

seplat  access Debtors 









Memo To The Market:



**SEPLAT and Its Access Bank  
Nemesis - Plugging the Governance Gap**

December 2020

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## Introduction

On Wednesday, December 02, 2020, the head office of Seplat Petroleum Development Company Plc, whose ordinary shares are listed on the Nigerian Stock Exchange (NSE) and the London Stock Exchange (LSE) was closed to business based on a court order which permitted a receiver/manager, Messrs Kunle Ogunba & Co to enforce an ex parte motion requesting that Access Bank Plc take over SEPLAT's head office premises.

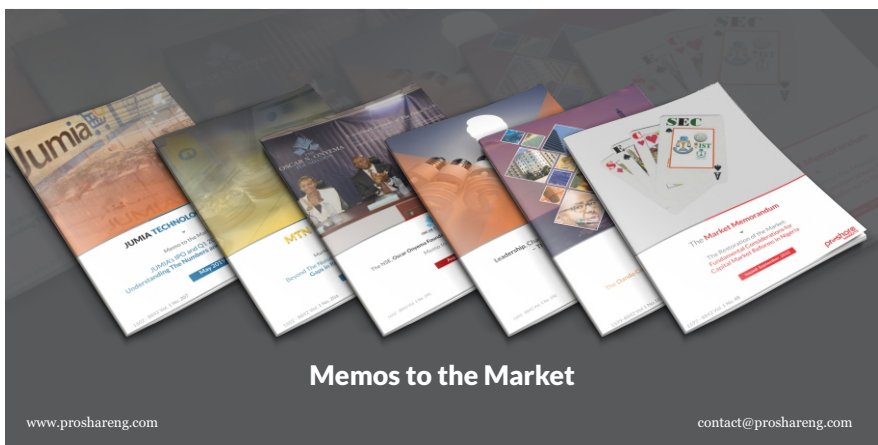
The problem appears to be related to a dispute between Access Bank and Cardinal Drilling Nigeria Ltd over a loan taken from Diamond Bank Plc (since acquired by Access Bank Plc) for which the latter has been unable to fully discharge/could not repay in line with the original terms of the facility. The loan is a legacy debt that the drilling company owed the now-defunct Diamond Bank which entered into a merger with Access Bank Plc to form the larger banking institution (*acquiring the assets and liabilities of Diamond Bank Plc in 2019*).

In its letter to the Nigerian Stock Exchange (NSE) on the matter, the upstream Oil and Gas (O&G) company indicated that SEPLAT was not a shareholder in Cardinal Drilling Company and therefore was not liable for its debt obligations.

The unfolding development however represents a material event that could adversely affect the company's declared earnings and dividend payouts to shareholders (beyond the debt issue as it concerns a key operating asset/related party - Cardinal Drilling Nigeria) and thus becomes an issue in need of better clarity and understanding

As a follow up to the commentary on the Press Release by SEPLAT Plc (SEPLAT Plc Refutes Being Party to Cardinal Drilling Services Loan with Access Bank) some material observations central to the unfolding actions between parties become important..

“  
*The problem appears to be related to a dispute between Access Bank and Cardinal Drilling Nigeria Ltd over a loan taken from Diamond Bank Plc (since acquired by Access Bank Plc) for which the latter has been unable to fully discharge/could not repay in line with the original terms of the facility.*  
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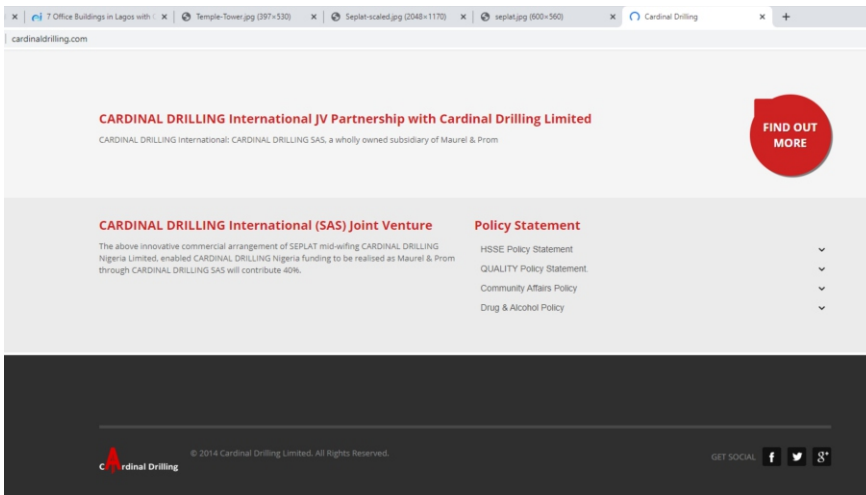


## The Eye of The Storm

### Central Observations

1. In the light of the claims and counter claims by parties, and the information available from financial returns/reports; we identified two separate strands for necessary market learning, viz:
  - a) The obvious Debt Issue; and
  - b) The corporate governance matters arising around disclosures made by SEPLAT Plc.
2. While we believe that the matter(s) related to the debt issue are already in court and it would be subjudice to comment on same; we do however feel obliged to draw attention to two (2) correlated points for which attention must not be lost:
  - a) The issue of recalcitrant debtors and the media cottage industry that always ensues, drowning the substantive practice and governance issues and lessons important for market and regulatory growth. This important dimension to risk management and debt collection efforts was a subject of the 2020 DebtorsAfrica report on the challenge of collection of non-performing loans (NPL's) of Nigerian banks. This current case offers yet another opportunity to interrogate the processes in place for a fair resolution of NPLs in order to improve credit administration and debt recovery practices in Nigeria; and
  - b) The need to interrogate if and whether SEPLAT Plc may have solely enjoyed all the benefits of the facilities granted Cardinal Drilling (indirectly as a related party); to its advantage and wholly for the promotion and advancement of its businesses.
3. Deriving from point 2b above, there is oftentimes the case that playing smart delivers unintended consequences and, in this case, a cul de sac. The argument upon which SEPLAT's public release is premised is that it has no relationship with Cardinal Drilling Nigeria, yet a cursory look at publicly available information and listed entity disclosures, without an attempt to lift the legal corporate veil, reveals the following:
  - a) Cardinal Drilling indicated on its website the fact that it was mid-wifed by SEPLAT Plc viz: *"The above innovative commercial arrangement of SEPLAT mid-wifing CARDINAL DRILLING Nigeria Limited enabled CARDINAL DRILLING Nigeria funding to be realized as Maurel & Prom through CARDINAL DRILLING SAS will contribute 40%."* (see 2screenshot below)
  - b) SEPLAT Plc has consistently disclosed in both its interim and annual reports that Cardinal Drilling is a related party.
4. It thus begs the question – "Which of the two statements is true - between the press release and the published reports? Both statements cannot be true at the same time. The guidance from

“  
*The need to interrogate if and whether SEPLAT Plc may have solely enjoyed all the benefits of the facilities granted Cardinal Drilling (indirectly as a related party); to its advantage and wholly for the promotion and advancement of its businesses.*  
”



IAS24 offers a guide here.

- It is this latter point that the market must address its minds to in the interim, as it goes to the heart of governance practices expected from listed entities; especially the credibility of representations made by quoted firms on public trading floors to the investing public.

We believe a clarification will be helpful here, but we must first address the debt recovery conundrum and how actions should be perceived.

## Thinking Through A New Debt Recovery Paradigm

The contemporary problem in uncluttering the debt recovery process between Cardinal Drilling Nigeria, SEPLAT Plc and Access Bank Plc highlight the new recovery approach that *DebtorsAfrica* noted in their 2019 Report on the nature and outlook of debt recovery in Nigeria.

On page 9 of the introduction to the report, the report writers noted the need for a new debt recovery approach.

According to the report authors:

*“In walking through the issues of resolution of delinquent assets of lenders, both banks and their customers are going to have to enter a new era of loan initiation, disbursement, and recovery/repayment. The old paradigm is stunted and suffers from the following asset creation and management shortcomings:*

- Pre-approval assessment can take painfully long*
- Customer character assessment has been largely a hit-or-miss affair*
- Loan monitoring has been fragile and unengaged*
- Loan recovery/remediation has been adversarial rather than collaborative*
- Customers have had narrow leeway to work through loan repayment by way of restructuring and workouts”*

“The contemporary problem in uncluttering the debt recovery process between Cardinal Drilling Nigeria, SEPLAT Plc and Access Bank Plc highlight the new recovery approach that *DebtorsAfrica* noted in their 2019 Report on the nature and outlook of debt recovery in Nigeria.”

To pursue a revitalized and forward-facing credit administration process the report writers advocated for a new approach noting that:

*“The new paradigm, however, assumes greater bank customer engagement and better pre-approval assessment and monitoring. The new loan framework follows a different algorithm as represented below:*

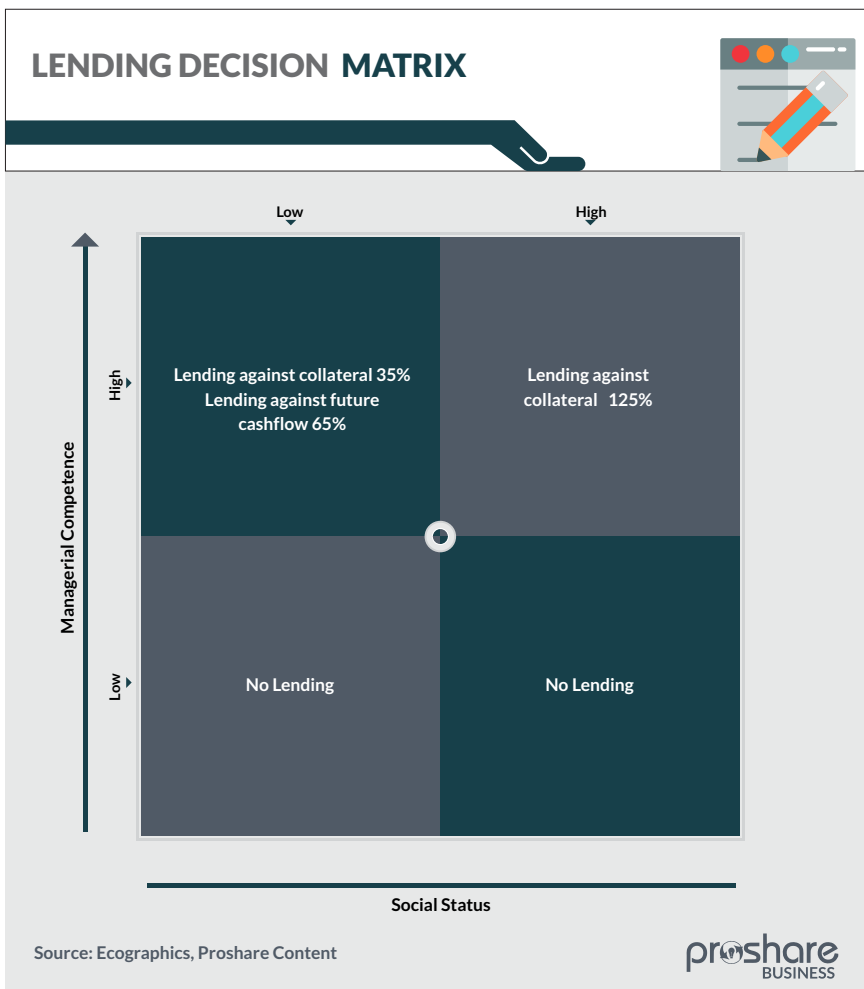
- ④ *Credit Bureau rating review as base rate customer assessment criteria;*
- ④ *Project operating cash flow forecast that rests on base rate industry values for cost components and revenues;*
- ④ *Monte Carlo analysis of revenue risk/ project cost value at risk (VaR);*
- ④ *Industry/project SWOT analysis with detailed risk modelling of revenues and costs;*
- ④ *Milestone-based credit disbursement schedules based on scaled completion deadlines against agreed project execution plans. At this stage, the lender builds-in repayment lags and affirms critical path options and costs;*
- ④ *Loan monitoring and control involves one-on-one guidance of customer loan utilization and costs. The potential for loan diversion is reduced to a minimum as disbursements are choreographed in line with agreed repayment programmes which loan officers monitor and supervise closely;*
- ④ *Loan payback follows agreed anniversary dates but, in the event, that unexpected or unpredictable events take place (such as COVID-19), a loan resolution process is triggered immediately and a pre-agreed repayment framework is initiated at either the instance of the bank or the customer or both;*
- ④ *Rather than lenders and customers finding themselves locked in interminable arguments over repayment plans and default on repayment pledges, the pre-agreed resolution mechanism kicks-in and pulls the loan repayment process into a remedial default mode designed to restructure the Facility in a way that averts delinquency;*
- ④ *A digital library of publicly available delinquent bank debtors provides lenders insight into the character and managerial capacity of borrowers. The digital library places both a moral and business burden on delinquent borrowers as prospective lenders would use the library to fact-check the borrowing history of a loan applicant and use the history to set up a character rating index that would guide credit appraisal memorandums (CAMs) and inform acceptance or decline of credit requests; and*
- ④ *The pressure of having lenders able to review the nature of*

“  
Milestone-based credit disbursement schedules based on scaled completion deadlines against agreed project execution plans.  
”

past loan facilities and repayment records of a prospective borrower creates a borrowing environment quickly and effortlessly that is sensitive to historical loan performance data and past loan resolution difficulties. The register profiles the corporate boards of borrowing entities and helps lenders assess the fitness of the company's leadership to the borrower. Leveraging the psychology of 'social proofing', the failure of a borrower to abide by the terms of a loan agreement with one lender would put other lenders on notice to decline the loan request of a previously delinquent borrower until such a time the borrower redeems the earlier facility. The soundness of the psychology has been vindicated by the numerous requests from delinquent borrowers for media houses to bring down digital stories posted online or references to earlier delinquencies associated with the companies."

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**Illustration 1: Lending Decision Matrix-Balancing Managerial Competence and Corporate Status**



Source: (PDF) NPLs & Bad Debtors: - The Case for a New Industry Approach - Debtors Africa, May 13, 2020

## The Bank as Nemesis

The Seplat Plc, Cardinal Drilling Nigeria and Access Bank debt squabble is a case study in how banks become the nemesis of borrowers where proper housekeeping had not been done by the borrower and the borrower's corporate governance oversight may have been lax.

For example, a review of the sequence of events shows that in 2012, Cardinal Drilling Services Limited applied for and obtained a credit facility from Diamond Bank Plc (now merged with the larger current Access Bank) to buy CDS Rigs 101, 201, 202 and 203. The loan was secured by a fixed and floating Debenture over Cardinal's assets (the "Debenture"). The Cardinal Rigs were used to provide drilling services to SEPLAT.

CDS 101 and 201 were used to execute SEPLAT's 2019 work programme and all four (4) Rigs were critical to Seplat's future drilling plans and to shareholder returns by way of improved revenues and possible dividends.

Nevertheless, Cardinal Drilling was unable to service the outstanding part of the loan facility, prompting Access Bank Plc, which absorbed all the assets and liabilities of the old Diamond Bank Plc, to pursue recovery of the loan amount outstanding and accrued interests which is estimated at approx. US\$86m.

Access Bank Plc has since gone to court to enforce its rights and it would appear that the entangled relationship between Seplat Plc and Cardinal Drilling, suggesting strong ties between both entities makes the separation of the entities a difficult task; and it would be up to the courts to establish same or otherwise.

This will also be helpful to the credit practice; as envisaged in the debtors report.

From an investors perspective however; and indeed from a best practice governance standpoint, the findings throws up issues that the regulators and market operators must use to clarify how related party relationships and transactions are communicated and understood.

Without prejudice, allowing companies to acknowledge without responsibility or hide behind nebulous links with related corporate and individual third parties becomes a major hazard to good corporate governance and could adversely affect share values and independent shareholder interests.

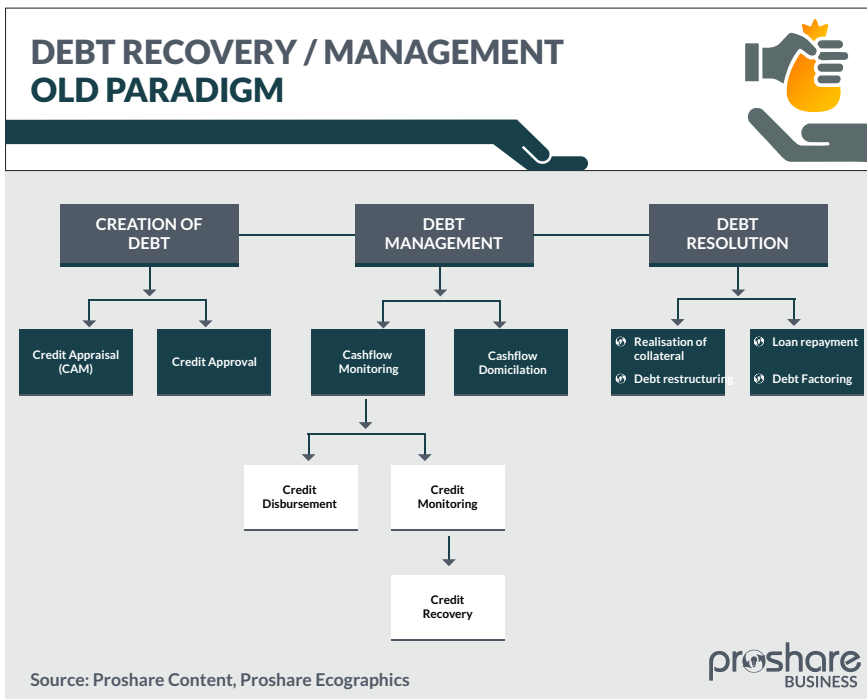
The Access Bank Plc and Seplat Plc/Cardinal Drilling Nigeria case thus offers the market such an opportunity to review, monitor and guide new regulations surrounding the links between listed entities and their non-listed associates.

“  
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”

## Time for a Paradigm Shift

Banks have been peppered by recalcitrant debtors and as established, old recovery models appear insufficient especially in periods where recessionary pressures or unpredictable events like the COVID-19 pandemic result in disruptions to corporate cash flows (see illustration 2 below).

### Illustration 2: Debt Recovery/Management – The Old Paradigm



“The new debt management model depends on openness concerning the status of the borrower (for example, creating clarity around corporate relationships such as Seplat Plc/Cardinal Drilling Nigeria) and ensuring that a repository of credit standing is available for institutions to do pre-lending forensics on the borrowing entity

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Source: (PDF) NPLs & Bad Debtors: - The Case for a New Industry Approach - Debtors Africa, May 13, 2020

The new debt management model depends on openness concerning the status of the borrower (for example, creating clarity around corporate relationships such as Seplat Plc/Cardinal Drilling Nigeria) and ensuring that a repository of credit standing is available for institutions to do pre-lending forensics on the borrowing entity. This could help in shaping the terms of the loans and define the appropriate loan structure.

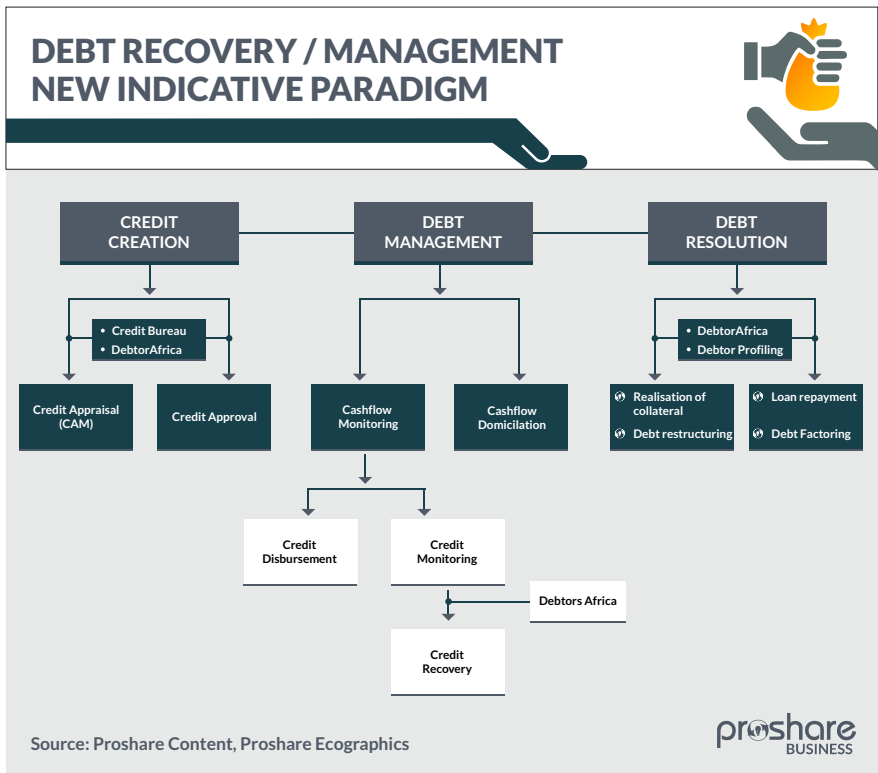
The “C” of character in the five (5) Cs of credit bankers are traditionally tutored needs a framework for a proper assessment of how to derisk credits and reduce the probability of loan default (see illustration 3 below).

## Illustration 3: Debt Recovery/Management – The New Indicative Paradigm





**Illustration 3: Debt Recovery/Management – The New Indicative Paradigm**



“ A digital repository of debtor action as a reference for credit initiation would be a needed addition to the arsenal of banks in combatting delinquent loans. ”

Source: (PDF) NPLs & Bad Debtors: - The Case for a New Industry Approach - Debtors Africa, May 13, 2020

A digital repository of debtor action as a reference for credit initiation would be a needed addition to the arsenal of banks in combatting delinquent loans. For companies listed on equity Exchanges, this would help ensure that equity prices of listed entities reflect contingent liabilities that may be off-balance sheets, and in the case of listed banks, it would help bring clarity to the character of assets on its annual statement of financial position. See [debtorsafrica.com](http://debtorsafrica.com)



## Conclusion - Devils at Heavens Gates

The issue of clarity and transparency in corporate governance has been highlighted by the ongoing case between Access Bank Plc and Cardinal Drilling Nigeria in which Seplat Plc has become an interested party by default in the case of a loan delinquency owed by a 'related party'.

The clarification of the nature of the relation between SEPLAT Plc and Cardinal Drilling Nigeria is considered important to establish the structure and cash flow patterns of SEPLAT's Oil & Gas business and the contingent liabilities that the company could be carrying that may adversely affect its future earnings. The letter sent by SEPLAT to the Nigerian Stock Exchange (NSE) and the London Stock Exchange (LSE), with due respect, will appear inadequate under the circumstance.

To calm investor nerves, the management of Seplat Plc may consider doing the following:

- ❶ Clarify the precise 'related party' relationship between SEPLAT Plc and Cardinal Drilling Nigeria for its investors on both the Nigerian Stock Exchange (NSE) and the London Stock Exchange (LSE);
- ❷ State which interested parties are common to both entities and at what levels this begins and stops (IAS 24 will be a useful guide here);
- ❸ Consider unveiling the ownership No. 16A Temple Road, Ikoyi, Lagos and nature of occupancy (helpful to its cause in avoiding the collateral damage by location as represented in the release/disclosure);
- ❹ Propose a corporate governance covenant that creates an arms length relationship between SEPLAT Plc and Cardinal Drilling Nigeria recusing SEPLAT from transactional obligations involving Cardinal Drilling Nigeria (as currently available evidence suggest that SEPLAT Plc is a 'key' client of Cardinal Drilling Nigeria; and according to the drilling company's website; responsible for the midwife of the oil service company (see also the interim and audited financial statements of the SEPLAT Plc provided here below under illustrations)
- ❺ SEPLAT Plc must work out a means of managing the operational risk posed by the debt situation Cardinal Drilling has found itself; to protect shareholders interest; especially at a challenging time like this.

Though the road to hell was paved with good intentions; corporate chincanery should not be one of the building blocks.

“  
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”



## Illustrations – Related Party Disclosures:

1. pg 226  The list of Seplat's related party transactions is outlined in Note 42 to the financial statements of the 2019 Annual Report and Accounts



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

page 226; Note 42. **Related party relationships and transactions**

The Group is controlled by Seplat Petroleum Development Company Plc (the parent Company). The parent Company is owned 6.43% either directly or by entities controlled by A.B.C. Orjiako (SPDCL(BVI)) and members of his family and 12.19% either directly or by entities controlled by Austin Avuru (Professional Support Limited and Platform Petroleum Limited). The remaining shares in the parent Company are widely held. The goods and services provided by the related parties are disclosed below. The outstanding balances payable to/receivable from related parties are unsecured and are payable/receivable in cash.

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

**Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited):** Is owned by common shareholders with the parent Company. The Company provides drilling rigs and drilling services to Seplat. Transactions with this related party amounted to N2.89 billion, \$9.44 million (N621 million, \$2.03 million). Receivables and payables were nil in the current period (receivables in 2018: N1.49 billion, \$4.87 million).

pg 35, Note 24 The 2019 Interim management statement and consolidated interim financial results For the three months ended 31 March 2019 (expressed in US Dollars and Naira) - 30 April 2019



Seplat Petroleum Development Company Plc
35

Interim management statement and consolidated interim financial results

For the three months ended 31 March 2019 (expressed in US Dollars and Naira)

30 April 2019

Seplat Petroleum Development Company Plc

Notes to the interim condensed consolidated financial statements continued

**24. Related party relationships and transactions**

The Group is controlled by Seplat Petroleum Development Company Plc (the 'parent Company'). The shares in the parent Company are widely held.

**24a. Related party relationships**

The services provided by the related parties:

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

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

**Charmond Nigeria Limited:** The sister to the CEO works as a General Manager. The company provides administrative services including stationery and other general supplies to the field locations.

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

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

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

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

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

**Shebah Petroleum Development Company Limited ('BPW'):** The Chairman of Seplat is a director and shareholder of SPDC (BPW). The company has provided consulting services to Seplat since 2014.

**Stage leasing (Idosumil Ventures Limited):** is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.

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

page 35. **Related party relationships and transactions**

The Group is controlled by Seplat Petroleum Development Company Plc (the 'parent Company'). The shares in the parent Company are widely held.

24a. **Related party relationships**

The services provided by the related parties:

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

- 3. pg 46, Note 19 The Interim management statement and consolidated interim financial results For the nine months ended 30 September 2016 (expressed in US Dollars and Naira) - 27 October 2016

Seplat Petroleum Development Company Plc

Interim management statement and consolidated interim financial results

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

27 October 2016

Seplat Petroleum Development Company Plc

Notes to the interim condensed consolidated financial statements continued

**19. Related party transactions**

The Group is controlled by Seplat Petroleum Development Company Plc (the parent company). The parent company is owned 28.57% by Akshay & Pran (AP), 15.1% either directly or by entities controlled by A.B.C. Orjiako (Shebah petroleum Development Company Limited) and members of his family and 56.33% either directly or by entities controlled by Austin Akuru (Professional Support Limited, Abbant, Integrated Services and Platform Petroleum Limited). The remaining shares in the parent company are widely held.

**19a. Transactions**

The services provided by related parties are:

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

**Abbott Integrated Services:** The Chief Executive Officer of Seplat's wife is shareholder and director. The company provides bespoke gift hampers to Seplat.

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

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

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

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

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

**NSP (NPS) SA:** is a shareholder of Seplat. The Company provides consultancy and management services to the Group.

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

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

**Nerive Support Services Limited:** It is owned by common shareholders with the parent company. The company provides agency and contract workers to Seplat.

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

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

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

**Shebah Exploration and Production Company Limited ('SPCDL'):** The Chairman of Seplat is a director and shareholder of SPDCOL. SPDCOL provided consulting services to Seplat.

page 46. **Related party relationships and transactions**

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

**19a. Transactions**

The Service provided by related parties are:

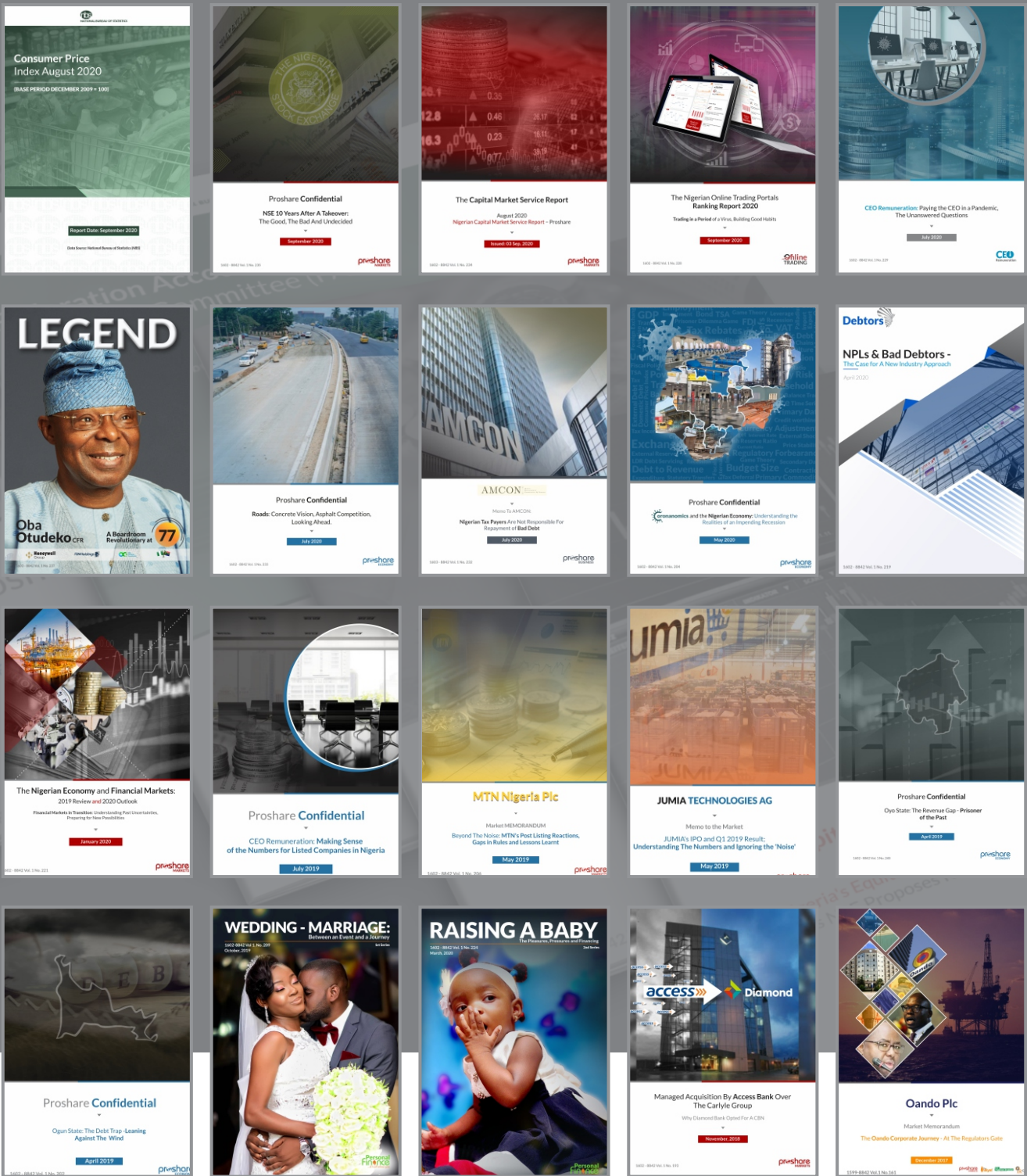
**“Cardinal Drilling Services Limited** (formerly Caroil Drilling Nigeria Limited): is owned by common shareholders with the parent company. The company provides drilling rigs and drilling services to Seplat.”



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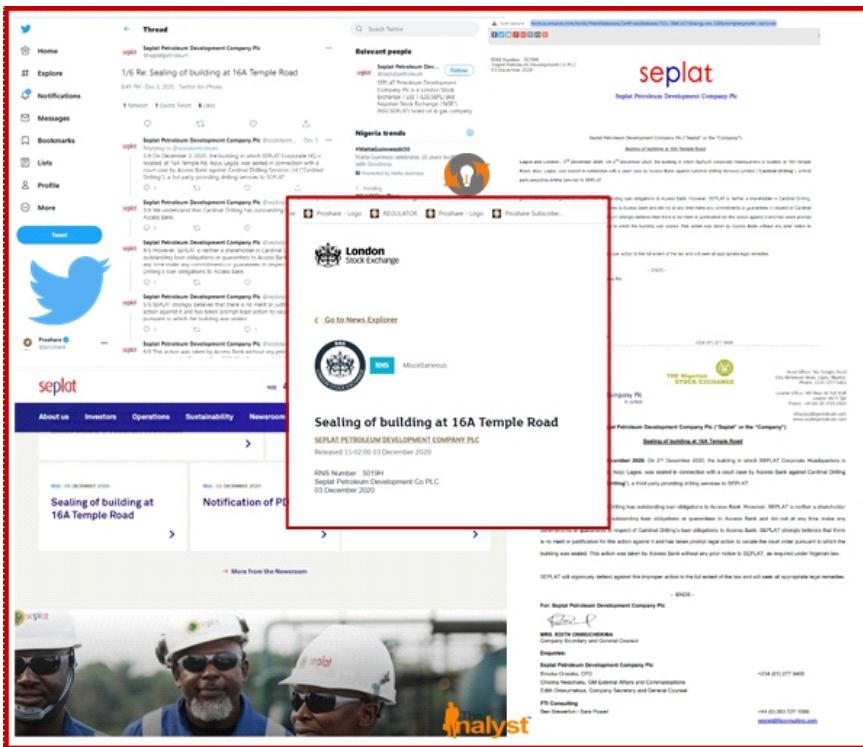
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1. Seplat twitter Seplatpetroleumstatus on temple Road
2. Seplat PressReleases
3. Seplat's Corporate Disclosure on the London Stock Exchange
4. Seplat website
5. Seplat's Corporate Disclosure on the Nigeria Stock Exchange



Source: Screensgrabs of releases direct from platforms indicated

## Seplat's Related Party Relationship with Cardinal Drilling Nigeria

1. Seplat 2019 Audited Report – Note 42, page 226
2. Seplat Q1 2019 Interim Result – Note 24, page 35
3. Seplat Q3 2016 Interim Result – Note 19, page 46
4. CARDINAL DRILLING Nigeria – Homepage
5. SEPLAT Plc Refutes Being Party to Cardinal Drilling Services Loan with Access Bank
6. IAS 24 – Related Party Disclosures

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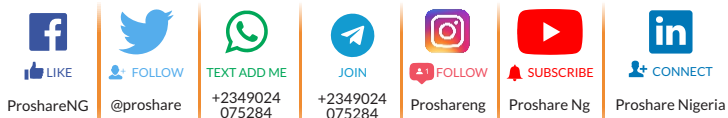
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1. Executive Summary: NPLs & Bank Debtors - The Case for a New Industry Approach - May 14, 2020
2. (PDF) NPLs & Bad Debtors: - The Case for a New Industry Approach - Debtors Africa, May 13, 2020
3. Operational Guidelines on Global Standard Instruction (GSI) - CBN, Jul 15, 2020
4. Memo To AMCON: Nigerian Tax Payers are not Responsible for Repayment of Bad Debt – Jul 23, 2020
5. AMCON and Financial Services Debt Burden in Nigeria - Aug 17, 2018
6. Key Takeaways from the CBN GSI Guidelines and the Case for a New Approach
7. CBN Issues Operational Guidelines on GSI to Facilitate Improved Credit Repayment Culture
8. Debtors Africa: Chike-Obi's Alternative View on AMCON & Matters Arising
9. Debtors Africa Launches Searchable Digital Database of Recalcitrant and Delinquent Debtors
10. Why Publishing Names of Delinquent Bank Debtors is in the Public Interest
11. The CBN Directive on Publication of Delinquent Bank Debtors: Some Data Privacy Ramifications
12. O and O Networks Limited and ETI Appeal Court of Appeal Judgement on Disputed Airtel Shares
13. AMCON Takes Over Jimoh Ibrahim's Prime Assets Over N69.4bn Debt
14. N4bn Debt: Court Grants AMCON's Request to Take Over Firm's Asset
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## Appendixes

### Appendix 1:

#### **SEPLAT Plc Refutes Being Party to Cardinal Drilling Services Loan with Access Bank**

*Thursday, December 03, 2020 / 12: 04 PM / Comments off SEPLAT Release/ Header Image Credit: Seplat Petroleum*

Over the week, the Corporate Headquarters of Seplat Petroleum Development Company Plc (SEPLAT) at No. 16A Temple Road, Ikoyi, Lagos was sealed by policemen on Wednesday, December 2, 2020, ostensibly on behalf of a Receiver/Manager appointed by one of Nigeria's tier-1 lending institutions, Access Bank Nigeria Plc. According to a manager at the company, the sealing order prevented the company's staff and other tenants from accessing the building.

Routine enquiries concerning the sealing suggest that SEPLAT received copies of legal documents which included the following: a letter dated 2nd December 2020 from Messrs Kunle Ogunba & Associates, stating that they had been appointed as the Receiver/Manager of the building; Court documents filed by Access Bank against SEPLAT, Cardinal and other named Defendants.

SEPLAT's Corporate Headquarters was believed to have been sealed within the week in line with an ex parte Court Order dated 13th November 2020, which was obtained in favour of Access Bank Plc in connection with a Loan Facility the bank granted to Cardinal Drilling Services Limited.

#### **The Meat of The Matter**

Investigations also revealed that in 2012, Cardinal Drilling Services Limited obtained a Facility from Diamond Bank (now Access Bank) to purchase the CDS Rigs 101, 201, 202, and 203. The Facility was secured by a fixed and floating Debenture over Cardinal's assets (the "Debenture").

Managers at SEPLAT say the company was not a party to the Facility or the Debenture and did not provide any guarantees or indemnities on behalf of Cardinal or otherwise in connection with the Facility.

It was understood that Cardinal Rigs were used to provide drilling services to SEPLAT and other companies. CDS 101 and 201 were used to execute SEPLAT's 2019 work programme and all 4 Rigs were critical to SEPLAT's future drilling plans.

With time, it was understood that Cardinal was unable to service the outstanding part of the Facility, which Access Bank showed to be an outstanding debt of US\$85.8m.

It was learned that Cardinal and Access Bank had on the 15th January 2019, agreed on a settlement of \$45 Million, to be paid in two (2) installments by 31st December 2019.

On the 25th of April 2019, Cardinal failed to pay the 1st tranche of the settlement amount (i.e., \$30 Million), which was due on or before the 18th of April 2019.

## SEPLAT's Supply Chain Intervention

Given the importance of the Cardinal Rigs to SEPLAT's operations, SEPLAT supported discussions between Cardinal and Access Bank to resolve Cardinal's indebtedness and Access Bank's proposed foreclosure on the Rigs.

To date, managers at SEPLAT insist that the company has not made any binding commitment to Access Bank in connection with Cardinal's indebtedness.

Indeed, SEPLAT claims to have merely sought to support settlement discussions between Cardinal and Access Bank, to retain its continued use of the Cardinal Rigs in ongoing operations which was, therefore, basically a vertical supply chain protection strategy.

Following Cardinal's increasing indebtedness and failure to pay the agreed settlement, Access Bank joined SEPLAT in its remedial action strategy to recover its loan from Cardinal.

According to available information Cardinal, in its response to Access Bank, noted that it was in discussions with SEPLAT on possible funding support.

## Cardinal's Deadly Debt Migraine

Clause 6 of the Deed of Debenture on the loan facility granted to Cardinal allowed Access Bank the right to appoint a Receiver/Manager over the company's assets if Cardinal failed to liquidate the Facility. On 12th October 2020, Access Bank appointed Kunle Ogunba & Associates to act as the Receiver/Manager.

On 13th November 2020, Access Bank filed a Court action against SEPLAT; Cardinal; a Seplat Director; and a Cardinal Director (the "Defendants").

According to court proceedings, Access Bank asked the Court grant the following prayers: validate the appointment of Kunle Ogunba & Associates as the Receiver/Manager; validate the Receiver/Manager's authority to take possession of the 4 Cardinal Rigs and other assets of persons and companies presumably connected to Cardinal drilling; restrain all Defendants from disposing or dealing with the Assets; declare that the Defendants have no right to enter into, or deal with, any of the Assets.

A call to an officer at SEPLAT, who requested for anonymity as he was not authorized to speak on the matter, confirmed that the company's office was sealed without prior notice. He noted that the official legal counsel of the company had observed that the sealing of the Temple Road office of the upstream Oil and Gas company may have been in violation of the rights of the owner and other tenants who were allegedly unduly prevented from accessing the building.

The officer further noted that the Temple Office was not one of SEPLAT's assets, as SEPLAT was merely a tenant in the building. He believed that any court order on SEPLAT's assets did not extend to the Temple Road premises of the company.


## Related Links to Release

1. [Seplat twitter Seplatpetroleum status on temple Road](#)
2. [Seplat PressReleases](#)
3. [Seplat website](#)
4. [Seplat's Corporate Disclosure on the NSE](#)

## Editors Note:

In the light of the claims made above and the information available from financial returns/reports; we are looking at and will report on the governance/related party relationship between Seplat PLC and Cardinal Drilling Nigeria.

### OUTLOOK FOR 2020 AND DRIVERS OF FUTURE VALUE




**Short Term Focus On Efficiency, Cash Generation, Longer Term Significant Growth Prospects**

**GUIDANCE FOR 2020**

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**VOLUME GUIDANCE UNCHANGED**

 **47 - 57 Kboepd**  
(Includes Impact Of OPEC - Quota Cuts in July/August)


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**HEDGING (PUTOPTIONS)**

Hedge	Q3 2020	Q4 2020	Q1 2021
Amount	1.5 MMbbl	1.5 MMbbl	1.0 MMbbl
Price	\$45	\$30	\$30

---

**CAPEX**

 **\$ 120m** for full year  
\$86 million spent in H1 2020


**SHORT TERM VALUE DRIVERS (0-2 YEARS)**

1. Increase in production from Eland's OML40/Ubima fields, with exports not dependent on Seplat's existing export routes
2. Greater and more reliable output expected from OMLs 4,38, and 41 as Amukpe-Escravos pipeline assures more secure flow, reduces losses through shut-ins and vandalism
3. Potential for dedicated export route to support OML 40 and OML 4,38,41, reducing handling costs and reconciliation losses
4. Improved uptime from increased focus on operational improvements in 2020, increased field development
5. Prioritise prolific swamp wells to increase production
6. Significant reserve upgrade potential from Eland's Amobe prospect at OML40, benefitting from Eland expertise

**LONGER TERM VALUE DRIVERS (2+ YEARS)**

1. Significant opportunity from gas displacement of diesel generators as government prioritises gas-fired electricity
2. ANOH significantly boosts potential income from gas from 2022, further decoupling value from oil price volatility, expansion potential beyond 300MMscfd to serve increasing demand
3. Opportunity to increase scale of oil and gas businesses through M&A as IOCs divest Nigerian assets
4. \$400m+ cash flows expected from Westport loan repayments

Source: Seplat Petroleum Development Company Plc



Visit [Seplat Petroleum Development Company Plc IR Page](#) in Proshare MARKETS

## Graph - One Year Share Price Movement

Area Chart by TheAnalyst



## Appendix 2:

# Sealing of building at 16A Temple Road

## SEPLAT PETROLEUM DEVELOPMENT COMPANY PLC

Released 15:02:00 03 December 2020

RNS Number : 5019H

Seplat Petroleum Development Co PLC

03 December 2020

Seplat Petroleum Development Company Plc ("Seplat" or the "Company")

### Sealing of building at 16A Temple Road

Lagos and London - 3<sup>rd</sup> December 2020: On 2<sup>nd</sup> December 2020, the building in which SEPLAT Corporate Headquarters is located, at 16A Temple Road, Ikoyi, Lagos, was sealed in connection with a court case by Access Bank against Cardinal Drilling Services Limited ("Cardinal Drilling"), a third party providing drilling services to SEPLAT.

We understand that Cardinal Drilling has outstanding loan obligations to Access Bank. However, SEPLAT is neither a shareholder in Cardinal Drilling, nor has outstanding loan obligations or guarantees to Access Bank and did not at any time make any commitments or guarantees in respect of Cardinal Drilling's loan obligations to Access Bank. SEPLAT strongly believes that there is no merit or justification for this action against it and has taken prompt legal action to vacate the court order pursuant to which the building was sealed. This action was taken by Access Bank without any prior notice to SEPLAT, as required under Nigerian law.

SEPLAT will vigorously defend against this improper action to the full extent of the law and will seek all appropriate legal remedies.

- ENDS -

For: Seplat Petroleum Development Company Plc

**MRS. EDITH ONWUCHEKWA**  
Company Secretary and General Counsel

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**Seplat Petroleum Development Company Plc ("Seplat" or the "Company")**

**Sealing of building at 16A Temple Road**

**Lagos and London – 3<sup>rd</sup> December 2020:** On 2<sup>nd</sup> December 2020, the building in which SEPLAT Corporate Headquarters is located, at 16A Temple Road, Ikoyi, Lagos, was sealed in connection with a court case by Access Bank against Cardinal Drilling Services Limited ("Cardinal Drilling"), a third party providing drilling services to SEPLAT.

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**For: Seplat Petroleum Development Company Plc**

**MRS. EDITH ONWUCHEKWA**  
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**Notes to editors**

Seplat Petroleum Development Company Plc is a leading indigenous Nigerian energy company with a strategic focus on Nigeria, listed on the Main Market of the London Stock Exchange ("LSE") (LSE:SEPL) and Nigerian Stock Exchange ("NSE") (NSE:SEPLAT). Seplat is pursuing a Nigeria focused growth strategy and is well-positioned to participate in future divestment programmes by the international oil companies, farm-in opportunities and future licensing rounds. For further information please refer to the company website, <http://seplatpetroleum.com/>

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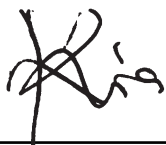
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Head, Research

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Managing Editor

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December 2020