN(M)
This is a reclassification crude-oil over lift balances from inventory assets to accounts payable and creditors. The Group recognised crude-oil overlift as inventory assets instead of liabilities. Thus, a reclassification adjustment was raised to appropriately classify crude oil overlift balance for both the Company and Group

TN(N)
Movement in the translation reserve is as a result of the IFRS 1 exemption relating to foreign currency translation reserves. The Group elected to write-off the outstanding reserve into retained earnings as at opening statement of financial position. Subsequent exchange differences were accounted for as exchange gains through profit or loss.

TN(O)
The IFRS adjustment relates to a reclassification of the IPIN borrowings from accounts payable to borrowings. Also, a reclassification of crude-oil overlift from inventory assets into accounts payable

TN(P)
The change in other income relates to a reclassification of interest income from other income into finance income and exchange gains as a result of movements in decommissioning liabilities

TN(Q)
Administrative expenses changed as a result of adjustments relating to decommissioning liabilities and reversal of impairment charge on investment securities. The impairment charge had been taken through retained earnings at the opening statement of financial position date. Thus, the need to reverse the profit or loss charge at the comparative date.

TN(R)
This relates to the reclassification of interest income from other income category to finance income.

TN(S)
Adjustment represents unwinding of decommissioning liabilities and the remeasurement of borrowings at amortised costs. IAS 37 requires that decommissioning liabilities be discounted an unwound over the life of the liability.

TN(T)
ND Western Limited, the Group's associate, was accounted for using equity-accounting in line with IAS 28

TN(U)
This represents income tax expense in the profit or loss.

TN(V)
This adjustment relates to provision made for impairment of ACME receivables and the reclassification from receivables to prepayments. Impairment charge was computed by discounting future cash flows to present value. Accounting entries passed are: Dr. Impairment charge - profit or loss, Cr. Provision for impairment account (Contra receivables account).

TN(W)
This represents the corresponding entry to the profit or loss in respect of TN(V)

TN(X)
This adjustment represents the recognition of the entity's employee benefits' obligation which has been measured using an actuarial valuation

TN(Y)
This is as a result of the reclassification of certain expenses from operating expenses. These expenses were considered to be directly related to the production process and should be classified as cost of sales.

TN(Z)
Retained earnings changed as a result of IFRS remeasurements to borrowings (at a mortised cost), Asset retirement obligations,Property,plant and equipment, investments in associates, translation reserve and employee benefits valuation.

36. STAFF COSTS

(a) The average number of full time persons employed by the Company during the year was as follows:

	THE GROUP		THE COMPANY	
	2013	**2012**	**2013**	**2012**
	Number	**Number**	**Number**	**Number**
Management	3	3	1	1
Finance	27	26	2	2
Administration	112	110	11	11
	-----	-----	-----	-----
Total	**142**	**139**	**14**	**14**
	===	===	===	===

(b) Higher paid employees of the Company, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

	THE GROUP		THE COMPANY	
	2013	**2012**	**2013**	**2012**
	Number	**Number**	**Number**	**Number**
Less than N=500,000	-	-	-	-
N=500,001 – N=1,000,000	-	7	-	-
N=1,000,001 – N=1,500,000	-	18	-	-
N=1,500,001 – N=2,000,000	3	7	1	7
N=2,000,001 – N=2,500,000	12	-	4	-
Above N=2,500,000	127	104	9	7
	-----	-----	------	------
Total	**142**	**136**	**14**	**14**
	===	===	===	===

37. DIRECTORS REMUNERATION

The remuneration paid to the Directors of the Company was:

	THE GROUP		THE COMPANY	
	2013	**2012**	**2013**	**2012**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Emoluments (including salaries, fees and sitting allowance)	100,405	105,993	100,405	105,993
	======	=======	=======	======

Fees and other emoluments disclosed above include amounts paid to:

	THE GROUP		THE COMPANY	
	2013	**2012**	**2013**	**2012**
	₦'000	**₦'000**	**₦'000**	**₦'000**
The Chairman	5,065	5,568	5,065	5,568
	======	=======	=======	======
The highest paid Director	33,750	33,750	33,750	33,750
	======	=======	=======	======

CONSOLIDATED STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2013

	THE GROUP				THE COMPANY			
	2013		2012		2013		2012	
	₦'000		₦'000		₦'000		₦'000	
Turnover	7,738,836		9,848,523		2,295,103		8,319,172	
Cost of bought in materials and services								
- Local	(6,290,226)		(7,026,270)		(5,467,286)		(5,777,335)	
	1,448,610		2,822,253		(3,172,183)		2,541,837	
Non-trading items	9,722,178		2,212,654		7,958,759		2,124,373	
Value added	11,170,788		5,034,907		4,786,576		4,666,210	
		%		%		%		%
Applied as follows:								
To employees:								
- Staff costs	661,958	6	597,325	12	602,382	13	543,566	12
To Government:								
- Royalty costs	399,746	4	794,340	16	364,988	8	722,849	16
- Gas flaring charges	6,413	-	12,835	-	5,855	-	11,719	-
- Taxes	998	-	1,942	-	-	-	-	-
To providers of funds:								
- Interest	1,151,128	10	8,651,237	172	832,874	17	7,709,191	165
To provide for the Company's future:								
- Depreciation, depletion and amortisation	2,125,039	19	2,006,878	40	1,520,221	32	1,737,931	37
- Deferred taxation	-	-	-	-	-	-	-	-
- Revenue reserve	6,825,506	61	(7,029,650)	(140)	1,460,257	30	(6,059,046)	(130)
	11,170,788	100	5,034,907	100	4,786,576	100	4,666,210	100

The value added represents the wealth created through the use of the Company's assets by its employees, management and Board. This statement shows the allocation of that wealth to employees, providers of finance, shareholders and that retained for the future creation of more wealth.

FIVE-YEAR FINANCIAL SUMMARY

31 DECEMBER

THE GROUP

	2013	2012	2011	2010	2009
	₦'000	₦'000	₦'000	₦'000	₦'000
Assets and liabilities:					
Property, plant and equipment	27,247,981	26,732,826	25,802,052	20,460,854	15,135,750
Intangible assets	3,769	5,328	-		
Investments in associates	9,071,001	41,062,218	32,229,899	531,894	17,304
Investments in subsidiaries	-	-	-		
Available-for-sale financial assets	55,242	35,242	35,242		
Total current assets	9,888,484	7,132,327	5,827,401	8,797,477	7,421,934
	46,266,477	74,967,941	63,894,594	29,790,225	22,574,988
Share capital	1,749,364	1,457,803	1,493,877	1,098,086	913,462
Share premium	13,008	13,008	55,809	12,496	12,496
Translation reserve	-	-	-	481,845	(746,078)
Revenue reserve	16,475,309	10,885,302	18,813,710	14,901,699	11,451,436
Retirement Benefit Obligation	1,375,088	1,058,515	802,801	-	-
Borrowings	4,958,734	35,493,108	20,349,168	-	-
Deferred tax liabilities	3,728,023	3,728,023	3,728,023	3,728,023	1,622,044
Asset Retirement Obligation	1,402,812	1,273,586	1,160,123	1,037,715	654,684
Total current liabilities	16,564,139	21,058,596	17,491,083	8,530,361	8,666,944
	46,266,477	74,967,941	63,894,594	29,790,225	22,574,988
Turnover	7,738,836	9,848,523	12,595,783	14,176,308	16,289,654
Profit before taxation	6,826,504	(7,027,708)	2,071,629	7,560,808	7,149,782
Taxation	(998)	(1,942)	(653)	(2,993,581)	(1,734,787)
Profit after taxation	6,825,506	(7,029,650)	2,070,976	4,567,227	5,414,995
Basic earnings per share	₦39.02	(₦48.22)	₦13.86	₦41.59	₦59.28
Adjusted earnings per share	₦39.02	(₦40.18)	₦11.84	₦26.11	₦30.95
Final dividend per share	-	₦6.00	₦6.00	₦10.00	₦9.00
Return on net assets employed (%)	37	(57)	10	28	47

THE COMPANY

	2013 ₦'000	2012 ₦'000	2011 ₦'000	2010 ₦'000	2009 ₦'000
Assets and liabilities:					
Property, plant and equipment	11,996,688	11,285,603	11,426,080	18,218,687	13,512,526
Intangible assets	3,769	5,328	-		
Investments in associates	7,760,062	41,783,170	32,229,899	531,894	17,304
Investments in subsidiaries	95,527	95,527	95,527	1,258,006	1,195,923
Available-for-sale financial assets	55,242	35,242	35,242		
Total current assets	21,014,781	14,393,392	12,144,281	8,025,814	6,847,522
	40,926,069	67,598,262	55,931,029	28,034,401	21,573,275
Share capital	1,814,084	1,511,737	1,503,121	1,107,330	922,706
Share premium	13,008	13,008	55,809	12,496	12,496
Translation reserve	-	-	-	502,136	(549,540)
Revenue reserve	10,285,021	10,067,842	17,025,383	13,428,159	10,477,615
Retirement Benefit Obligation	1,269,780	977,827	742,481	-	-
Borrowings	3,484,106	31,030,341	13,168,484	-	-
Deferred tax liabilities	3,403,871	3,403,871	3,403,871	3,403,871	1,548,282
Asset Retirement Obligation	1,280,837	1,162,847	1,059,250	947,486	603,752
Total current liabilities	19,375,362	19,430,789	18,972,630	8,632,923	8,557,964
	40,926,069	67,598,262	55,931,029	28,034,401	21,573,275
Turnover	2,295,103	8,319,172	11,500,580	12,943,678	15,141,402
Profit before taxation	1,460,256	(6,059,046)	2,748,513	6,584,182	6,446,044
Taxation	-	-	-	(2,452,411)	(1,569,382)
Profit after taxation	1,460,256	(6,059,046)	2,748,513	4,131,771	4,876,662
Basic earnings per share	₦8.05	(₦40.08)	₦18.29	₦37.31	₦52.85
Adjusted earnings per share	₦8.05	(₦33.40)	₦15.15	₦22.78	₦26.88
Final dividend per share	-	₦6.00	₦6.00	₦10.00	₦9.00
Return on net assets employed (%)	20	20	15	27	45

SUPPLEMENTARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

1. TOTAL PROVED RECOVERABLE RESERVES

Estimated Quantities of Total Proved Developed and Undeveloped Oil, Condensate and Natural Gas Liquids Reserves (million barrels of oil equivalent) in the Ogbele field.

	2013	2012	2010	2009	2008
Total Hydrocarbon Reserves (Liquids+Gas):					
At beginning of year	64.16	64.98	18.19	6.07	7.45
Revision	-	-	48.03	13.74	-
Production	(0.79)	(0.82)	(1.24)	(1.62)	(1.38)
At end of year	63.37	64.16	64.98	18.19	6.07

MANDATE FOR E-DIVIDEND PAYMENT

Following the passing into law by the National Assembly and the official launch of the E-Divided payment system, all registrars have been mandated to effect payment of dividend on behalf of their client companies electronically.

The E-dividend payment system ensures that your dividend is credited directly into the bank account of your choice within 24 hours of payment date.
In order to prepare for this new payment procedure, we require you to kindly complete the E-Dividend Form below.

PLEASE NOTE THAT THE SECTION FOR YOUR BANK ACCOUNT DETIALS HAS TO BE COMPLETED BY YOUR BANK.

Kindly return the duly completed Form to the Registrar, United Securities Limited at the address stated below.

Date (DD/MM/YYYY)

Surname / Company's Name

Other Names (for individual Shareholder)

Present Postal Address

City

Email Address 1:

Email Address2:

Mobile (GSM) Phone Number

Bank Name (SECTION TO BE COMPLETED BY YOUR BANK)

Branch Address

Bank Account Number

Bank Sort Code

I/We hereby request that from now, all dividend warrant(s) due to me / us from my /our holdings in Niger Delta Exploration & Production Plc be mandated to my /our Bank named above

Shareholder's Signature or Thumbprint

Shareholder's Signature or Thumbprint

Company Seal / Incorporation Number (Corporate Shareholder)

Authorised Signature & Stamp of Bankers

The completed Form should be returned by post, e-mail or fax to: Investor Relations Department, **Niger Delta Exploration & Production Plc**. 15, Babatunde Jose Road, Victoria Island, Lagos. Fax:01-461926, E-mail: investorrelations@ngdelta.com or United Securities Limited, 10, Amodu Ojikutu Street, Victoria Island, Lagos. E-mail: info@unitedsecuritieslimited.com

SHAREHOLDER INFORMATION UPDATE FORM

I/We wish to request that my/our details as a shareholder(s) of Niger Delta Exploration & Production Plc be amended to reflect the following information:

Date (DD/MM/YYYY)

Surname/Company's Name

Other Names (for individual Shareholder)

Present Postal Address

City State

Email Address 1

Email Address 2

Mobile (GSM) Phone Number

Tax ID

Shareholder's signature or Thumbprint

Shareholder's Signature or Thumbprint

Shareholder's Signature or Thumbprint

Incorporation Number with company Seal

The completed Form should be returned by post, e-mail or fax to: Investor Relations Department, **Niger Delta Exploration & Production Plc,** 15, Babatunde Jose Road, Victoria Island, Lagos Fax:01-46191926, Email:investorrelations@ngdelta.com or United Securities Limited, 10, Amodu Ojikutu Street, Victoria Island, Lagos. Email: info@unitedsecuritieslimited.com.

PROXY FORM

19TH ANNUAL GENERAL MEETING (AGM) to be held in the Agip Hall, MUSON Centre, Onikan, Lagos on Wednesday the 17th September 2014

I/We ---

Being member/members of Niger Delta Exploration & Production Plc hereby appoint

Or failing him Dr Layi Fatona, as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General meeting of the Company to be held on 17th September, 2014 at 11:00am and at any adjournment thereof.

Date this ----------------- day of -----------------------2014

NUMBER OF SHARES		
ROSOLUTION	FOR	AGAINST
1. To lay before the members the Audited Financial Statements for the year Ended 31st at December 2013 and the Reports of the Directors, Auditor and Audit Committee thereon.		
2. To re-elect Directors		
3. To ratify the appointment of new Directors		
4. To re-appoint the Auditors		
5. To authorize the Directors to determine the remuneration of the Auditors		
6. To re-elect/elect member s of the Audit committee.		
7. To fix the remuneration of the Directors for the year ending 31st December 2014		
8. To consider and if thought fit pass the following proposed ordinary Resolution.		

SHAREHOLDER'S NAME

IMPORTANT

1. Before posting the above proxy, please tear this part off and retain it. A person attending the Annual General Meeting of the company or his proxy should produce this card to secure admission to the meeting.

2. A member of the company is entitled to attend and vote at the Annual General Meeting of the Company. He is also entitled to appoint a proxy to attend and vote instead of him, and in this case the above card may be used to appoint a proxy.

3. In line with best practice, the name of a director of the company has been entered on the proxy form to ensure that someone will be at he meeting to act as your proxy, but if you wish, you may insert in the blank space on the form (marked*) the name of the person, whether a member of the company or not, who will attend and vote on your behalf instead of the Director named.

4. The above proxy when completed, must be deposited at the registered office of the company being 15, Babatunde Jose Road, Victoria Island, Lagos, not less than 48 hours before the time fixed for the meeting.

5. It is a requirement of the law under the Stamp Duties Act, Cap 58, Laws of the Federation of Nigeria, 2004, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear a stamp duty.

6. If a proxy from is executed by a company, it should be sealed under its common seal or under the hand and seal of a attorney.

Signature of person attending

Admission Card
Annual Gneral Meeting to be held on Wednesday 17th September, 2014 at 11:00am at the Agip Hall, MUSON Centre, Onikan, Lagos.

I/We -- Number of shares---------------------