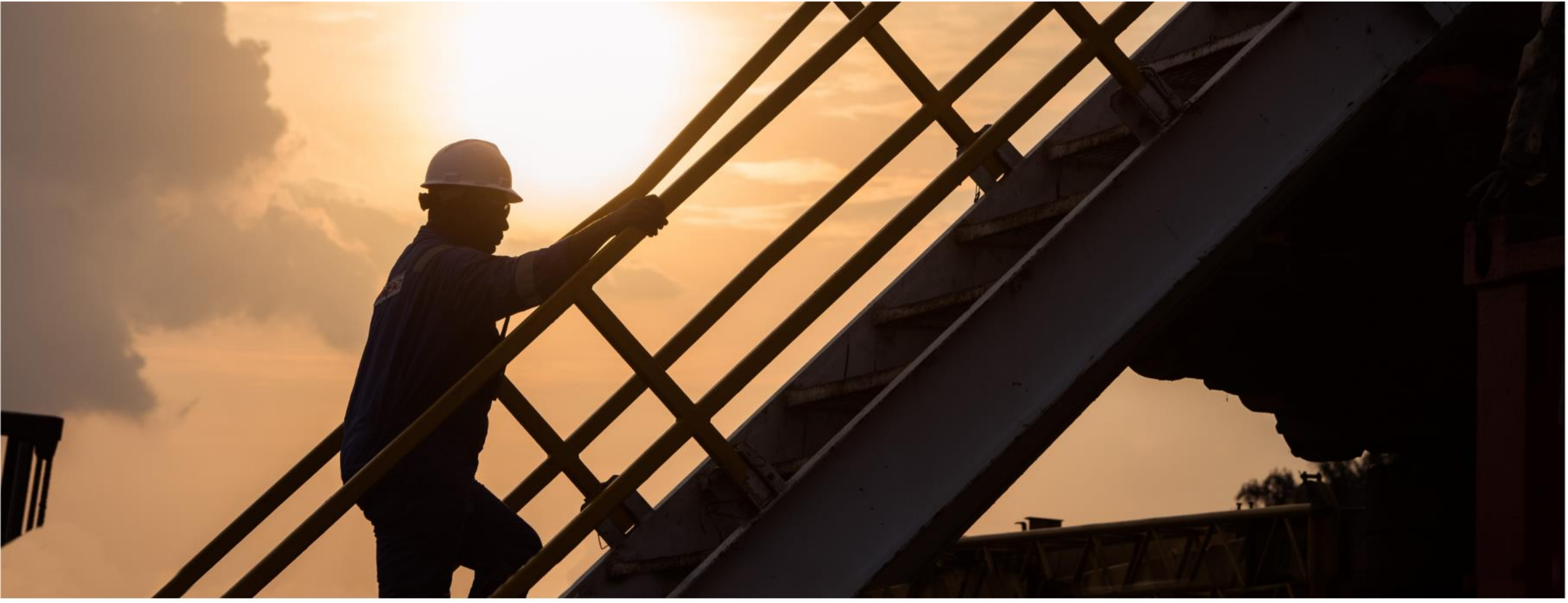

Seplat Petroleum Development Company Plc
Full year 2019 financial results
23 March 2020

Resilience and Strength

Seplat Petroleum Development Company Plc

Audited results for the year ended 31 December 2019

Lagos and London, 23 March 2020: Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), a leading Nigerian independent oil and gas company listed on both the Nigerian Stock Exchange and London Stock Exchange, today announces its audited results for the financial year ended 31 December 2019.

Highlights

Financial

- Revenue of US$698 million down 6.5% on lower production and oil price
- Profit before deferred tax of US$270 million, up 13.4%
- Total capital expenditure of US$125 million, US$114 million on oil and gas assets
- Cash flow from operations US$338 million
- Cash at bank US$333 million
- Final dividend maintained at US$0.05 per share

Operational

- Low unit cost of production at US$6.20/boe
- Working interest production 46,498 boepd in line with 2019 revised guidance of 45,000 – 48,000 boepd
- Liquids production of 23,935 bopd
- Gas production of 131 MMscfd
- FID taken for 300MMscfd ANOH gas processing facility; first gas now expected Q4 2021

Landmark acquisition of Eland Oil & Gas PLC

- Increases Seplat's WI liquids production by 9Kbopd, increases WI 2P liquids reserves by 36MMbbls
- Loan due from Elcrest to Eland of US$414 million at year end; loan maturity 31 December 2024
- Adds upside potential from unappraised discoveries e.g. Amobe, plus new export routes
- Eland achieved a record day's WI liquids production of 17 kbopd on 17 March 2020.

Outlook

- Expected production of 47-57 kboepd (inc. Eland 6-10kbopd) for full year, subject to market conditions
- 1.5MMbbls/quarter hedged at US$45/bbl from Q1 to Q3 2020
- Significant cash balance available
- Low cost of production enables profitability at levels below current oil price
- 2020 expected capex of US$100 million; US$50 million of which spent in YTD.
- Manage 2020 drilling programme to suit market conditions and preserve liquidity, minimum three wells

Austin Avuru, Chief Executive Officer, said:

"As we enter a challenging phase for the global economy, Seplat will benefit from being a resilient company built on the solid foundations of prudent financial management and the careful mitigation of risk.

We have previously been tested by crisis. We successfully navigated the twin challenges of the 2014/2015 oil price shock, which was immediately followed by the 16-month Trans Forcados shut-in, which drastically reduced our liquids production. Thanks to our flexibility in managing cash flows we emerged a stronger and better-funded company, ready to take advantage of new opportunities.

Compared to those difficult periods, today's Seplat has more cash on its balance sheet and is even more robust and diversified thanks to our continuing investments in gas, with its long-term contracts and independence from oil price volatility. We are a low-cost producer and will continue to manage our finances prudently.

With the recent addition of Eland and the availability of new pipelines, our oil business is broadening and derisking its production fields and routes to market to assure even greater security of revenues in the future. In the coming year we will focus our investment only on the highest-returning projects, whilst carefully balancing our future needs with prevailing market realities. The challenges before us may be significant, but we are confident that the resilience and discipline of our business will help us consolidate our position as Nigeria's leading independent oil and gas producer."

Summary of performance

	US$ million			₦ billion	
	FY 2019	FY 2018	% change	FY 2019	FY 2018
Revenue	697.8	746.1	(6.5%)	214.2	228.4
Gross profit	395.7	391.2	1.2%	121.5	119.8
Operating profit	312.0	309.9	0.7%	95.7	94.9
Profit before deferred tax	270.3	238.2	13.5%	83.0	72.9
Operating cash flow	337.8	501.5	(32.7%)	103.5	153.6
Working interest production (boepd)	46,498	49,867	-6.8%		
Average realised oil price (US$/bbl)	64.40	70.13	-8.2%		
Average realised gas price (US$/Mscf)	2.84	2.94	-3.4%		

Outlook for 2020

The emergence of the COVID-19 pandemic in the first quarter of 2020, as well as pressure on oil prices in March, have placed a premium on solid financial management that focuses upon low-cost production, robust cash management, a strong balance sheet and focused investment in high-return projects for sustainable future growth.

The business is hedged against low oil prices and a significant proportion of our revenues now come from gas, which offers further protection from oil price volatility. The Company has low production costs and can remain profitable even at lower oil prices. We have significant cash resources available and will manage our finances prudently in 2020, expecting now to invest just US$100 million of capital expenditure (US$50 million spent in Q1 2020), with a target of three new wells across our portfolio. We will also continue to focus on our investments in gas and the completion of the ANOH project remains a major priority.

At present we are targeting 2020 production of between 47-57 kboepd, including Eland production of 6-10 kbopd, subject to continuous evacuation being possible.

Seplat has been tested in previous adverse conditions and we are confident that the stronger and more diverse business we operate today will be even more resilient against these unprecedented market events. The integration of Eland Oil & Gas PLC will position the Group strongly when the market recovers and we are pleased to report that on 17 March 2020, OML 40 produced a record 17 kbopd as recorded by its LACT. We remain optimistic about our long-term growth and success.

Webcast and conference call

At 09:00 am GMT (London) / 10:00 am WAT (Lagos) on 23 March 2020, Austin Avuru (CEO), Roger Brown (CFO) and Effiong Okon (OD) will host a webcast and conference call to discuss the Company's results.

The webcast can be accessed via the Company's website http://seplatpetroleum.com/
or at the following address: https://secure.emincote.com/client/seplat/seplat004

To listen to the audio commentary only, participants can use the following telephone number:

Telephone number (UK toll free and international access): +44 (0) 203 059 5869

Conference title: Seplat Petroleum 2019 Full Year Results

If you are listening to the audio commentary and viewing the webcast, you may notice a slight delay to the rate the slides change on the webcast. If this is affecting you, please download the pdf slide pack from the Company's website http://seplatpetroleum.com/

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Notes to editors

Seplat Petroleum Development Company Plc is Nigeria's leading indigenous oil and gas exploration and production company. It is listed on the Nigerian Stock Exchange (NSE: SEPLAT) and the Main Market of the London Stock Exchange (LSE: SEPL).

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

Important notice

The information contained within this announcement is unaudited and deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Certain statements included in these results contain forward-looking information concerning Seplat's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which Seplat operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within Seplat's control or can be predicted by Seplat. Although Seplat believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. Actual results and market conditions could differ materially from those set out in the forward-looking statements. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Seplat or any other entity, and must not be relied upon in any way in connection with any investment decision. Seplat undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Operating review

Working interest reserves

		Working interest 2P reserves at 1/1/19			Working interest 2P reserves at 1/1/20		
	Seplat %	Liquids MMbbls	Gas Bscf	Oil equivalent MMboe	Liquids MMbbls	Gas Bscf	Oil equivalent MMboe
OMLs 4, 38 & 41	45.0%	174	669	289	164	687	282
OPL 283	40.0%	6	65	17	5	69	17
OML 53	40.0%	43	739	170	45	738	172
OML 55	Financial interest	4	0	4	2	0	2
OML 40	34.9%	-	-	-	29	0	29
Ubima	88.0%	-	-	-	7	0	7
Total		**227**	**1,473**	**481**	**252**	**1,494**	**509**

Seplat's working interest 2P reserves, as assessed independently by Ryder Scott at 1 January 2020, stood at 474 MMboe, comprising 216 MMbbls of oil and condensate and 1,494 Bscf of natural gas. This represents an organic decrease in overall 2P reserves of 1.5% year-on-year, due to production but mitigated by movements from the contingent resource category. Working interest 2C resources stood at 85 MMboe, comprising 53 MMbbls of oil and condensate and 188 Bscf of natural gas.

Separately, as assessed independently by Netherland Sewell & Associates Inc. (NSAI) at 1 January 2020, Eland Oil & Gas Ltd's working interest 2P reserves stood at 36 MMbbls, with 2P reserves + 2C resources at 56 MMbbls. Note that Eland has a 45% Working Interest in OML40 until the Westport loan is fully repaid by end of 2024 in accordance with the loan agreement ($414 million loan balance as at 31 December 2019), reverting to 20.25%. Ubima has a 88% Working Interest in the Ubima marginal field until the carry has been reached, reverting to 40%. NSAI has assessed the effective WI interest to be 34.9% and 74.1% respectively.

Consequently, following the recent business combination, the enlarged Group's working interest 2P reserves and 2C resources increased to 615 MMboe at 1 January 2020, comprising 326 MMbbls oil and condensate and 1,682 Bscf of natural gas.

Working interest production for the 2019 financial year

		2019			2018		
	Seplat %	Liquids[(1)] bopd	Gas MMscfd	Oil equivalent boepd	Liquids bopd	Gas MMscfd	Oil equivalent boepd
OMLs 4, 38 & 41	45.0%	21,031	131	43,593	23,679	145	47,876
OPL 283	40.0%	1,157	-	1,157	1,017	-	1,017
OML 53	40.0%	1,747	-	1,747	974	-	974
Total		**23,935**	**131**	**46,498**	**25,669**	**145**	**49,867**

(1) Liquid production volumes as measured at the LACT unit for OMLs 4, 38 and 41 and OML 152 flow station. Volumes stated are subject to reconciliation and will differ from sales volumes within the period.

Full-year average working interest production for 2019 was within revised guidance and stood at 46,498 boepd, which represents an overall decrease of 6.8% year-on-year. Within this, liquids production was down 6.8% year-on-year whilst gas production was down 9.7% year-on-year. Full-year production guidance on a working-interest basis was revised in the third quarter, following slippage to the intended production drilling programme as a result of rig mobilisation delays. The figures do not incorporate Eland Oil & Gas PLC's production for the period, which was 8,963 bopd.

Production uptime stood at 92%, whilst the overall reconciliation losses arising from use of third-party infrastructure were around 12% for the year.

Oil business performance

Seplat's oil operations produced an average 23,935 bopd on a working interest basis during 2019, down 6.8% on 2018 because of the delays to drilling mentioned above. By the second half of the year, four drilling rigs (two land rigs, one swamp barge and one workover rig) were operational to drill out the revised capex programme with eight oil wells including five new drills and three workovers executed in 2019. The wells flowed at a combined initial rate for the joint venture of approximately 18,700 bopd. Two additional oil wells and one gas well were spudded in the fourth quarter of 2019 and completed in the first quarter of 2020.

The average price realised per barrel in 2019 was $64.40 (2018: $70.10).

OML 4, 38 & 41

Seplat holds a 45% working interest in OMLs 4, 38 and 41, with the NPDC holding the remaining 55% interest.

On OML 4, the partners drilled a new gas production well at Oben-48, which came onstream in the first quarter of 2020.

On OML 38, further to the earlier commissioning of the liquid treatment facility ('LTF') at the Amukpe field, the Company undertook a crude quality upgrade project aimed at achieving an export grade specification of 0.5% BS&W maximum and produced water injection of ca. 25kbwpd. By doing this, Seplat has scope to eliminate the cost component of crude handling charges that have historically been incurred for exporting wet crude to the Forcados terminal and free up additional ullage on the export pipeline for dry crude. During the year, phase one and phase two were completed, which enabled the Company to achieve a short-term solution to deliver 40kbwpd of injectable treated water. Modifications can now allow for more than 40kbopd of dry crude.

The two development wells completed in the period, Ovhor-18 and Ovhor-19, came onstream at an average rate of 3.9kbopd.

On OML 41 the ongoing focus was on full development of Sapele Shallow, which overlies the productive reservoirs in the main Sapele field and is estimated to hold a significant accumulation of oil (around 500 MMbbls STOIIP).

In H1 2019 it was necessary for the Company to delay drilling of the planned Sapele oil production wells due to requirements for the drilling contractor to undertake safety upgrades on the allocated 2000 HP rig.

In addition to the Trans Forcados Pipeline system and the back-up export via the Warri refinery, the Amukpe to Escravos pipeline is set to provide a third export option. The pipeline owners, NAPIMS and contractor FENOG are responsible for completion of the pipeline, which has seen significant delays to date. The 67km pipeline has been hydrotested and is now being dewatered and prepared for production operations. The completion works (at a cost of around $0.5m), includes the accommodation of final change to the tie-in location of the production line, installation of the Chevron check meters, completion of the Fire and gas system and commissioning of the LACT fiscal meter. Commissioning is expected to occur during H1 2020.

Liquid Treatment Facility Phase 3, which constitutes the final stage of completion of the upgrade project, will begin in 2020 and includes the expansion of Produced Water Management with new water injection wells and water injection infrastructure.

OPL 283

Seplat holds a 40% working interest in OPL 283, alongside partner Pillar Oil.

The Igbuku 3D seismic data acquired by Pillar-Newton JV was interpreted and formed the basis for the Integrated Petroleum Engineering Studies (IPES) concluded in 2019. The studies and ongoing Field Development Plan will underpin the Igbuku gas development. Further to the Anagba-1 appraisal well, Pillar-Newton JV and other Partners have executed the Ashaka/Anagba PUA, which was forwarded to NAOC to finalize with NNPC. Ashaka/Anagba production allocation to Pillar-Newton JV is expected once all agreements are concluded.

OML 53

Seplat has a 40% working interest in OML 53 alongside its partner the NNPC. Apart from its oil, OML 53 has a substantial gas reserve that will provide feedstock for the ANOH gas processing plant that Seplat is building in partnership with the National Gas Company (NGC).

Seplat undertook a rig-based re-entry and completion of two wells drilled by the previous operator at the Ohaji South (OHS) oil field. The two wells came onstream in 2019 at an average production rate of 5.8 kbopd. In addition to the two OHS wells, the Company carried out workover operations on Jisike-6, thus ramping up production in the acreage from ca.2.5 kbopd to achieve an exit rate of ca. 9.0 kbopd. Other projects carried out during the year were focused on supporting production from OHS field, which included the development of new infrastructure (installation of a 10 kbopd EPF, construction of 4" x 4.5 km flowlines, 6" x 12 km bulkline and 4" x 12 km test line and installation of a production manifold at OHS field).

In line with the Company's strategy to establish multiple evacuation routes, Seplat plans to construct a crude export line to convey production from OHS field into Ebocha-Brass Trunkline via Ebocha manifold. This will provide an alternate evacuation route to Brass Terminal and thereby help alleviate production deferment in the field.

At ANOH, preparation of the well locations is to be completed and two wells are planned to be drilled by the upstream operator, SPDC. With civil works commenced, materials are expected on site by the third quarter, towards the Q4 2021 revised commissioning date.

OML 55

In accordance with the revised commercial arrangement that was agreed in July 2016, which provides for a discharge sum of US$330 million to be paid to Seplat over a six-year period through allocation of crude oil volumes produced at OML 55, Seplat received payments amounting to US$36 million in 2019. Total payments received from inception to the end of 2019 stood at US$120 million and the outstanding discharge sum to be paid to Seplat is US$210 million. The 40% operated interest in OML 55 continues to be jointly controlled by Seplat and Belemaoil over the period of this arrangement through an Asset Management Team comprising representatives of both parties.

In 2020, Seplat will continue to monetise liftings towards full recovery of the US$330 million discharge sum.

Acquisition of Eland Oil & Gas PLC

On 17 December 2019, Seplat completed the acquisition of Eland Oil & Gas PLC, which holds a 45% interest in Elcrest, a company which has a 45% interest in OML 40. Since inception, Eland has been the sole funder of Elcrest through its 100% owned subsidiary Westport, which acts as a lender. The year-end balance on the Westport loan was US$414 million and the loan is due to be fully repaid by 31 December 2024. While the loan is outstanding, Eland will continue to consolidate 100% of Elcrest into its accounts. On full repayment of the loan, the working interest will revert to 20.25%. Eland also has a 40% interest in the Ubima marginal field and is carrying the cost of the development in return for a 88% WI until the carry has been reached.

This acquisition has materially enlarged our inventory of production, development, appraisal and exploration opportunities. Eland's asset management structure fits into Seplat's existing structure well and Seplat's knowledge of Eland's producing assets and operations has enabled an efficient process of integration.

The integration process will be implemented over the course of the year and is being led by an expert team that consists of technical, finance and operations personnel. The integration is proceeding well, achieving synergies, pooling of resources, increased efficiency of operations and streamlining of procedures.

Eland's working interest production averaged 8,963 bopd for the year and has not been reflected in these results given that the acquisition became effective on 31 December 2019. Eland's production will be consolidated from January 1, 2020.

OML 40 activities

In 2019, first production from the Gbetiokun oil field was achieved in July via the 22,000 bopd early production facility ("EPF"), which will process all reservoir fluids produced under the initial phase of the Gbetiokun development. While the permanent export solution is progressed, evacuation of processed crude will be via shuttle tankers from Gbetiokun to the injection point on the main OML 40 export pipeline.

The Gbetiokun-3 well was completed early in the year as a dual string producer. The Gbetiokun-4 development well was spudded in July, but completion operations were suspended due to technical issues. Additional equipment and resources required to complete the operation were not available in Nigeria and therefore the next planned development well, Gbetiokun-5, was spudded while completion equipment for Gbetiokun-4 was sourced.

Dredging activities to allow rig access for Eland's first exploration well on the Amobe prospect advanced during the year along with other preparatory activities for drilling of the high-impact, near-field prospect. Amobe carries an unrisked best estimate gross prospective oil resource of 78 MMbbls.

With the OES Teamwork drill rig deployed on other projects within the block, the Opuama focus was on reservoir management ranging from incorporation of recent drill well results in subsurface models, production monitoring, well optimisation and the identification of further opportunities to increase overall recovery.

Update on export routes

The Company's strategy to create multiple export routes for its assets has resulted in actively pursuing alternative crude oil evacuation options for production at OMLs 4, 38 and 41 and potential strategies to further grow and diversify production in order to reduce any over-reliance on one particular third-party operated export system.

In line with this objective, the Company has retained access to two jetties at the Warri Refinery that will enable sustained exports of 30,000 bopd (gross) if required, should there be problems with the primary export route, the Trans Forcados Pipeline (TFP). However, it was not necessary for the Company to activate this alternative export route during 2019 as the uptime on the TFP was at 92%. Security initiatives undertaken by the Nigerian government as well as existing strategies held in place by the Company have ensured that minimum downtime was experienced on this previously troubled route.

In 2020, the Amukpe to Escravos pipeline is set to provide a third export option for liquids production from OMLs 4, 38 and 41. While completion work on the 160kbopd pipeline has been slower than anticipated due to delays in the contractor delivery schedule, final activities including the installation of the LACT unit are progressing well. We expect that the pipeline will be commissioned during the first half of 2020 and become fully operational to the initial permitted volume for the Seplat / NPDC joint venture of 40 kbopd.

In addition, the acquisition of Eland Oil & Gas PLC provides a separate export route from OML 40 along the Trans Escravos Pipeline (TEP), thereby assuring exports do not use the Trans Forcados Pipeline, which suffers from higher reconciliation losses and downtime. There is an option being explored to connect the AEP line to the TEP through a short 8k spur providing an additional route for OML4,38 and 41 production. In addition, an option exists to combine the production and secure an offshore Floating Production Storage and Offloading (FPSO) facility and use it as a crude oil export terminal. This should significantly improve sales volumes by reducing downtime and reconciliation losses currently experienced by using third party infrastructure, which are budgeted to be on average an aggregate of 30% per annum. A dedicated team is developing the export options and we will communicate the details in due course.

Gas business performance

Alongside the oil business, the Company has also prioritised the development and commercialisation of the substantial gas reserves identified at its blocks. Today, the Company is a leading supplier of processed natural gas to the Nigerian domestic market.

In 2019, Seplat's working interest production was 131 MMscfd at an average selling price of US$2.84/Mscf.

Oben Gas Plant

The gas projects planned for 2019 were pushed into 2020 when the Company prioritised oil development drilling that would immediately impact on production, following rig mobilisation delays that compressed the initial work programme for the full year of 2019 to just the second half. Therefore, the focus for gas in 2019 was the drilling of the Oben-48 well, which came onstream in the first quarter of 2020.

During the period, an agreement was reached with NPDC in the operating committee to back in their rights to 55% of the Seplat sole risk funded Oben gas plant 375MMscfd capacity expansion completed in 2015. The transfer of NPDC's 55% interest was concluded in H2 2019 at a total agreed payment of US$168million, US$67million reflecting past gas tolling charges and a balance of US$101 million.

Sapele Gas Plant

Works commenced towards the new Sapele integrated gas processing facility, which will increase processing capacity from 60 MMscfd to 75 MMscfd. During the year the Front-End Engineering Design (FEED) and Layer of Protection Analysis (LOPA) were completed and the decommissioning of the existing facility began in the final quarter. With the decommissioning of the existing facility ongoing, the Company will take delivery of the major upgrade packages and commence installation at the end of 2020. The project completion date is expected to be first half 2021.

ANOH gas plant development

The ANOH gas plant development at OML 53 (and adjacent OML 21 with which the upstream project is unitised) will drive the next phase of growth for Seplat's expanding gas business. The project will comprise a Phase One 300 MMscfd midstream gas processing plant.

In March 2019, the Seplat Board announced that it had taken the Final Investment Decision ('FID') to proceed with the ANOH project. The upstream development, including the drilling of 6 production wells, will be delivered by the upstream unit operator SPDC.

The project, managed by the AGPC project management team, is on budget, with site clearing completed in May 2019. Key contracts to supply gas process modules were awarded to GPS, while specialist rotating equipment was awarded to PCSNL, a subsidiary of Baker Hughes (GE). The Integration Detailed Engineering Design was awarded to International Engineering Services Ltd (IESL/Doris).

The civil foundation works, plant roads and drainage contracts were awarded to local contractors Zerock Construction Nigeria Ltd and Kenno-Mena Ltd. Some 60% of the Model and Design Review of gas process modules has been completed, with first steel cutting and commencement of fabrication of gas process modules achieved in December 2019.

The total project cost is budgeted at US$700 million. At year end, NGC and Seplat each made an equity investment of US$150 million (US$300 m combined). Seplat and NGC will each contribute a further US$60 million equity investment (US$120 million total) in 2020 with accompanying debt funding to be finalised.

Having reviewed the construction schedule and progress on the OB3 gas pipeline, the project completion date has been revised from Q1 2021 to Q4 2021.

CEO succession

On 18th November 2019, Seplat announced that Chief Financial Officer Roger Brown will become Chief Executive Officer when Austin Avuru retires at the end of July 2020. Mr. Brown joined Seplat in 2013 as the CFO and played a key role in the successful dual listing of the Company in 2014. Similarly, since joining the Company, he has played significant roles in various asset acquisitions by the Company.

He will bring to the CEO role, a deep knowledge of the Company in his seven years as CFO and a member of the Board. He has strong financial, commercial and M&A experience as well as proven people skills that will be an asset as the Company embarks on the next phase of its growth plan.

Board change

During the year, the Board accepted the voluntary resignation/retirement of Mr. Macaulay Agbada Ofurhie from the Board of the Company effective 30th June 2019. Mr. Ofurhie was appointed to the Board in March 2010 and served meritoriously before his resignation.

Nathalie Delapalme was appointed effective 18 July 2019. Madame Delapalme is an Independent Director on the Board of Directors of Maurel et Prom and has acted as an alternate to Maurel et Prom's nominee, Mr. Michel Hochard since 30th June 2014.

On 29 January 2020, after the end of the financial year, the Board of Directors announced the retirement of Mr. Michel Hochard as a Non-Executive Director of the Company. In his role as the Chief Executive officer of Maurel & Prom ("M&P"), Mr. Hochard was appointed to the Board of Seplat in 2009 as a nominee of M&P and served meritoriously before his retirement.

Following the retirement of Mr. Hochard as the Chief Executive Officer of M&P and from the Board of Seplat, the Board announced the appointment of Mr. Olivier de Langavant (who is now the Chief Executive Officer of M&P) as a Non-Executive Director of the Company effective January 28, 2020. Mr. Langavant replaced Mr. Hochard as a nominee of M&P on the Board of the Company.

Financial review

Revenue, production and commodity prices

Brent oil price averaged US$64.04/bbl over 2019 (2018: US$71/bbl), the average premium to Brent achieved by the Group in 2019 was US$0.36/bbl. Brent remained volatile throughout the year, trading between a low of US$54.91/bbl in January and a high of US$74.97/bbl in April, before exiting the year at US$66.00/bbl.

Total revenue for 2019 stood at US$698 million, down 6.5% from the US$746 million achieved in 2018. Crude oil revenue was US$495 million (2018: US$591 million) a 16.2% reduction compared to 2018, reflecting lower realised oil prices and production.

Average working-interest liquids production was 23,935 bopd, down 6.8% from 25,669 bopd in 2018, whilst the total volume of crude lifted in the year was 7.7 MMbbls compared to 8.4 MMbbls in 2018. The lower production was due to natural decline in the mature fields and rig mobilisation and availability delays that in turn delayed the execution of work that was designed to remediate this natural decline and incrementally increase production.

Gas revenue increased by 30% to US$203 million (2018: US$156 million), including gas tolling income of US$67 million. Gas sales contributed 29% of total Group revenue in 2019 (2018: 21%).

In prior periods, the Group had not recognised the related income or receivable for the tolling service because the basis for determining the fees had yet to be concluded with NPDC. However, during the period, an agreement was reached with NPDC to back-in their right to 55% of the 375MMscfd Oben gas plant expansion, which was financed sole risk in 2015. A payment of US$168 million was agreed between the parties, with US$67 million being booked as gas tolling revenues in the first half of 2019. The remaining US$101 million will be treated as a payment for the plant and of this, US$51 million was booked in the fourth quarter of 2019. The outstanding US$50 million is expected in the first half of 2020. This exercise will not affect future gas revenue due to Seplat as gas sales have been realised on a 45% working interest basis and no further tolling revenue will be recognised from the NPDC.

The average realised gas price was slightly lower, at US$2.84/Mscf (2018: US$2.94/Mscf), with total gas volumes sold of 131 Bscf (2018: 145 Bscf). The lower gas sales volumes reflect lower-than-expected gas production owing to constrained production from the Oben-47 well and delays in completing the Oben-48 gas well.

As Seplat already meets its Domestic Supply Obligation, the Group can pursue new gas offtake customers in order to achieve future contracts at more favourable commercial terms.

Gross profit

Gross profit increased slightly to US$396 million (2018: US$391 million) as a result higher gas processing revenues and lower non-production costs primarily consisting of royalties and DD&A, which were US$188 million compared to US$244 million in the prior year. The DD&A charge for oil and gas assets decreased to US$91 million during 2019 (2018: US$119 million), reflecting lower depletion of reserves because of decreased production compared to the prior year.

Direct operating costs, which include crude-handling fees, rig-related costs and operations and maintenance costs amounted to US$105 million in 2019 and remained flat against US$105 million in 2018. Lower crude-handling fees offset the higher rig-related costs that mostly relate to workovers which form part of expenses for the relevant reporting period.

During the year ended 2019, substantial repair and maintenance (work-over) were carried out to ensure adequate running of the wells. The higher operations and maintenance costs in the period reflected increased levels of asset integrity management activities being carried out.

On a cost-per-barrel basis, production opex was higher at US$6.20/boe (2018: US$5.77/boe) because of the decrease in production volumes compared to 2018.

Emphasis on careful cost management led to an 11% reduction year-on-year in general and administrative expenses, which stood at US$71 million (2018: US$80 million).

Operating profit

Operating profit for the year was US$312 million (2018: US$310 million), helped by the gas-tolling revenue recognised but set against the reversal of previously recognised accrued interest of US$40 million on NPDC receivables due to the settlement of these receivables.

Tax

The Group’s tax expense for 2019 was US$29 million, compared to US$117 million for 2018. Previously unrecognised deferred tax assets of US$20 million from prior years’ tax losses and unutilised capital allowances were recognised, after an assessment of the relevant entity’s future profitability showed recoverability of the deferred tax assets. This resulted in a deferred tax charge of US$6 million for the year (2018: US$ 92 million charge).

The estimated applicable average annual tax rate used for the year ended 31 December 2019 was 10% (2018: 44%). The reduction in the effective tax rate was principally due to the recognition of tax losses available for utilisation against future profit.

In May 2015, in line with sections of the Companies Income Tax Act, which provides incentives to companies that deliver gas utilisation projects, Seplat was granted a three-year tax holiday with a possible extension of two years. In 2018, upon review of the performance of the business, the Group provided a notification to the Federal Inland Revenue Service (FIRS) for the extension of claim for the additional two-year tax holiday. The financial statements have been prepared taking into consideration the impact of the additional tax holiday and this forms the basis for the Group's current income taxation and deferred taxation for the year ended 31 December 2019.

Net profit

Profit before tax adjustments, was US$293 million, up 11% compared to US$263 million in 2018. Finance charges for the period were lower due to the positive impact of deleveraging in the year. The net finance charge was US$20 million, compared to US$47 million in 2018. Net profit for 2019 was US$277 million (2018: US$147 million).

The resultant basic earnings per share was US$0.49 in 2019, compared to an EPS of US$0.26 in 2018.

Dividends

In line with the dividend policy, the Board has recommended a final dividend of US$0.05 per share. This will bring the total dividend to US$0.10 per share (2018: US$0.10 per share).

Subject to approval of shareholders, the dividend will be paid shortly after the Annual General Meeting, which will be held in Lagos, Nigeria, on 28 May 2020.

Business Combination

On 17 December 2019, Seplat completed the acquisition of Eland Oil & Gas PLC, which was announced on 15 October 2019.

The cash consideration, totaling US$488 million (GBP382 million or 166 pence per share), was wholly funded through a combination of existing cash resources and the amended and restated Revolving Credit Facility (RCF) of $350 million made available to Seplat. After accounting for cash balances at Eland of $31 million, the net consideration was US$457 million.

The acquisition was consummated at 31 December 2019 and with no significant items occurring after acquisition close, the profit for Eland was not reflected in the profit and loss account, but has formed part of pre-acquisition reserves. Receivables acquired on business combination were carried at fair value.

The assets and liabilities of Eland were recognised in the balance sheet at 31 December 2019 as follows:

	US$ m
Total assets	692
Total liabilities	(257)
Fair value net assets	435
Net asset acquired	458

Goodwill

Seplat has recorded US$30 million goodwill in respect of the acquisition of Eland Oil & Gas PLC. The goodwill is attributable to the skills and talent of Eland's workforce and the high profitability of the business acquired. The goodwill recognised is not expected to be deductible for tax purposes.

For the non-controlling interests in Eland Oil & Gas PLC, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Repayment of Elcrest development loan to Seplat

In acquiring Eland, Seplat has acquired the right to be repaid a US$500 million development loan due by 31 December 2024. The loan is advanced to Elcrest by Westport, Eland's 100%-owned financing subsidiary for the development of OML40. Following its acquisition of Eland, Seplat is entitled to 100% of Elcrest's production and net cash flows until the loan is repaid in full.

As at 31st December 2019, the outstanding balance of the loan was approximately US$414 million. Under a revised loan agreement that became effective on 1st January 2020, there is a grace period until 31 December 2021 after which the loan amount will be reduced so that the maximum amount outstanding is no greater than US$475 million on 31st December 2021, falling to US$325 million on 31st December 2022 and US$175 million on 31st December 2023, with the balance of the loan being due by 31st December 2024.

The impact of this loan repayment will be to provide Seplat with significant annual cash repayments during the period end 2022 to end 2024. After repayment of the loan, Seplat's interest in OML40's production and net cash flows will revert to 20.25%, representing its 45% interest in Elcrest, which in turn owns 45% of OML40.

In addition to the loan, there is a Reserve based lending facility at Westport which is fully secured against the shares and assets of Elcrest and is serviced by the cashflows from the asset. The year end balance on the loan was US$90 million

Cash flows from operating activities

Net cash flows from operating activities after movements in working capital were US$338 million (2018: US$502 million). In 2019, Seplat received a total of US$179 million towards the settlement of 2019 cash calls. The business combination with Eland resulted in the booking of an additional US$50 million of receivables, leaving an NPDC receivable balance of US$222 million. Seplat has continued discussions with partner NPDC to ensure that receivables are settled promptly. The Group has continued to receive the proceeds of gas sales from NPDC in lieu of Naira cash calls for ongoing operations.

Cash flows from investing activities

Capital expenditures were US$125 million in 2019 and included drilling costs in relation to nine development wells, the Ohaji South facility expansion project and the Amukpe Liquid Treatment Facility. Gas project costs included the Sapele Gas Plant upgrade project.

In response to delays caused by the need to upgrade drilling rigs, the Group's capital expenditure plan was revised downwards during the year, with capital being allocated to highest-impact development projects during the second half. Most of the Group's capital expenditures are discretionary with the flexibility to align investment with cash flow in response to prevailing conditions and future growth opportunities.

Following the acquisition of Eland Oil & Gas PLC, the net cash outflow of US$457 million represents the consideration net of US$31 million cash acquired.

Seplat made a US$103 million equity contribution towards the ANOH project, where first gas is targeted in Q4 2021. Additionally, AGPC's cash balance of US$154 million was deconsolidated from the Group's balance sheet in April 2019.

In 2016, Seplat an agreement with OML55 partner Belemaoil on a revised commercial arrangement that provides for a discharge sum of US$330 million to be paid to Seplat over a six-year period through allocation of crude oil volumes. US$36 million was received from Belemaoil in 2019 arising from two liftings in the year that monetised 576 kbbls. The total sum recovered by Seplat to date under this agreement is US$120 million, which is in line with projections.

After adjusting for interest receipts of US$13 million, the net cash outflow from investing activities for 2019 was US$733 million compared to a net cash outflow in 2018 of US$31 million, reflecting the higher capex spend, AGPC deconsolidation, ANOH equity contribution and acquisition costs during the period.

Cash flows from financing activities

Following the cash acquisition of Eland Oil & Gas PLC, net debt at year-end was US$456 million, compared to a net cash position of US$135 million at December 2018. Net cash inflows from financing activities were US$145 million (2018: cash outflow US$329 million).

Net Debt reconciliation at 31 December 2019	**US$ million**	**Coupon**	**Maturity**
Senior Notes	349	9.25%	June 2023
Revolving Credit Facility	350	Libor+6.00%	June 2022 / December 2023
Westport RBL	90	Libor+8%	November 2023
Total borrowings	789		
Cash and cash equivalents	333		
Net debt	**456**		

In March 2019, a repayment of US$100 million on the four-year revolving credit facility returned its balance to zero and in December the Group successfully restated and amended the existing RCF with a new four-year US$350 million RCF at LIBOR + 6% (drawn in December 2019). Proceeds from the upsized RCF, along with existing cash resources, were used to fund the acquisition of Eland Oil & Gas PLC, which was finalised in December 2019. Following completion, Eland's existing Reserve-Based Loan was consolidated into the Group's balance sheet.

Overall, Seplat's aggregate indebtedness at 31 December 2019 stood at US$789 million, with cash at bank of US$333 million, leaving net debt at US$456million.

During the year, the Group returned US$58.7 million to shareholders in the form of dividends.

The Group remains in a good position to achieve its organic growth plans and pursue inorganic growth opportunities as appropriate in line with a price-disciplined approach that aims to fund expansion and provide robust returns to shareholders.

Hedging

Seplat’s hedging policy aims to guarantee appropriate levels of cash flow assurance in times of oil price weakness and volatility. During 2019, the Group had in place dated Brent put options covering a volume of 4.0 MMbbls to the year end at a combined weighted average strike price of US$50/bbl. The net cost of these instruments in the year was US$2.7 million.

This hedging programme has been continued in 2020 with up-front premium put options at a strike price of US$45/bbl protecting a volume of 4.5 MMbbls (in aggregate) for the first three quarters of 2020. The Board and management team continue to closely monitor prevailing oil market dynamics and will consider further measures to provide to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility.

Credit ratings

Seplat maintains corporate credit ratings with Moody's Investor Services (Moody’s), Standard & Poor's (S&P) Rating Services and Fitch. In December 2019, Moody’s announced a revision to the outlook on Seplat’s B2 corporate credit rating from stable to negative outlook (changed following negative outlook rating for Nigeria sovereign). S&P’s lowered the notes rating to B- (lowered from B following acquisition of Eland due to incorporation of additional Eland indebtedness as “priority debt” within Seplat group). Fitch remains unchanged with a Corporate Rating B-, positive outlook.

Brexit

It is the view of the Board that, given the Group’s single country focus on Nigeria, Seplat’s business, assets and operations will not be materially affected by Brexit. Seplat also derives most of its income from crude oil, a globally traded commodity which is priced in US dollars. Furthermore, Seplat’s gas revenues are derived solely from sales to the domestic market in Nigeria and therefore are unaffected by international factors.

General information

Board of Directors

Ambrosie Bryant Chukwueloka Orjiako	Chairman	Nigerian
Ojunekwu Augustine Avuru	Managing Director and Chief Executive Officer	Nigerian
Roger Thompson Brown	Chief Financial Officer (Executive Director)	British
Effiong Okon	Operations Director (Executive Director)	Nigerian
Madame Nathalie Delapalme	Non-Executive Director	French
Olivier Cleret De Langavant	Non-Executive Director	French
Michael Richard Alexander	Senior Independent Non-Executive Director	British
Ifueko M. Omoigui Okauru	Independent Non-Executive Director	Nigerian
Basil Omiyi	Independent Non-Executive Director	Nigerian
Charles Okeahalam	Independent Non-Executive Director	Nigerian
Lord Mark Malloch-Brown	Independent Non-Executive Director	British
Damian Dinshiya Dodo	Independent Non-Executive Director	Nigerian

Company Secretary	Edith Onwuchekwa
Registered office and business address of Directors	16a Temple Road (Olu Holloway), Ikoyi Lagos Nigeria
Registered number	RC No. 824838
FRC number	FRC/2013/NBA/00000003660
Auditor	Ernst & Young (10th & 13th Floor), UBA House 57 Marina Lagos Nigeria
Registrar	DataMax Registrars Limited 2c Gbagada Expressway Gbagada Phase 1, Lagos Nigeria
Solicitors	Olaniwun Ajayi LP Adepetun Caxton-Martins Agbor & Segun (“ACAS-Law”) White & Case LLP Whitehall Solicitors Chief J.A. Ororho & Co. Ogaga Ovrawah & Co. Consolex LP Banwo-Ighodalo V.E. Akpoguma & Co. Thompson Okpoko & Partners G.C. Arubayi & Co. Streamsowers & Kohn Tonbofa Law Practice Chris E Anokam & Co Adebiyi Tax & Legal Tsedaqah Attorneys J.E. Okodaso & Company
Bankers	First Bank of Nigeria Limited Stanbic IBTC Bank Plc United Bank for Africa Plc Zenith Bank Plc Citibank Nigeria Limited Standard Chartered Bank HSBC Bank FirstRand Bank Limited Acting Natixis Nedbank Limited Nomura International Plc The Standard Bank of South Africa The Mauritius Commercial Bank

Report of the Directors

For the year ended 31 December 2019

The Directors are pleased to present to the shareholders of the Company their report with the audited financial statements for the year ended 31 December 2019.

Principal activity

The Company is principally engaged in oil and gas exploration and production.

Operating results

	Nigerian ₦ million			US$'000
	2019	2018	2019	2018
Revenue	214,157	228,391	697,777	746,140
Operating profit	95,749	94,859	311,975	309,901
Profit before taxation	89,914	80,599	*292,967	263,314
Profit for the year	85,016	44,867	277,008	146,576

*2018 Operating Profit and Profit Before Tax include $49,747 (₦16 million) profit from ANOH Gas Processing Company Limited which was deconsolidated from the Group in 2019

Dividend

During the year, the Directors recommended and paid to members an interim dividend of US$0.05 per share declared in October in line with our normal dividend distribution timetable (2018: US$0.05).

Further to this, the Board of Seplat is recommending a final dividend of US$0.05 per share, which is subject to approval of shareholders, at the AGM which will be held on 28 May 2020 in Lagos, Nigeria.

Unclaimed dividend

The total amount outstanding as at 31 December 2019 is US$223,365.26 and ₦319,495,955.07.

A list of shareholders and corresponding unclaimed dividends is available on the Company's website: www.seplatpetroleum.com.

Changes in property, plant and equipment

Movements in property, plant and equipment and significant additions thereto are shown in Note 20 to the financial statements.

Rotation of Directors

In accordance with the provisions of Section 259 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria ('LFN') 2004, one third of the Directors of the Company shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last election.

However, in accordance with Article 131 of the Company's Articles of Association, apart from the Executive Directors and Founding Directors, all other Directors are appointed for a fixed term. Upon expiration of the terms, they become eligible for re-appointment.

The Directors who are eligible for re-appointment this year are Mr. Basil Omiyi and Dr. Charles Okeahalam.

Board changes

During the year, the Board accepted the voluntary resignation/retirement of Mr. Macaulay Agbada Ofurhie from the Board of the Company effective 30th June 2019. Mr. Ofurhie was appointed to the Board in March 2010 and served meritoriously before his resignation.

The Board appointed a Non-Executive Director since the last Annual General Meeting. Nathalie Delapalme was appointed effective 18 July 2019. Her appointment will be ratified by shareholders at the 2020 Annual General Meeting. Madame Delapalme is an Independent Director on the Board of Directors of Maurel et Prom and has acted as an alternate to Maurel et Prom's nominee, Mr. Michel Hochard since 30th June 2014. She is also an Executive Director of the Mo Ibrahim Foundation.

Madame Delapalme served the French Government as an Inspector of Finance at the Ministry of Economy and Finance, an advisor for the Finance and Budgetary Commission in the French Senate, and an advisor for Africa and Development in the offices of various Foreign Affairs Ministers. She remains deeply involved in governance and leadership in Africa and continues to provide strong support to the Company's CSR Board Committee.

Post period end, Mr. Michel Hochard retired as a Non-Executive Director of the Company. Mr. Hochard in his role as the Chief Executive Officer of Maurel & Prom ("M&P") was appointed to the Board of Seplat in 2009 as a nominee of M&P and served meritoriously before his retirement.

Following the retirement of Mr. Hochard as the Chief Executive Officer of M&P, the Board appointed Mr. Olivier de Langavant (who is now the Chief Executive Officer of M&P) as a Non-Executive Director of the Company effective January 28, 2020. Mr. Langavant now replaces Mr. Hochard as a nominee of M&P on the Board of the Company.

Mr. Langavant who is presently the Chief Executive Officer of M&P holds an Engineering degree from the National School of Mines of Paris. He has served in various capacities within the Total Group. His appointment will be ratified by shareholders at the 2020 Annual General Meeting.

Report of the Directors continued

For the year ended 31 December 2019

The Seplat Board is indeed privileged to have Nathalie and Olivier on board and look forward to their contributions towards the continued success of the Board and Company.

The appointment and removal or reappointment of Directors is governed by its Articles of Association and Companies and Allied Matters Act (CAMA) LFN 2004. It also sets out the powers of Directors.

Appointment of a new Company Secretary/Chief Governance Compliance Officer

Mrs. Edith Onwuchekwa was appointed Company Secretary/Chief Governance Compliance Officer effective June 24, 2019. In her role as the Company Secretary/Chief Governance and Compliance Officer, Mrs. Onwuchekwa will guide and support the Board and the Company in ensuring compliance with regulatory and statutory requirements. She holds a Bachelor of Laws (LLB) from University of Uyo; Barrister at Law from the Nigerian Law School, Abuja; and a Master of Business Administration from the University of Bradford, United Kingdom. She is an associate of the Institute of Chartered Secretaries and Administrators, United Kingdom. Prior to joining Seplat, Mrs. Onwuchekwa was the Legal and Compliance Director at Lafarge Plc. She replaced Dr. Mirian Kene Kachikwu who held the position from November 2014 till June 2019 but remains the General Counsel of the Company to manage its Legal Directorate.

Corporate governance

The Board of Directors is committed to sound corporate governance and ensures that the Company complies with Nigerian and UK corporate governance regulations as well as international best practice. The Board is aware of the Code of Corporate Governance issued by the Securities and Exchange Commission, the Nigerian Code of Corporate Governance 2018, issued by the Financial Reporting Council of Nigeria and the UK Corporate Governance Code 2018, issued by the Financial Reporting Council and ensures that the Company complies with them. The Board is responsible for keeping proper accounting records with reasonable accuracy. It is also responsible for safe guarding the assets of the Company through prevention and detection of fraud and other irregularities. In order to carry out its responsibilities, the Board has established seven Board Committees and has delegated aspects of its responsibilities to them. The Committees of the Board and members are as follows:

Finance Committee	
Charles Okeahalam	Committee Chairman
Michael Alexander	Member
Ifueko M. Omoigui Okauru	Member
Lord Mark Malloch-Brown	Member
Nomination and Establishment Committee	
Damian Dodo, SAN	Committee Chairman
Basil Omiyi	Member
Michael Alexander	Member
Remuneration Committee	
Michael Alexander	Committee Chairman
Basil Omiyi	Member
Charles Okeahalam	Member
Damian Dodo, SAN	Member
Risk Management and HSSE Committee	
Basil Omiyi	Committee Chairman
Macaulay Agbada Ofurhie[1]	Member
Ifueko M. Omoigui Okauru	Member
Corporate Social Responsibility Committee	
Lord Mark Malloch-Brown	Committee Chairman
Damian Dodo, SAN	Member
Ifueko M. Omoigui Okauru	Member
Nathalie Delapalme	Member
Gas Committee	
Basil Omiyi	Committee Chairman
Charles Okeahalam	Member
Michael Alexander	Member
Corporate Governance, Compliance and Culture Committee[2]	
Ifueko M. Omoigui Okauru	Committee Chairman
Michael Alexander	Member
Damian Dodo, SAN	Member

1. Mr. Ofurhie retired from the Board of Seplat in June 2019
2. The Board constituted the newly established Corporate Governance, Compliance & Culture Committee in 2019 to assist the Board in promoting, modelling, institutionalizing and maintaining sound ethical culture and good corporate citizenship

Report of the Directors continued

For the year ended 31 December 2019

In addition to these Board Committees, the Company formed a statutory Audit Committee at its 30 June 2014 Annual General Meeting ("AGM") in compliance with Sections 359(3) and (4) of the Companies and Allied Matters Act ("CAMA"). In compliance with CAMA, three shareholder representatives and three Non-Executive Directors are elected at every AGM to sit on the Committee.

Following the resignation of Mr. Ofurhie in June 2019, Damian Dodo assumed his position as a Non-Executive Director representative.

Statutory Audit Committee	
Chief Anthony Idigbe, SAN	Committee Chairman (Shareholder Member)
Dr. Faruk Umar	Shareholder Member
Sir Sunday Nnamdi Nwosu	Shareholder Member
Ifueko M. Omoigui Okauru	Director Member
Macaulay Agbada Ofurhie[1]	Director Member
Michel Hochard	Director Member
Damian Dodo, SAN[2]	Director Member

1. Mr. Ofurhie retired from the Board of Seplat in June 2019
2. Following a proposal made by the Board of Directors, Damian Dodo was elected at the 16 May 2019 AGM as a Director member on the Audit Committee in the place of Macaulay Agbada Ofurhie. Two of the Audit Committee meetings held in 2019 took place before this 16 May 2019 change

All eight Committees have terms of reference that guide their members in the execution of their duties, and these terms of reference are available for review by the public. All the Committees present a report to the Board with recommendations on the matters within their purview.

Record of attendance of Board and Committee meetings

The Board met 11 times during the year and at least once every quarter in line with Section 12.1 of the SEC Code. Board meetings were well attended with attendance of all Directors exceeding two-thirds as required by Section 12.2 of the SEC Code. The record of attendance of Directors at Board meetings and that of its Committees in the year under review is published herewith:

Board of Directors

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	A.B.C. Orjiako	Chairman	11	11
2.	Austin Avuru	Chief Executive Officer	11	11
3.	Roger Brown	Chief Financial Officer	11	11
4.	Michel Hochard	Non-Executive Director	11	10
5.	Macaulay Agbada Ofurhie[1]	Non-Executive Director	2	2
6.	Michael Alexander	Senior Independent Non-Executive Director	11	11
7.	Charles Okeahalam	Independent Non-Executive Director	11	11
8.	Basil Omiyi	Independent Non-Executive Director	11	11
9.	Ifueko M. Omoigui-Okauru	Independent Non-Executive Director	11	11
10.	Lord Mark Malloch-Brown	Independent Non-Executive Director	11	10
11.	Damian Dodo, SAN	Independent Non-Executive Director	11	9
12.	Effiong Okon	Operations Director	11	10
13.	Nathalie Delapalme[2]	Non-Executive Director	5	5

Meeting dates: 24 January; 28 February; 18 April; 15 May; 18 July; 17 September; 14, 24, October; 11,18 November and 23 December

1. Mr. Ofurhie retired from the Board of Seplat in June 2019.
2. Mme. Delapalme was appointed to the Board as a non-Executive Director in July 2019.

Report of the Directors continued

For the year ended 31 December 2019

Finance Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Charles Okeahalam	Chairman	5	5
2.	Michael Alexander	Member	5	5
3.	Ifueko M. Omoigui-Okauru	Member	5	5
4.	Lord Mark Malloch-Brown	Member	5	4

Meeting dates: 23 January, 27 February, 17 April, 16 July, 23 October

Nomination and Establishment Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Damian Dodo, SAN	Chairman	4	3
2.	Basil Omiyi	Member	4	4
3.	Michael Alexander	Member	4	4
4.	A.B.C. Orjiako*	Member	4	4

Meeting dates: 27 February, 16 April, 16 July, 23 October

*Dr. Orjiako ceased being the Committee Chairman and a member of the Committee in October 2019 while Mr. Damian Dodo, SAN was appointed the new Committee Chairman.

Remuneration Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Michael Alexander	Chairman	6	6
2.	Basil Omiyi	Member	6	6
3.	Charles Okeahalam	Member	6	6
4.	Damian Dodo, SAN	Member	6	4

Meeting dates: 23 January, 27 February, 16 April, 15 May, 16 July, 23 October

Risk Management and HSSE Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Basil Omiyi	Chairman	4	4
2.	Macaulay Agbada Ofurhie*	Member	2	2
3.	Ifueko M. Omoigui-Okauru	Member	4	4

Meeting dates:15 January, 11 April, 12 July, 15 October

*Retired from the Board on June 30, 2019

Corporate Social Responsibility Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Lord Mark Malloch-Brown	Chairman	4	4
2.	Macaulay Agbada Ofurhie*	Member	2	2
3.	Ifueko M. Omoigui-Okauru	Member	4	4
4.	Damian Dodo, SAN	Member	2	1
5.	Nathalie Delapalme	Member	4	2

Meeting dates: 27 February, 17 April, 16 July, 23 October

*Mr. Macaulay Agbada Ofurhie retired from the Board of the Company on June 30, 2019 while Mr. Damian Dodo, SAN was appointed to replace him as a member of the Committee in July 2019.

Report of the Directors continued
For the year ended 31 December 2019

Gas Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Basil Omiyi	Chairman	4	4
2.	Michael Alexander	Member	4	4
3.	Macaulay Ofurhie*	Member	2	2
4.	Charles Okeahalam*	Member	2	2

Meeting dates: 28 February; 17 April; 17 July; 23 October

*Mr. Macaulay Ofurhie retired from the Board on June 30, 2019 and Dr. Charles Okeahalam was appointed to replace him on the Committee

Corporate Governance Compliance and Culture Committee*

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Ifueko M. Omoigui-Okauru	Chairman	2	2
2.	Michael Alexander	Member	2	2
3.	Damian Dodo, SAN	Member	2	2

Meeting dates: 17 September; 24 October

*This Committee was constituted by the Board on July 18, 2019

Statutory Audit Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Chief Anthony Idigbe, SAN	Chairman/ Shareholder Member	4	4
2.	Dr. Faruk Umar	Shareholder Member	4	4
3.	Sir Sunday Nnamdi Nwosu	Shareholder Member	4	4
4.	Michel Hochard	Director Member	4	4
5.	Ifueko M. Omoigui Okauru	Director Member	4	4
6.	Macaulay Agbada Ofurhie*	Director Member	2	2
7.	Damian Dodo, SAN*	Director Member	2	1

Meeting dates: 27 February, 17 April, 16 July, 23 October

* Following a proposal made by the Board of Directors, Mr. Damian Dodo, SAN was elected at the 16 May 2019 AGM as a Director member on the Audit Committee in the place of Mr. Macaulay Agbada Ofurhie who retired from the Board on June 30, 2019. Two of the Audit Committee meetings held in 2019 took place before this 16 May 2019 change.

Report of the Directors continued

For the year ended 31 December 2019

Directors' interest in shares

In accordance with Section 275 of the Companies and Allied Matters Act, CAP C20 LFN 2004, the interests of the Directors (and of persons connected with them) in the share capital of the Company (all of which are beneficial unless otherwise stated) are as follows:

	As at 31 Dec 2018	As at 31 Dec 2019		As at 23 March 2020	
	No. of Ordinary Shares	No. of Ordinary Shares	As a percentage of Ordinary Shares in issue	No. of Ordinary Shares	As a percentage of Ordinary Shares in issue
A.B.C. Orjiako[1]	45,951,325	37,818,522	6.43%	37,818,522	6.43%
Austin Avuru[2]	70,823,189	71,727,906	12.19%	58,970,463	10.02%
Roger Brown	1,327,207	2,022,363	0.34%	2,022,363	0.34%
Effiong Okon	0	0	0.00%	0	0.00%
Michel Hochard	95,238	95,238	0.02%	95,238	0.02%
Macaulay Agbada Ofurhie[3]	4,001,611	n/a	n/a	n/a	n/a
Michael Alexander	115,238	115,238	0.02%	115,238	0.02%
Charles Okeahalam	495,238	495,238	0.08%	495,238	0.08%
Basil Omiyi	495,238	495,238	0.08%	495,238	0.08%
Ifueko M. Omoigui Okauru	95,238	95,238	0.02%	95,238	0.02%
Lord Mark Malloch-Brown	31,746	31,746	0.01%	31,746	0.01%
Damian Dodo, SAN	0	0	0.00%	0	0.00%
Nathalie Delapalme	n/a	0	0.00%	0	0.00%
Olivier De Langavant	n/a	n/a	n/a	0	0.00%
Total	**123,431,268**	**112,896,727**	**19.19%**	**100,139,284**	**17.02%**

1. 24,318,522 ordinary shares are held directly by A.B.C. Orjiako and Shebah Petroleum Development Company Limited, which is an entity controlled by A.B.C. Orjiako and members of his family; 900,000 ordinary shares are held by Pursley Resources Limited, a company owned by A.B.C's wife; and 12,600,000 ordinary shares are held directly by A.B.C. Orjiako's siblings
2. At 31 December 2019, total direct holdings were nil and indirect ordinary shares were 71,727,906. At 23 March 2020, total direct holdings were nil and indirect ordinary shares were 58,970,463. During the period, 7,831,534 ordinary shares held by Platform Petroleum Limited (an entity in which Austin Avuru has an equity interest) was transferred to Professional Support Limited (an entity wholly controlled by Austin Avuru). Similarly, a transfer of 12,828,161 shares held directly by Platform Petroleum was made to certain shareholders of Platform Petroleum and they are therefore no longer considered to be connected persons. A further 95,933 LTIP awards for Austin Avuru were released to him and transferred to Professional Support on 24 January 2020. Following these transfers, Platform Petroleum holds 20,000,000 shares (3.40%) and Professional Support holds 38,970,463 shares (6.62%). As a result of the transfers, Mr. Avuru has now increased his equity interest in Platform Petroleum from 23% to 37.11% interest.
3. Macaulay Agbada Ofurhie voluntarily resigned/retired from the Board effective 30th June 2019

Directors' interest in contracts

The Chairman and the Chief Executive Officer have disclosable indirect interest in contracts with which the Company was involved as at 31 December 2019 for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, LFN, 2004. These have been disclosed in Note 42.

Report of the Directors continued
For the year ended 31 December 2019

Substantial interest in shares

At 23 March 2020, the following shareholders held more than 5.0% of the issued share capital of the Company:

Shareholder	Number of holdings	%
MPI	120,400,000	20.34
Petrolin	81,015,319	13.69
Allan Gray	40,509,143	6.84
Professional Support	38,970,463	6.62

Free float

The Company's free float at 31 December 2019 was 54.34%.

Acquisition of own shares

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

Shareholding analysis

The shareholding pattern as at 31 December 2019 is as stated below:

Share range	Number of shareholders	% of shareholders	Number of holdings	% of shareholding
1-10,000	2,286	88.47	1,571,222	0.27
10,001-50,000	152	5.88	3,834,164	0.65
50,001-100,000	45	1.74	3,282,113	0.56
100,001-500,000	68	2.63	15,598,760	2.65
500,001-1,000,000	10	0.39	6,790,312	1.15
1,000,001-5,000,000	16	0.62	37,197,353	6.32
5,000,001-10,000,000	2	0.08	13,506,800	2.30
10,000,001-50,000,000	3	0.12	82,408,839	14.00
50,000,001-100,000,000	0	0.00	0	0.00
100,000,001-500,000,000	2	0.08	424,254,998	72.10
Total	**2,584**	**100.00**	**588,444,561**	**100.00**

Share capital history

Year	Authorised increase	Cumulative	Issued increase	Cumulative	Consideration
Jun-09	-	100,000,000	100,000,000	100,000,000	cash
Mar-13	100,000,000	200,000,000	100,000,000	200,000,000	stock split from N1.00 to 50k
Jul-13	200,000,000	400,000,000	200,000,000	400,000,000	bonus (1 for 2)
Aug-13	600,000,000	1,000,000,000	153,310,313	553,310,313	cash
Dec-14	-	1,000,000,000	-	553,310,313	No change
Dec-15	-	1,000,000,000	10,134,248	563,444,561	staff share scheme
Dec-16	-	1,000,000,000	-	563,444,561	No change
Dec-17	-	1,000,000,000	-	563,444,561	No change
Feb-18	-	1,000,000,000	25,000,000	588,444,561	staff share scheme
Dec-19	-	1,000,000,000	-	588,444,561	No change

Report of the Directors continued

For the year ended 31 December 2019

Donations

The following donations were made by the Group during the year (2018: ₦122 million, US$397,672)

Name of beneficiary	NG₦	US$
AGRAFAIR LBS Conference	450,147	1,466
Aspen Energy	225,477	734
Association of Energy Correspondents of Nigeria	1,223,787	3,986
Capital Market Correspondents Association of Nigeria	225,037	733
CBI Meetings	1,708,197	5,564
Chartered Institute of Procurement & Supply	112,500	366
Clarion Energy Ltd	2,067,442	6,734
Divine Destiny Orphanage	135,066	440
Enactus Nigeria	450,073	1,466
Energy Institute Nigeria	3,100,581	10,100
Frontier Communications Ltd	2,190,285	7,134
Institute of Chartered Accountants of Nigeria	450,073	1,466
Majorwaves Communications Ent.	180,029	586
Milan Industries Ltd	1,170,381	3,812
Ministry of Solid Minerals, Oil and Gas	450,147	1,466
Nigeria & Entrepreneurship Summit & Honors	450,147	1,466
Nigeria LPGAS Association	675,221	2,199
Nigeria Oil & Gas Industry Games	2,025,330	6,597
Nigerian Association of Petroleum Explorationists	4,501,466	14,663
Nigerian Conservation Foundation	675,110	2,199
Nigerian Environmental Society	450,073	1,466
Nigerian Gas Association	6,759,914	22,019
Nigerian Institute of Chartered Arbitrators	1,350,440	4,399
Nigerian Medical Association	1,350,659	4,400
NOGOF	2,251,100	7,333
Oracle Newspapers Limited	450,147	1,466
Others	8,131,158	26,486
Paediatric Association of Nigeria	903,975	2,945
Pearl Awards Nigeria	486,079	1,583
Pillar Oil Limited	1,080,054	3,518
Richardson Oil & Gas	450,220	1,467
Sapele Athletic Club	391,501	1,275
Society of Petroleum Engineers	4,503,081	14,668
The Business Intelligence Africa	337,610	1,100
The Nigerian Stock Exchange	1,000,326	3,258
Tran4 Media Ltd	1,125,367	3,666
Undergraduate scholarship	19,171,871	62,449
Total	**72,660,069**	**236,678**

Employment and employees

Employee involvement and training: The Company continues to observe industrial relations practices such as the Joint Consultative Committee and briefing employees on the developments in the Company during the year under review. Various incentive schemes for staff were maintained during the year while regular training courses were carried out for the employees. Educational assistance is provided to members of staff. Different cadres of staff were also assisted with payment of subscriptions to various professional bodies during the year. The Company provides appropriate HSSE training to all staff, and Personal Protective Equipment (‘PPE’) to the appropriate staff.

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

Employment of disabled or physically challenged persons: The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company’s policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. As at the end of the reporting period, the Group has no disabled persons in employment.

Auditor

The Auditors, Messrs Ernst & Young have served the Company for 10 years and in line with the provisions of the Section 33.2 of the SEC Code of Corporate Governance and Section 20.2 of the Nigerian Code of Corporate Governance, 2018 ("NCCG"), will not seek re-appointment. A resolution will be proposed at the Annual General Meeting for the appointment of PriceWaterhouseCoopers ("PWC") as the new Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board

Edith Onwuchekwa
FRC/2013/NBA/00000003660
Company Secretary
Seplat Petroleum Development Company Plc
16 Temple Road, Ikoyi, Lagos, Nigeria

23 March 2020

Statement of directors' responsibilities

For the year ended 31 December 2019

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

1. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;
2. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
3. prepares its financial statements using suitable accounting policies supported by reasonable and prudent 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), the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No. 6, 2011.

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

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

Signed on behalf of the Directors by:

A.B.C Orjiako
Chairman
FRC/2014/IODN/00000003161
23 March 2020

Austin Avuru
Chief Executive Officer
FRC/2014/IODN/00000003100
23 March 2020

Audit Committee's Report

For the year ended 31 December 2019

To the members of Seplat Petroleum Development Company Plc

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act, CAP C20, LFN 2004, members of the Audit Committee of Seplat Petroleum Development Company Plc hereby report on the financial statements of the Group for the year ended 31 December 2019 as follows:

- The scope and plan of the audit for the year ended 31 December 2019 were adequate;
- We have reviewed the financial statements and are satisfied with the explanations and comments obtained;
- We have reviewed the external auditors' management letter for the year and are satisfied with the management's responses and that management has taken appropriate steps to address the issues raised by the Auditors;
- We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and ethical practices.

The external Auditors confirmed having received full co-operation from the Company's management in the course of the statutory audit and that the scope of their work was not restricted in any way.

Chief Anthony Idigbe, SAN

Chairman, Audit Committee
FRC/2015/NBA/00000010414

23 March 2020

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Independent auditors' report

To the members of Seplat Petroleum Development Company Plc

Opinion
We have audited the consolidated financial statements of Seplat Petroleum Development Company Plc ("the Company") and its subsidiaries (together "the Group") which comprise:

Consolidated and Separate statements of profit or loss and other comprehensive income For the year ended 31 December 2019
Consolidated and Separate statements of financial position as at 31 December 2019
Consolidated and Separate statements of changes in equity for the year ended 31 December 2019
Consolidated and Separate statements of cash flows for the year ended 31 December 2019
Related Notes to the Consolidated and Separate financial statements

In our opinion:

- the consolidated and separate financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of the Group's financial performance and cash flows for the year then ended;
- the consolidated and separate financial statements of the Group have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); and
- the consolidated and separate financial statements of the Group have been prepared in accordance with the requirements 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.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Seplat Petroleum Development Company Plc and its Subsidiaries.

We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Seplat Petroleum Development Company Plc and its Subsidiaries. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter stated below, our description of how our audit addressed it is provided in that context.

Independent auditors' report

To the members of Seplat Petroleum Development Company Plc continued

We have fulfilled the responsibilities described in the auditors' responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
The impact of oil and gas reserves and resources on a number of material elements of the financial statements, particularly on depreciation, depletion and amortisation (DD&A) charges, decommissioning provisions, impairments and the going concern assessment As at 31 December 2019, Seplat reported 502.3 mmboe (2018: 480.6 mmboe) of proved plus probable reserves. The estimation of oil and natural gas reserves and resources is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the group's share of reportable volumes. Reserves and resources are also a fundamental indicator of the future potential of the group's performance. Hence, it has been considered as a key audit matter	We performed the following procedures for the audit of reserves and resources: • We assessed the competence, objectivity and independence of the internal and external technical and commercial reserves experts, to satisfy ourselves they were appropriately qualified to carry out the volumes estimation; • We gave specific consideration to Seplat's reported share of reserves in joint arrangements and associates, including Eland and other relevant subsidiaries; • We performed analytical review procedures on reserve revisions based on the CPR reports which management obtained from its external experts - Netherland, Sewell and Associates for OML 40 and Ubima and Ryder Scott Company (RSC) for Western asset (OMLs 4, 38 & 41), OML53 and OML56. As at December 2019, the group proved plus probable reserves was estimated at 502.3 million barrels (2018: 480.6 mmboe) with a decrease in asset life from 2045 to 2042; • We validated volumetric movements against underlying information and documentation, along with checking that assumptions used to estimate reserves and resources were made in accordance with market forecasts; • We validated that the updated reserves and resources estimates were appropriately included in the group's consideration of accounting for DD&A charges, decommissioning provisions, and in the going concern assessment; and • We reviewed disclosures in the group financial statements to ensure consistency with the reserves data that we have reviewed.

Independent auditors' report

To the members of Seplat Petroleum Development Company Plc continued

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>

Business Combination of Eland Oil and Gas Limited

On 31 December 2019 Seplat completed the 100% acquisition of the issued share capital and control of Eland Oil and Gas Plc (now Eland Oil & Gas Limited) for an overall purchase consideration of USD 487.683 million.

The acquisition of Eland was significant to our audit due to the financial magnitude of the transaction and due to significant judgments and assumptions involved in the recognition and measurement of the acquired assets and assumed liabilities for Eland. Because of the acquisition of Eland, goodwill of USD 29.54 million was recognised by Seplat.

We have determined this to be a key audit matter based on the significant management judgment and estimates made on valuation of the net assets of Eland and the Purchase Price Allocation (PPA).

Disclosure about the acquisition of Eland are included in Note 9

</td><td>

As part of our audit procedures on the accounting for the acquisition,

- We read the purchase agreements to obtain an understanding of the transactions, key terms and conditions;
- We assessed the competence of the external specialists to consider whether they were appropriately qualified to carry out the valuation;
- We involved our internal valuation specialists in assisting us in reviewing the management expert's valuation methodologies and assessing the key assumptions and inputs used in measuring the fair value of the net identifiable assets;
- We assessed the key assumption used in the computation of the fair value of the identifiable assets acquired and liabilities assumed;
- We included internal tax specialists on our team for the assessment of deferred taxes; and
- We also assessed the adequacy of the related disclosures in Note 9 to the financial statements.

</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises of the Report of the Directors, Audit Committee's Report, Statement of Directors' Responsibilities and Other National Disclosures, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, the requirements 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 is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group's financial reporting processes.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern

Building a better working world

Independent auditors' report

To the members of Seplat Petroleum Development Company Plc continued

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In accordance with the requirement 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 Group, so far as appears from our examination of those books;
iii) the statement of financial position and profit or loss and other comprehensive income are in agreement with the books of account; and
iv) in our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 so as to give a true and fair view of the state of affairs and financial performance.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0757695

Bernard Carrena, FCA

FRC/2013/ICAN/00000000670
For: Ernst & Young
Lagos, Nigeria.
23 March 2020

Group Accounts

For the year ended 31 December 2019

(Expressed in Nigerian Naira and US Dollars)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Notes	31 Dec 2019 ₦ million	31 Dec 2018 ₦ million	31 Dec 2019 $'000	31 Dec 2018 $'000
Continuing operations					
Revenue from contracts with customers	8	214,157	228,391	697,777	746,140
Cost of sales	9	(92,698)	(108,641)	(302,039)	(354,926)
Gross profit		121,459	119,750	395,738	391,214
Other income	10	9,170	4,585	29,876	14,977
General and administrative expenses	11	(21,675)	(24,400)	(70,617)	(79,711)
Impairment losses on financial assets	12	(14,911)	(4,483)	(48,581)	(14,643)
Fair value gain/(loss)	15	1,706	(593)	5,559	(1,936)
Operating profit		95,749	94,859	311,975	309,901
Finance income	16	4,134	3,032	13,471	9,905
Finance cost	16	(10,294)	(17,292)	(33,539)	(56,492)
Finance cost		(6,160)	(14,260)	(20,068)	(46,587)
Share of profit from joint venture accounted for using the equity method	25	325	-	1,060	-
Profit before taxation		89,914	80,599	292,967	263,314
Income tax expense	17	(8,939)	(35,748)	(29,125)	(116,788)
Profit from continued operations		80,975	44,851	263,842	146,526
Profit from discontinued operations	13	4,041	16	13,166	50
Profit for the period		85,016	44,867	277,008	146,576
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference		(243)	2,283	(750)	1,244
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations	37	(201)	178	(656)	579
Deferred tax credit/(expense) on remeasurement (gains)/losses	37	171	(80)	558	(261)
		(30)	98	(98)	318
Other comprehensive income/(loss) for the year(net of tax)		(273)	2,381	(848)	1,562
Total comprehensive income for the year(net of tax)		84,743	47,248	276,160	148,138
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Group:					
Basic earnings per share (₦)/($)	40	142.25	78.89	0.46	0.26
Diluted earnings per share (₦)/($)	40	139.22	77.77	0.45	0.25
Earnings per share for profit attributable to the ordinary equity holders of the Group:					
Basic earnings per share (₦)/($)	40	149.35	78.92	0.49	0.26
Diluted earnings per share (₦)/($)	40	146.17	77.80	0.48	0.25

Notes 1 to 46 on pages 8 to 113 are an integral part of these financial statements.

Consolidated Statement of financial position

As at 31 December 2019

	Notes	31 Dec 2019 ₦ million	31 Dec 2018 ₦ million	31 Dec 2019 $'000	31 Dec 2018 $'000
ASSETS					
Non-current assets					
Oil & gas properties	20	478,372	390,481	1,558,213	1,271,923
Other property, plant and equipment	20	4,360	1,300	14,201	4,237
Right-of-use assets	46	4,026	-	13,115	-
Intangible assets	22	53,592	8,994	174,566	29,297
Other asset	21	40,190	51,299	130,915	167,100
Investment accounted for using equity accounting	25	49,448	-	161,071	-
Prepayments	24	19,309	7,950	62,892	25,893
Deferred tax	18	68,367	42,488	222,697	138,393
Total non-current assets		717,664	502,512	2,337,670	1,636,843
Current assets					
Inventories	26	25,944	31,485	84,508	102,554
Trade and other receivables	27	149,436	41,874	486,762	136,393
Prepayments	24	1,965	3,549	6,397	11,561
Contract assets	28	6,527	4,326	21,259	14,096
Derivative financial instruments	29	457	2,693	1,486	8,772
Current tax assets	17	-	723	-	2,356
Cash and bank balances	30	102,240	179,509	333,028	584,723
Total current assets		286,569	264,159	933,440	860,455
Total assets		1,004,233	766,671	3,271,110	2,497,298
EQUITY AND LIABILITIES					
Equity					
Issued share capital	31	289	286	1,845	1,834
Share premium	31	84,045	82,080	503,742	497,457
Share based payment reserve	31	8,194	7,298	30,426	27,499
Capital contribution	32	5,932	5,932	40,000	40,000
Retained earnings		259,690	192,723	1,249,156	1,030,954
Foreign currency translation reserve	33	202,910	203,153	2,391	3,141
Non-controlling interest	25	(7,252)	-	(23,621)	-
Total shareholders' equity		553,808	491,472	1,803,939	1,600,885
Non-current liabilities					
Interest bearing loans and borrowings	34	207,863	133,799	677,075	435,827
Lease Liabilities	46	2,617	-	8,518	-
Contingent consideration	35	-	5,676	-	18,489
Provision for decommissioning obligation	36	45,411	43,514	147,921	141,737
Defined benefit plan	37	3,012	1,819	9,808	5,923
Total non-current liabilities		258,903	184,808	843,322	601,976
Current liabilities					
Interest bearing loans and borrowings	34	34,486	3,031	112,333	9,872
Lease Liabilities	46	212	-	692	-
Trade and other payables	38	143,925	87,360	468,804	284,565
Contingent liability	35	2,215	-	7,217	-
Contract liabilities	39	5,005	-	16,301	-
Current tax liabilities	17	5,679	-	18,502	-
Total current liabilities		191,522	90,391	623,849	294,437
Total liabilities		450,425	275,199	1,467,171	896,413
Total shareholders' equity and liabilities		1,004,233	766,671	3,271,110	2,497,298

Notes 1 to 46 on pages 8 to 113 are an integral part of these financial statements.

Consolidated statement of financial position Continued
As at 31 December 2019

The financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (The Group) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 23 March 2020 and were signed on its behalf by

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
23 March 2020

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
23 March 2020

R.T. Brown
FRC/2014/ANAN/00000017939
Chief Financial Officer
23 March 2020

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Non-controlling interest	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
At 1 January 2018	283	82,080	4,332	5,932	165,794	200,870	-	459,291
Profit for the year	-	-	-	-	44,867	-	-	44,867
Other comprehensive income	-	-	-	-	98	2,283	-	2,381
Total comprehensive income for the year	-	-	-	-	44,965	2,283	-	47,248
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(18,036)	-	-	(18,036)
Share based payments (Note 31.4)	-	-	2,969	-	-	-	-	2,969
Vested shares	3	-	(3)	-		-	-	-
Total	3	-	2,966	-	(18,036)	-	-	(15,067)
At 31 December 2018	286	82,080	7,298	5,932	192,723	203,153	-	491,472
At 1 January 2019	286	82,080	7,298	5,932	192,723	203,153	-	491,472
Profit/(loss) for the year	-	-	-	-	85,016	-	-	85,016
Other comprehensive income	-	-	-	-	(30)	(243)	-	(273)
Total comprehensive income for the year	-	-	-	-	84,986	(243)	-	84,743
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(18,019)	-	-	(18,019)
Share based payments (Note 31.4)	-	-	2,864	-	-	-	-	2,864
Vested shares	3	1,965	(1,968)	-	-	-	-	-
Non-controlling interest on acquisition of subsidiaries	-	-	-	-	-	-	(7,252)	(7,252)
Total	3	1,965	896	-	(18,019)	-	(7,252)	(22,407)
At 31 December 2019	289	84,045	8,194	5,932	259,690	202,910	(7,252)	553,808

Notes 1 to 46 on pages 8 to 113 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2018	1,826	497,457	17,809	40,000	942,948	1,897	-	1,501,937
Profit for the year	-	-	-	-	146,576	-	-	146,576
Other comprehensive income	-	-	-	-	318	1,244	-	1,562
Total comprehensive income for the year	-	-	-	-	146,894	1,244	-	148,138
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(58,888)	-	-	(58,888)
Share based payments (Note 31.4)	-	-	9,698	-	-	-	-	9,698
Vested shares	8	-	(8)	-	-	-	-	-
Total	8	-	9,690	-	(58,888)	-	-	(49,190)
At 31 December 2018	1,834	497,457	27,499	40,000	1,030,954	3,141	-	1,600,885
At 1 January 2019	1,834	497,457	27,499	40,000	1,030,954	3,141	-	1,600,885
Profit for the year	-	-	-	-	277,008	-	-	277,008
Other comprehensive loss	-	-	-	-	(98)	(750)	-	(848)
Total comprehensive income for the year	-	-	-	-	276,910	(750)	-	276,160
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(58,708)	-	-	(58,708)
Share based payments (Note 31.4)	-	-	9,223	-	-	-	-	9,223
Vested shares	11	6,285	(6,296)	-	-	-	-	-
Non-controlling interest on acquisition of subsidiary		-	-	-	-	-	(23,621)	(23,621)
Total	11	6,285	2,927	-	(58,708)	-	(23,621)	(73,106)
At 31 December 2019	1,845	503,742	30,426	40,000	1,249,156	2,391	(23,621)	1,803,939

Notes 1 to 46 on pages 8 to 113 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	31 Dec 2019 ₦ million	31 Dec 2018 ₦ million	31 Dec 2019 $’000	31 Dec 2018 $’000
Cash flows from operating activities					
Cash generated from operations	19	104,714	153,624	341,571	501,750
Tax paid	17	(1,084)	-	(3,533)	
Defined benefits paid	37	(86)	(63)	(280)	(206)
Net cash inflows from operating activities		103,544	153,561	337,758	501,544
Cash flows from investing activities					
Payment for acquisition of oil and gas properties	20	(35,091)	(17,159)	(114,339)	(56,146)
Payment for acquisition of intangible assets	22	-	(9,070)	-	(29,543)
Proceeds from disposal of oil and gas properties	20	15,527	-	50,614	-
Payment for acquisition of other property, plant and equipment	20	(3,203)	(705)	(10,438)	(2,302)
Payment for acquisition of subsidiary, net of cash acquired	14	(138,479)	-	(451,199)	-
Cash on loss of control of subsidiary	13	(47,352)	-	(154,240)	-
Payment for investment in joint venture	25	(31,627)	-	(103,050)	-
Proceeds from disposal of other property plant and equipment	20	-	71	-	231
Receipts from other asset	21	11,106	14,777	36,185	48,276
Payments for plan assets	37	-	(502)	-	(1,635)
Interest received	16	4,134	3,032	13,471	9,905
Net cash outflows from investing activities		(224,985)	(9,556)	(732,996)	(31,214)
Cash flows from financing activities					
Repayments of loans	34	(30,690)	(207,532)	(100,000)	(678,000)
Proceeds from loans	34	106,345	163,775	346,500	535,045
Dividends paid	41	(18,019)	(18,036)	(58,708)	(58,888)
Principal repayments on crude oil advance	38	-	(23,193)	-	(75,769)
Interest repayments on crude oil advance	38	-	(530)	-	(1,730)
Payments for other financing charges	34	(2,696)	(1,809)	(8,783)	(5,910)
Interest paid on loans	34	(10,364)	(13,343)	(33,770)	(43,465)
Net cash inflows/(outflows) from financing activities		44,576	(100,668)	145,239	(328,717)
Net (decrease)/increase in cash and cash equivalents		(76,865)	43,337	(249,999)	141,613
Cash and cash equivalents at beginning of the year		178,460	133,699	581,305	437,212
Effects of exchange rate changes on cash and cash equivalents		(1,411)	1,424	(4,976)	2,480
Cash and cash equivalents at end of the year	30	100,184	178,460	326,330	581,305

Notes 1 to 46 on pages 8 to 113 are an integral part of these financial statements.

Notes to the consolidated financial statements

1. Corporate Structure and business

Seplat Petroleum Development Company Plc ('Seplat' or the 'Company'), the parent of the Group, was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration and production and gas processing activities. The Company's registered address is: 16a Temple Road (Olu Holloway), Ikoyi, Lagos, Nigeria.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in the following producing assets:

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was ₦104 billion ($340 million) paid at the completion of the acquisition on 31 July 2010 and a contingent payment of ₦10 billion ($33 million) payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds ₦24,560 ($80) per barrel. ₦110 billion ($358.6 million) was allocated to the producing assets including ₦5.7 billion ($18.6 million) as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of ₦10 billion ($33 million) was paid on 22 October 2012.

In 2013, Newton Energy Limited ('Newton Energy'), an entity previously beneficially owned by the same shareholders as Seplat, became a subsidiary of the Company. On 1 June 2013, Newton Energy acquired from Pillar Oil Limited ('Pillar Oil') a 40% Participant interest in producing assets: the Umuseti/Igbuku marginal field area located within OPL 283 (the 'Umuseti/Igbuku Fields').

On 21 August 2014, the Group incorporated a new subsidiary, Seplat Petroleum Development UK Limited. The subsidiary provides technical, liaison and administrative support services relating to oil and gas exploration activities.

On 12 December 2014, Seplat Gas Company Limited ('Seplat Gas') was incorporated as a private limited liability company to engage in oil and gas exploration and production and gas processing. On 12 December 2014, the Group also incorporated a new subsidiary, Seplat East Swamp Company Limited with the principal activity of oil and gas exploration and production.

In 2015, the Group purchased a 40% participating interest in OML 53, onshore north eastern Niger Delta (Seplat East Onshore Limited), from Chevron Nigeria Ltd for ₦79.6 billion ($259.4 million).

On 16 January 2018, the Group incorporated a subsidiary, Seplat West Limited ('Seplat West'). Seplat West was incorporated to manage the producing assets of Seplat Plc.

On 31 December 2019 Seplat Petroleum Development Company acquired 100% of Eland Oil and Gas Plc's issued and yet to be issued ordinary shares. Eland is an independent oil and gas company that holds interest in subsidiaries and joint ventures that are into production, development and exploration in West Africa, particularly the Niger Delta region of Nigeria.

On acquisition of Eland Oil and Gas Plc (Eland), the Group acquired indirect interest in existing subsidiaries of Eland.

Eland Oil & Gas (Nigeria) Limited, is a subsidiary acquired through the purchase of Eland and is into exploration and production of oil and gas.

Westport Oil Limited, which was also acquired through purchase of Eland is a financing company.

Elcrest Exploration and Production Company Limited (Elcrest) who became an indirect subsidiary of the Group purchased a 45 percent interest in OML 40 in 2012. Elcrest Exploration and Production Nigeria is a Joint Venture between Eland Oil and Gas (45%) and Starcrest Nigeria Energy Limited (55%). It has been consolidated because Eland is deemed to have power over the relevant activities of Elcrest to affect variable returns from Elcrest at the date of acquisition by the Group. (See details in Note 4.1.vi) The principal activity of Elcrest is exploration and production of oil and gas.

Wester Ord Oil & Gas (Nigeria) Limited, who also became an indirect subsidiary of the Group acquired a 40% stake in a licence, Ubima, in 2014 via a joint operations agreement. The principal activity of Wester Ord Oil & Gas (Nigeria) Limited is exploration and production of oil and gas.

Other entities acquired through the purchase of Eland are Tarland Oil Holdings Limited (a holding company), Brineland Petroleum Limited (dormant company) and Destination Natural Resources Limited (dormant company).

The Company together with its subsidiaries as shown below are collectively referred to as the Group.

Notes to the consolidated financial statements
Continued

Subsidiary	Date of incorporation	Country of incorporation and place of business	Percentage holding	Principal activities	Nature of holding
Newton Energy Limited	1 June 2013	Nigeria	100%	Oil & gas exploration and production	Direct
Seplat Petroleum Development Company UK Limited	21 August 2014	United Kingdom	100%	Technical, liaison and administrative support services relating to oil & gas exploration and production	Direct
Seplat Gas Company Limited	12 December 2014	Nigeria	100%	Oil & gas exploration and production and gas processing	Direct
Seplat East Onshore Limited	12 December 2014	Nigeria	100%	Oil & gas exploration and production	Direct
Seplat East Swamp Company Limited	12 December 2014	Nigeria	100%	Oil & gas exploration and production	Direct
Seplat West Limited	16 January 2018	Nigeria	100%	Oil & gas exploration and production	Direct
Eland Oil & Gas Limited	28 August 2009	United Kingdom	100%	Holding company	Direct
Eland Oil & Gas (Nigeria) Limited	11 August 2010	Nigeria	100%	Oil and Gas Exploration and Production	Indirect
Elcrest Exploration and Production Nigeria Limited	6 January 2011	Nigeria	45%	Oil and Gas Exploration and Production	Indirect
Westport Oil Limited	8 August 2011	Jersey	100%	Financing	Indirect
Tarland Oil Holdings Limited	16 July 2014	Jersey	100%	Holding Company	Indirect
Brineland Petroleum Limited	18 February 2013	Nigeria	49%	Dormant	Indirect
Wester Ord Oil & Gas (Nigeria) Limited	18 July 2014	Nigeria	100%	Oil and Gas Exploration and Production	Indirect
Wester Ord Oil and Gas Limited	16 July 2014	Jersey	100%	Holding Company	Indirect
Destination Natural Resources Limited	-	Dubai	70%	Dormant	Indirect

In 2017, the Group incorporated a new subsidiary, ANOH Gas Processing Company Limited. The principal activity of the Company is the processing of gas from OML 53 using the ANOH gas processing plant.

In order to fund the development of the ANOH gas processing plant, on 13 August 2018, the Group entered into a shareholder's agreement with Nigerian Gas Processing and Transportation Company (NGPTC). Funding is to be provided by both parties in equal proportion representing their ownership share and will be used to subscribe for the ordinary shares in ANOH. The agreement was effective on 18 April 2019, which was the date the Corporate Affairs Commission (CAC) approval was received. Given the change in ownership structure, the Group no longer exercises control and has now deconsolidated ANOH in the consolidated financial statements. However, its retained interest qualifies as a joint arrangement and has been recognised accordingly as investment in joint venture.

2. Significant changes in the current accounting period

The following significant changes occurred during the reporting period ended 31 December 2019:

- During the period, the Group changed its registered office address and relocated its offices to 16a Temple Road (Olu Holloway), Ikoyi, Lagos.
- The Group's interest-bearing borrowings included a four-year revolving loan facility of ₦61 billion ($200m). In October 2018, the Group made principal repayments on the four-year revolving facility for a lump sum of ₦30.7 billion ($100m). In the reporting period, the Group repaid the outstanding principal amount of ₦30.7 billion ($100m) on the revolving loan facility.
- There was a change in the ownership structure of the Group’s wholly owned subsidiary, ANOH Gas Processing Company Limited on 18 April 2019 to a Joint venture after Nigerian Gas Processing and transportation Company Limited’s (NGPTC) equity investment. As a result, the Group has deconsolidated ANOH in its financial statements and its retained interest has been recognised as an investment in joint venture.
- The Group adopted the new leasing standard IFRS 16 Leases on 1 January 2019 (see Note 46).

Notes to the consolidated financial statements
Continued

- The acquisition of Eland Oil and Gas Limited on 31 December 2019 (See note 14) which resulted in an increase in property, plant and equipment (note 20) and the recognition of goodwill and other intangible assets (note 22).

- During the year, the Group obtained a four-year revolving loan facility of ₦107 billion ($350 million). An upfront fee of ₦1.1 billion ($3.5 million) was deducted from the proceeds of the loan, following the deduction an amount of ₦105.9billion ($346.5 million) was credited to the Group on 20 December 2019. The amortised cost of the loan as at year end has been disclosed in Note 34. The loan was primarily obtained to facilitate the acquisition of Eland and settle its shareholders.

- During the year, the Group acquired land and building worth ₦1.2 billion ($4 million).

3. Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These accounting policies have been applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Seplat and its subsidiaries.

3.2 Basis of preparation

i) Compliance with IFRS

The consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

ii) Historical cost convention

The financial statements have been prepared under the going concern assumption and historical cost convention, except for contingent liability and consideration, and financial instruments measured at fair value on initial recognition, defined benefit plans – plan assets measured at fair value and assets and liabilities acquired on business combination. The financial statements are presented in Nigerian Naira and United States Dollars, and all values are rounded to the nearest million (₦'million) and thousand ($'000) respectively, except when otherwise indicated.

iii) Going concern

Nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for at least twelve months from the date of these financial statements.

iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in the reporting period commencing 1January 2019.

a. IFRS 16 Leases

IFRS 16: Leases was issued in January 2016 and became effective for reporting periods beginning on or after 1 January 2019. It replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The Group has adopted IFRS 16 from 1 January 2019 using the simplified transitional approach, and thus has not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. There was no impact on the Group's retained earnings at the date of initial application (i.e. 1 January 2019).

The adoption of IFRS 16 resulted in the recognition of right-of-use assets and corresponding lease liabilities for leases that were formerly classified as operating leases under the provisions of IAS 17, with the exception of the Group's short-term leases, as the distinction between operating and finance leases has been removed.

The impact of the adoption of this standard and the related new accounting policy are disclosed in Note 46.

Notes to the consolidated financial statements
Continued

b. Amendments to IAS 19 Employee benefit

These amendments were issued in February 2018. The amendments issued require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. They also require an entity to recognise in profit or loss as part of past service cost or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. It also confirms that entities separately recognise any changes in the asset ceiling through other comprehensive income. These amendments had no impact on the consolidated financial statements of the Group as at the reporting date.

c. Amendments to IAS 23 Borrowing costs

These amendments were issued in December 2017. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments had no impact on the consolidated financial statements of the Group as at the reporting date.

d. IFRS 3 Business Combinations

These amendments were issued in December 2017. These amendments clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

e. Amendments to IFRS 11 Joint arrangements

These amendments were issued in December 2017. These amendments clarify when a previously held interest in a joint operation is remeasured, the amendments also provide further guidance on what constitutes the previously held interest. This is the entire previously held interest in the joint operation.

f. Amendments to IAS 12 Income taxes

These amendments were issued in December 2017. These amendments clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

g. Amendments to IFRS 9 Prepayment features with negative compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group as at the reporting date.

h. Amendments to IAS 28 Investments in associates and joint ventures

These amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures. These amendments had no impact on the consolidated financial statements of the Group at the reporting date.

i. IFRIC 23 Uncertainty over income tax treatment

This interpretation was issued in June 2017. The interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. It discusses;

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty.

Notes to the consolidated financial statements
Continued

- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored.
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Where there is an uncertainty, an entity shall recognise and measure its current or deferred tax asset or liability by applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined using this interpretation. This interpretation impacted the recognition of contingent liability acquired through business combination. See Note 3.23, 4.1vii and 14 for more information. This interpretation had no further impact on the consolidated financial statements of the Group as at the reporting date.

3.3 New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

a. Conceptual framework for financial reporting – Revised

These amendments were issued in March 2018. Included in the revised conceptual framework are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The amendments focused on areas not yet covered and areas that had shortcomings.

These amendments are mandatory for annual periods beginning on or after 1 January 2020. The Group does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods.

b. Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors

These amendments were issued on 31 October 2018. The amendments clarify the definition of 'material' and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of what is material is consistent across all IFRS Standards.

These amendments are mandatory for annual periods beginning on or after 1 January 2020. The Group does not intend to adopt the amendments before its effective date and does not expect it to have a material impact on its current or future reporting periods.

c. Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

These amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business (as defined in IFRS 3 Business Combinations).

Where the non-monetary asset constitutes a business, the investor will recognise the full gain or loss on the sale or contribution of the asset. If the asset does not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. These amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

d. Amendments to IFRS 3: Definition of a business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower

Notes to the consolidated financial statements
Continued

costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

These amendments are mandatory for annual periods beginning on or after 1 January 2020. The Group does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods.

3.4 Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The consolidated financial information comprises the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated from the date on which control is obtained by the Group and are deconsolidated from the date control ceases.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

ii. Change in the ownership interest of subsidiary

The acquisition method of accounting is used to account for business combinations by the Group (Note 14).

Non- controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

iii. Disposal of subsidiary

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 interests;
- Derecognises the cumulative translation differences recorded 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; and
- Reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to the consolidated financial statements
Continued

iv. Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interest in the joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. All other joint arrangements of the Group are joint operations.

v. Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting (see (vi) below) after initially being recognised at cost.

vi. Equity method

Under the equity method of accounting, the Group’s investments are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group’s share of loss in an equity accounting investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other party.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group’s interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees are changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in Note 3.16

vii. Changes in ownership interest

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

viii. Accounting for loss of control

When the Group ceases to consolidate a subsidiary because of a joint control, it does the following:

- deconsolidates the assets (including goodwill), liabilities and non-controlling interest (including attributable other comprehensive income) of the former subsidiary from the consolidated financial position.

- any retained interest (including amounts owed by and to the former subsidiary) in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or a joint venture.

- any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings if required by other IFRSs.

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- the resulting gain or loss, on loss of control, is recognised together with the profit or loss from the discontinued operation for the period before the loss of control.

- the gain or loss on disposal will comprise of the gain or loss attributable to the portion disposed of and the gain or loss on remeasurement of the portion retained. The latter is disclosed separately in the notes to the financial statements.

If the ownership interest in a joint venture is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

ix. Non-controlling interests

The group recognises non-controlling interests in an acquired entity either at fair value or at the noncontrolling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

x. Goodwill

Goodwill is measured as described in Note 14. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

3.5 Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ('the functional currency'), which is the US dollar except the UK subsidiary which is the Great Britain Pound. The consolidated financial statements are presented in Nigerian Naira and the US Dollars.

The Group has chosen to show both presentation currencies and this is allowable by the regulator.

i. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end are generally recognised in profit or loss. They are deferred in equity if attributable to net investment in foreign operations.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss or other comprehensive income depending on where fair value gain or loss is reported.

ii. Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the reporting date.
- income and expenses for statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not - a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

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- all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.6 Oil and gas accounting

i. Pre-licensing costs

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

ii. Exploration license cost

Exploration license costs are capitalised within intangible assets. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised on a straight-line basis over the life.

License costs 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 to establish development plans and timing. If no future activity is planned or the license has been relinquished or has expired, the carrying value of the license is written off through profit or loss. The exploration licence costs are initially recognised as cost and subsequently amortised on a straight line based on the economic life. They are subsequently carried at cost less accumulated amortisation and impairment losses.

iii. Acquisition of producing assets

Upon acquisition of producing assets which do not constitute a business combination, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The purchase price paid for the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

iv. Exploration and evaluation expenditures

Geological and geophysical exploration costs are charged to profit or loss as incurred.

Exploration and evaluation expenditures incurred by the entity are accumulated separately for each area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure, but do not include general overheads or administrative expenditure that is not directly related to a particular area of interest. Each area of interest is limited to a size related to a known or probable hydrocarbon resource capable of supporting an oil operation.

Costs directly associated with an exploration well, exploratory stratigraphic test well and delineation wells are temporarily suspended (capitalised) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons ('proved reserves') are not found, the exploration expenditure is written off as a dry hole and charged to profit or loss. If hydrocarbons are found, the costs continue to be capitalised.

Suspended exploration and evaluation expenditure in relation to each area of interest is carried forward as an asset provided that one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale;
- exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; and
- active and significant operations in, or in relation to, the area of interest.

Exploration and/or evaluation expenditures which fail to meet at least one of the conditions outlined above are written off. In the event that an area is subsequently abandoned or exploration activities do not lead to the discovery of proved or probable reserves, or if the Directors consider the expenditure to be of no value, any accumulated costs carried forward relating to the specified areas of interest are written off in the year in which the decision is made. While an area of interest is in the development phase, amortisation of development costs is not charged pending the commencement of production. Exploration

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and evaluation costs are transferred from the exploration and/or evaluation phase to the development phase upon commitment to a commercial development.

v. Development expenditures

Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure directly related to the development property. All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment is expected to be derived from the sale of production from the relevant development property.

3.7 Revenue recognition (IFRS 15)

IFRS 15 uses a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

It is the Group's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any.

Revenue is recognised when control of goods sold has been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset. For crude oil, this occurs when the crude products are lifted by the customer (buyer) Free on Board at the Group's loading facility. Revenue from the sale of oil is recognised at a point in time when performance obligation is satisfied. For gas sales, revenue is recognised when the product passes through the custody transfer point to the customer. Revenue from the sale of gas is recognised over time using the practical expedient of the right to invoice.

The surplus or deficit of the product sold during the period over the Group's share of production is termed as an overlift or underlift. With regard to underlifts, if the over-lifter does not meet the definition of a customer or the settlement of the transaction is non-monetary, a receivable and other income is recognised. Conversely, when an overlift occurs, cost of sale is debited and a corresponding liability is accrued. Overlifts and underlifts are initially measured at the market price of oil at the date of lifting, consistent with the measurement of the sale and purchase. Subsequently, they are remeasured at the current market value. The change arising from this remeasurement is included in the profit or loss as other income/expenses-net.

- **Definition of a customer**

A customer is a party that has contracted with the Group to obtain crude oil or gas products in exchange for a consideration, rather than to share in the risks and benefits that result from sale. The Group has entered into collaborative arrangements with its Joint arrangement partners to share in the production of oil. Collaborative arrangements with its Joint arrangement partners to share in the production of oil are accounted for differently from arrangements with customers as collaborators share in the risks and benefits of the transaction, and therefore, do not meet the definition of customers. Revenue arising from these arrangements are recognised separately in other income.

- **Contract enforceability and termination clauses**

It is the Group's policy to assess that the defined criteria for establishing contracts that entail enforceable rights and obligations are met. The criteria provide that the contract has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is not recognised for contracts that do not create enforceable rights and obligations to parties in a contract. The Group also does not recognise revenue for contracts that do not meet the revenue recognition criteria. In such cases where consideration is received it recognises a contract liability and only recognises revenue when the contract is terminated.

The Group may also have the unilateral rights to terminate an unperformed contract without compensating the other party. This could occur where the Group has not yet transferred any promised goods or services to the customer and the Group has not yet received, and is not yet entitled to receive, any consideration in exchange for promised goods or services.

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- **Identification of performance obligation**

At inception, the Group assesses the goods or services promised in the contract with a customer to identify as a performance obligation, each promise to transfer to the customer either a distinct good or series of distinct goods. The number of identified performance obligations in a contract will depend on the number of promises made to the customer. The delivery of barrels of crude oil or units of gas are usually the only performance obligation included in oil and gas contract with no additional contractual promises. Additional performance obligations may arise from future contracts with the Group and its customers.

The identification of performance obligations is a crucial part in determining the amount of consideration recognised as revenue. This is due to the fact that revenue is only recognised at the point where the performance obligation is fulfilled, Management has therefore developed adequate measures to ensure that all contractual promises are appropriately considered and accounted for accordingly.

- **Transaction price**

Transaction price is the amount allocated to the performance obligations identified in the contract. It represents the amount of revenue recognised as those performance obligations are satisfied. Complexities may arise where a contract includes variable consideration, significant financing component or consideration payable to a customer.

Variable consideration not within the Group's control is estimated at the point of revenue recognition and reassessed periodically. The estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As a practical expedient, where the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group may recognise revenue in the amount to which it has a right to invoice.

Significant financing component (SFC) assessment is carried out (using a discount rate that reflects the amount charged in a separate financing transaction with the customer and also considering the Group's incremental borrowing rate) on contracts that have a repayment period of more than 12 months.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when it transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Instances when SFC assessment may be carried out include where the Group receives advance payment for agreed volumes of crude oil or receives take or pay deficiency payment on gas sales. Take or pay gas sales contract ideally provides that the customer must sometimes pay for gas even when not delivered to the customer. The customer, in future contract years, takes delivery of the product without further payment. The portion of advance payments that represents significant financing component will be recognised as interest expense.

Consideration payable to a customer is accounted for as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. Examples include barging costs incurred, demurrage and freight costs. These do not represent a distinct service transferred and is therefore recognised as a direct deduction from revenue.

- **Breakage**

The Group enters into take or pay contracts for sale of gas where the buyer may not ultimately exercise all of their rights to the gas. The take or pay quantity not taken is paid for by buyer called take or pay deficiency payment. The Group assesses if there is a reasonable assurance that it will be entitled to a breakage amount. Where it establishes that a reasonable assurance exists, it recognises the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. However, where the Group is not reasonably assured of a breakage amount, it would only recognise the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

- **Contract modification and contract combination**

Contract modifications relate to a change in the price and/or scope of an approved contract. Where there is a contract modification, the Group assesses if the modification will create a new contract or change the existing enforceable rights and obligations of the parties to the original contract.

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Contract modifications are treated as new contracts when the performance obligations are separately identifiable and transaction price reflects the standalone selling price of the crude oil or the gas to be sold. Revenue is adjusted prospectively when the crude oil or gas transferred is separately identifiable and the price does not reflect the standalone selling price. Conversely, if there are remaining performance obligations which are not separately identifiable, revenue will be recognised on a cumulative catch-up basis when crude oil or gas is transferred.

The Group combines contracts entered into at near the same time (less than 12 months) as one contract if they are entered into with the same or related party customer, the performance obligations are the same for the contracts and the price of one contract depends on the other contract.

- **Portfolio expedients**

As a practical expedient, the Group may apply the requirements of IFRS 15 to a portfolio of contracts (or performance obligations) with similar characteristics if it expects that the effect on the financial statements would not be materially different from applying IFRS to individual contracts within that portfolio.

- **Contract assets and liabilities**

The Group recognises contract assets for unbilled revenue from crude oil and gas sales. The Group recognises contract liability for consideration received for which performance obligation has not been met.

- **Disaggregation of revenue from contract with customers**

The Group derives revenue from two types of products, oil and gas. The Group has determined that the disaggregation of revenue based on the criteria of type of products meets the disaggregation of revenue disclosure requirement of IFRS 15. It depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See further details in note 7.1.1.

3.8 Property, plant and equipment

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

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 any decommissioning obligation and, for qualifying assets, 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. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on major maintenance refits 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 entity, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised as incurred as long as these costs increase the efficiency of the unit or extend the useful life of the asset. All other maintenance costs are expensed as incurred.

- **Depreciation**

Production and field facilities are depreciated on a unit-of-production basis over the estimated proved developed reserves. Assets under construction are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

Plant and machinery	20%
Motor vehicles	25%-30%
Office furniture and IT equipment	10%-33.33%
Buildings	4%
Land	-
Intangible asset	5%
Leasehold improvements	Over the unexpired portion of the lease

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The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Gains or losses on disposal of property, plant and equipment are determined as the difference between disposal proceeds and carrying amount of the disposed assets. These gains or losses are included in profit or loss.

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. These costs may arise from; specific borrowings used for the purpose of financing the construction of a qualifying asset, and those that arise from general borrowings that would have been avoided if the expenditure on the qualifying asset had not been made. The general borrowing costs attributable to an asset's construction is calculated by reference to the weighted average cost of general borrowings that are outstanding during the period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.10 Finance income and costs

- **Finance income**

Finance income is recognised in the statement of profit or loss as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the amortised cost of the financial instrument. The determination of finance income takes into account all contractual terms of the financial instrument as well as any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

- **Finance cost**

Finance costs includes borrowing costs, interest expense calculated using the effective interest rate method, finance charges in respect of lease liabilities, the unwinding of the effect of discounting provisions, and the amortisation of discounts and premiums on debt instruments that are liabilities.

3.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently. Other non –financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

If any such indication of impairment exists or when annual impairment testing for an asset group is required, the entity makes an estimate of its recoverable amount. Such indicators include changes in the Group's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

The recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and value in use ('VIU'). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the asset is tested as part of a larger cash generating unit to which it belongs. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In calculating VIU, 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 FVLCD, recent market transactions are taken into account. 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 companies or other available fair value indicators.

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- **Impairment – exploration and evaluation assets**

Exploration and evaluation assets are tested for impairment once commercial reserves are found before they are transferred to oil and gas assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

- **Impairment – proved oil and gas production properties**

Proven oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3.12 Cash and bank balances

Cash and bank balances in the statement of cash flows comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.13 Inventories

Inventories represent the value of tubulars, casings, spares and wellheads. These are stated at the lower of cost and net realisable value. Cost is determined using the invoice value and all other directly attributable costs to bringing the inventory to the point of use determined on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

3.14 Other asset

The Group's interest in the oil and gas reserves of OML 55 has been classified as other asset. On initial recognition, it is measured at the fair value of future recoverable oil and gas reserves.

Subsequently, the other asset is recognised at fair value through profit or loss.

3.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as the chief operating decision maker, consists of the chief financial officer, the general manager (Finance), the general manager (Gas) and the financial reporting manager. See further details in Note 7.

3.16 Financial instruments

IFRS 9 provides guidance on the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

a) Classification and measurement

- **Financial assets**

It is the Group's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement are dependent on the Group's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Group may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

All the Group's financial assets as at 31 December 2019 satisfy the conditions for classification at amortised cost under IFRS 9 except for derivatives which are reclassified at fair value through profit or loss.

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The Group's financial assets include trade receivables, NPDC receivables, NAPIMS receivables, other receivables, cash and bank balances and derivatives. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income/cost.

- **Financial liabilities**

Financial liabilities of the Group are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs, except for derivatives which are classified and subsequently recognised at fair value through profit or loss.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Group's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Group applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables and contract assets while the general approach is applied to NPDC receivables, NAPIMS receivables, other receivables and cash and bank balances.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Group's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) in Nigeria and crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

c) Significant increase in credit risk and default definition

The Group assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Group identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Group's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Group carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Group determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

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d) Write off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include;

- ceasing enforcement activity and;
- where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write - off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was ₦14.8 million, $48.4 (2018: nil) The Group seeks to recover amounts it its legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

e) Derecognition

- Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as finance income/cost.

- Financial liabilities

The Group derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract 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 immediately in the statement of profit or loss.

f) Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost)-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument’s original effective interest rate.

g) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

h) Derivatives

The Group uses derivative financial instruments such as forward exchange contracts to hedge its foreign exchange, risks as well as put options to hedge against its oil price risk. However, such contracts are not accounted for as designated hedges. Derivatives are initially recognised at fair value on the date a derivative contract is entered and subsequently remeasured to their fair value at the end of each reporting period. Any gains or losses arising from changes in the fair value of derivatives are recognised within operating profit in profit or loss for the period. An analysis of the fair value of derivatives is provided in Note 6, Financial risk Management.

The Group accounts for financial assets with embedded derivatives (hybrid instruments) in their entirety on the basis of its contractual cash flow features and the business model within which they are held, thereby eliminating the complexity of bifurcation for financial assets. For financial liabilities, hybrid instruments are bifurcated into hosts and embedded features. In these cases, the Group measures the host contract at amortised cost and the embedded features is measured at fair value through profit or loss.
For the purpose of the maturity analysis, embedded derivatives included in hybrid financial instruments are not separated. The hybrid instrument, in its entirety, is included in the maturity analysis for non-derivative financial liabilities.

Notes to the consolidated financial statements
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i) Fair value of financial instruments

The Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measure the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in the income statement on initial recognition of the instrument. In other cases, the difference is not recognised in the income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

3.17 Share capital

On issue of ordinary shares, any consideration received net of any directly attributable transaction costs is included in equity. Issued share capital has been translated at the exchange rate prevailing at the date of the transaction and is not retranslated subsequent to initial recognition.

3.18 Earnings per share and dividends

- **Basic EPS**

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

- **Diluted EPS**

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

- **Dividends**

Dividends on ordinary shares are recognised as a liability in the period in which they are approved.

3.19 Post-employment benefits

- **Defined contribution scheme**

The Group contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Group. The Group's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

Notes to the consolidated financial statements
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Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. The Group operates a defined contribution plan and it is accounted for based on IAS 19 Employee benefits.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

- **Defined benefit scheme**

The Group operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund. The Group also provides certain additional post-employment benefits to employees. These benefits are unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method and calculated annually by independent actuaries. The liability or asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets (if any). The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds.

Remeasurements gains and losses, arising from changes in financial and demographic assumptions and experience adjustments, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation and the fair value of the plan assets.

The Group recognises the following changes in the net defined benefit obligation under employee benefit expenses in general and administrative expenses:

- Service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest cost

3.20 Provisions

Provisions are recognised when

i. the Group has a present legal or constructive obligation as a result of past events;
ii. it is probable that an outflow of economic resources will be required to settle the obligation as a whole; and
iii. the amount can be reliably estimated.

Provisions are not recognised for future operating losses. In measuring the provision:

- risks and uncertainties are taken into account;
- the provisions are discounted (where the effects of the time value of money is considered to be material) using a pretax rate that is reflective of current market assessments of the time value of money and the risk specific to the liability;
- when discounting is used, the increase of the provision over time is recognised as interest expense;
- future events such as changes in law and technology, are taken into account where there is subjective audit evidence that they will occur; and
- gains from expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.

Notes to the consolidated financial statements
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- **Decommissioning**

Liabilities for decommissioning costs are recognised as a result of the constructive obligation of past practice in the oil and gas industry, when it is probable that an outflow of economic resources will be required to settle the liability and a reliable estimate can be made. The estimated costs, based on current requirements, technology and price levels, prevailing at the reporting date, are computed based on the latest assumptions as to the scope and method of abandonment.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost. The corresponding amount is capitalised as part of the oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation.

If the change in estimate results in an increase in the decommissioning provision 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 exceed the recoverable value, that portion of the increase is charged directly to expense.

3.21 Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

3.22 Contingent consideration

A contingent consideration to be transferred by the acquirer is recognised at fair value through profit or loss at the acquisition date by the Group. Contingent consideration classified as an asset or liability is measured at fair value in accordance with IFRS 13: Fair value Measurement with the changes in fair value recognised in the statement of profit or loss.

3.23 Income taxation

i. Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates 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 tax

Deferred income tax is provided in full, 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 also 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 the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the consolidated financial statements
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Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in 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.

iii. New Tax Regime

In May 2015, in line with Sections of the Companies Income Tax Act which provides incentives to companies that deliver gas utilisation projects, Seplat was granted a tax holiday for three years with a possible extension of two years. In 2018, on review of the performance of the business, the Company provided a notification to the Federal Inland Revenue Service (FIRS) for the extension of claim for the additional two years tax holiday. The request was granted, and the new tax holiday is expected to end in May 2020. Tax incentives do not apply to Seplat East Swamp Company Limited (OML 55), hence all taxes have been included in full for this entity in the financial statements.

Pioneer status is granted by the Nigerian Investment Promotion Commission ('NIPC') upon approval of applications in line with Section 2 of the Industrial Development (Income Tax Relief) Act ('IDITRA'). Elcrest (newly acquired indirect subsidiary) made an application for Pioneer tax relief with effect from 1 May 2014 for the five-year period, covering both the initial period of three years and extended period of a further two years.

iv. Uncertainty over income tax treatments

The Group examines where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. It considers each uncertain tax treatment separately or together as a group, depending on which approach better predicts the resolution of the uncertainty. The factors it considers include:

- how it prepares and supports the tax treatment; and
- the approach that it expects the tax authority to take during an examination.

If the Group concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it determines the accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, it reflects the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate).

The Group measures the impact of the uncertainty using methods that best predicts the resolution of the uncertainty. The Group uses the most likely method where there are two possible outcomes, and the expected value method when there are a range of possible outcomes.

The Group assumes that the tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. As a result, it does not consider detection risk in the recognition and measurement of uncertain tax treatments. The Group applies consistent judgements and estimates on current and deferred taxes. Changes in tax laws or the presence of new tax information by the tax authority is treated as a change in estimate in line with IAS 8 - Accounting policies, changes in accounting estimates and errors.

Judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements. New information might include actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment. The absence of any comment from the tax authority is unlikely to be, in isolation, a change in circumstances or new information that would lead to a change in estimate.

3.24 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and

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- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

3.25 Share based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

- **Equity-settled transactions**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity (share based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date and for fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated historical financial information:

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i. OMLs 4, 38 and 41

OMLs 4, 38, 41 are grouped together as a cash generating unit for the purpose of impairment testing. These three OMLs are grouped together because they each cannot independently generate cash flows. They currently operate as a single block sharing resources for the purpose of generating cash flows. Crude oil and gas sold to third parties from these OMLs are invoiced when the Group has an unconditional right to receive payment.

ii. Deferred tax asset

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. See further details in Note 18.

iii. Lease liabilities

In 2018, the Group entered into a lease agreement for its new head office building. The lease contract contains an option to purchase and right of first refusal upon an option of sales during the initial non-cancellable lease term of five (5) years.

In determining the lease liability/right-of-use assets, management considered all fact and circumstances that create an economic incentive to exercise the purchase option. Potential future cash outflow of $45 million (Seplat's 45% share of $100 million), which represents the purchase price, has not been included in the lease liability because the Group is not reasonably certain that the purchase option will be exercised. This assessment will be reviewed if a significant event or a significant change in circumstances occurs which affects the initial assessment and that is within the control of the management.

iv. Lease term

Management assessed that the purchase option in its head office lease's contract would not be exercised. If management had assessed that it will be reasonably certain that the purchase option will be exercised, the lease term used for depreciating the right-of-use-asset will have been fifty (50) years rather than the non-cancellable lease term of five (5) years. For the lease contracts, the Group assessed that it could not reasonably determine if the leases would be renewed at the end of the lease term. As a result, the lease term used in determining the lease liability was the contractual lease term. The sensitivity of the Group's profit and net assets to this purchase option is disclosed in Note 46.

v. Foreign currency translation reserve

The Group has used the CBN rate to translate its Dollar currency to its Naira presentation currency. Management has determined that this rate is available for immediate delivery. If the rate used was 10% higher or lower, revenue in Naira would have increased/decreased by ₦21.4billion, 2018: ₦22.8 billion. See Note 52 for the applicable translation rates.

vi. Consolidation of Elcrest

On acquisition of 100% shares of Eland Oil and Gas Plc, the Group acquired indirect holdings in Elcrest Exploration and Production (Nigeria) Limited. Although the Group has an indirect holding of 45% in Elcrest, Elcrest has been consolidated as a subsidiary for the following basis:

- Eland Oil and Gas Plc has power over Elcrest through due representation of Eland in the board of Elcrest, and clauses contained in the Share Charge agreement and loan agreement which gives Eland the right to control 100% of the voting rights of shareholders.
- Eland Oil and Gas Plc is exposed to variable returns from the activities of Elcrest through dividends and interests.
- Eland Oil and Gas Plc has the power to affect the amount of returns from Elcrest through its right to direct the activities of Elcrest and its exposure to returns.

vii. Contingent liability

A contingent liability of $7.2 million was recognised on the acquisition of Eland Group for a pending investigation into the UK's Controlled Foreign Company (CFC) tax regime. This amount is the present value of estimated probability of exposure from the pending case. On 25 April 2019, the European Commission released its decision in relation to the Group/Company finance exemption in the UK's CFC rules finding that the exemption constitutes unlawful state aid if the exempted profits arise in connection with UK activity. It is expected that that HM Revenue and Customs will have reached a decision on this case within the next 12 months. The potential undiscounted amount of all future payments that the group could be required to make, if there was an adverse decision related to the investigation, it is estimated at $45.4 million. As at 31 December 2019, there has been no change in the probability of the outcome of the lawsuit.

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viii. Revenue recognition

- **Definition of contracts**

The Group has entered into a non-contractual promise with PanOcean where it allows Panocean to pass crude oil through its pipelines from a field just above Seplat's to the terminal for loading. Management has determined that the non-existence of an enforceable contract with Panocean means that it may not be viewed as a valid contract with a customer. As a result, income from this activity is recognised as other income when earned.

- **Performance obligations**

The judgments applied in determining what constitutes a performance obligation will impact when control is likely to pass and therefore when revenue is recognised i.e. over time or at a point in time. The Group has determined that only one performance obligation exists in oil contracts which is the delivery of crude oil to specified ports. Revenue is therefore recognised at a point in time.

For gas contracts, the performance obligation is satisfied through the delivery of a series of distinct goods. Revenue is recognised over time in this situation as gas customers simultaneously receives and consumes the benefits provided by the Group's performance. The Group has elected to apply the 'right to invoice' practical expedient in determining revenue from its gas contracts. The right to invoice is a measure of progress that allows the Group to recognise revenue based on amounts invoiced to the customer. Judgement has been applied in evaluating that the Group's right to consideration corresponds directly with the value transferred to the customer and is therefore eligible to apply this practical expedient.

- **Significant financing component**

The Group has entered into an advance payment contract with Mercuria for future crude oil to be delivered. The Group has considered whether the contract contains a financing component and whether that financing component is significant to the contract, including both of the following;

a. The difference, if any, between the amount of promised consideration and cash selling price and;
b. The combined effect of both the following:

  - The expected length of time between when the Group transfers the crude to Mercuria and when payment for the crude is received and;
  - The prevailing interest rate in the relevant market.

The advance period is greater than 12 months. In addition, the interest expense accrued on the advance is based on a comparable market rate. Interest expense has therefore been included as part of finance cost.

- **Transactions with Joint Operating arrangement (JOA) partners**

The treatment of underlift and overlift transactions is judgmental and requires a consideration of all the facts and circumstances including the purpose of the arrangement and transaction. The transaction between the Group and its JOA partners involves sharing in the production of crude oil, and for which the settlement of the transaction is non-monetary. The JOA partners have been assessed to be partners not customers. Therefore, shortfalls or excesses below or above the Group's share of production are recognised in other income/ (expenses) - net.

- **Barging costs**

The Group refunds to Mercuria barging costs incurred on crude oil barrels delivered. The Group does not enjoy a separate service which it could have paid another party for. The barging costs is therefore determined to be a consideration payable to customer as there is no distinct goods or service being enjoyed by the Group. Since no distinct good or service is transferred, barging costs is accounted for as a direct deduction from revenue i.e. revenue is recognised net of barging costs.

- **Exploration and evaluation assets**

The accounting for exploration and evaluation ('E&E') assets require management to make certain judgements and assumptions, including whether exploratory wells have discovered economically recoverable quantities of reserves. Designations are sometimes revised as new information becomes available. If an exploratory well encounters hydrocarbon, but further appraisal activity is required in order to conclude whether the hydrocarbons are economically recoverable, the well costs remain capitalised as long as sufficient progress is being made in assessing the economic and operating viability of the well. Criteria used in making this determination include evaluation of the reservoir characteristics and hydrocarbon properties, expected additional development activities, commercial evaluation and regulatory matters. The concept of 'sufficient progress' is an area of judgement, and it is possible to have exploratory costs remain capitalised for several years while additional drilling is performed or the Group seeks government, regulatory or partner approval of development plans.

Notes to the consolidated financial statements
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- **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief financial officer, the general manager (Finance), the general manager (Gas) and the financial reporting manager. See further details in note 7.

5. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i. Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

ii. Contingent consideration

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 judgement and the use of estimates regarding the outcome of future events. See Note 35 for further details.

In 2018, the group de-recognised contingent consideration of N5.7 billion, 2018: N5.7billion ($18.5 million, 2018: $18.5 million) fair value loss on contingent consideration in relation to the remeasurement of contingent consideration on the Group's acquisition of participating interest in OML 53. The contingency criterium was set on oil price rising above $90/bbl. over a one-year period and expiring on 31 January 2020. The contingency criterium was not achieved during the reporting period, and as a result, the contingent consideration has been derecognised. See note 35.

iii. Defined benefit plans (pension benefits)

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and changes in inflation rates.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The rates of mortality assumed for employees are the rates published in 67/70 ultimate tables, published jointly by the Institute and Faculty of Actuaries in the UK.

iv. Oil and gas reserves

Proved oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure for estimating decommissioning liabilities and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

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v. Share-based payment reserve

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share award or appreciation right, volatility and dividend yield and making assumptions about them. The Group measures the fair value of equity-settled transactions with employees at the grant date. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 31.4.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

vi. Provision for decommissioning obligations

Provisions for environmental clean-up and remediation costs associated with the Group's drilling operations are based on current constructions, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

vii. Property, plant and equipment

The Group assesses its property, plant and equipment, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date.

If there are low oil prices or natural gas prices during an extended period, the Group may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas.

During the year, the Group carried out an impairment assessment on OML 4, 38 and 48, OML 56 and OML 53. The Group used the value in use in determining the recoverable amount of the cash-generating unit. In determining the value, the Group used a forecast of the annual net cash flows over the life of proved plus probable reserves, production rates, oil and gas prices, future costs and other relevant assumptions based on the 2019-year end CPR report. The pre-tax future cash flows were adjusted for risks specific to the forecast and discounted using a pre-tax discount rate of 10% which reflects both current market assessment of the time value of money and risks specific to the asset. The impairment test did not result in an impairment charge for both 2019 and 2018 reporting periods.

Management has considered whether a reasonable possible change in one of the main assumptions will cause an impairment and believes otherwise.

viii. Useful life of other property, plant and equipment

The Group recognises depreciation on other property, plant and equipment on a straight-line basis in order to write-off the cost of the asset over its expected useful life. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal and other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Group may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

ix. Income taxes

The Group is subject to income taxes by the Nigerian tax authority, which does not require significant judgement in terms of provision for income taxes, but a certain level of judgement is required for recognition of deferred tax assets. Management is required to assess the ability of the Group to generate future taxable economic earnings that will be used to recover all deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. The estimates are based on the future cash flow from operations taking into consideration the oil and gas prices, volumes produced, operational and capital expenditure.

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x. Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed Note 6.1.3.

xi. Intangible asset

The contract based intangible assets were acquired as part of a business combination (see Note 14 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line bases over their estimated useful lives which is also the economic life of the asset.

The fair value of contract based intangible assets is estimated using the multi period excess earnings method. This requires a forecast of revenue and all cost projections throughout the useful life of the intangible assets. A contributory asset charge that reflects the return on assets is also determined and applied to the revenue but subtracted from the operating cash flows to derive the pre-tax cash flow. The post-tax cashflows are then obtained by deducting out the tax using the effective tax rate. An applicable discount rate of 16% was used to reflect the time value of money. The discounted post tax cashflow is the fair value of the intangible asset. Sensitivity of the intangible assets and goodwill recognised on acquisition to the contributory asset charge and discount rate has been considered.

The value of the intangible asset directly impacts the estimated goodwill on the acquisition of Eland. 10% increase in the contributory asset charge with other factors held constant will increase the identified intangible asset by ₦1.5 billion ($5 million) approximately with an inverse impact on the goodwill. 10% increase in the discount rate with other factors held constant will increase the identified intangible asset by 0.6 billion ($2 million) approximately, with an inverse impact on the goodwill.

xii. Estimating fair value of acquiree's assets/liabilities

Following the acquisition of Eland, the Group estimated the goodwill on acquisition using the purchase price allocation method. The purchase consideration was compared to the fair value of the acquiree's assets/liabilities and the difference represents goodwill. The fair value of acquiree's assets/liabilities that were not traded in an active market on acquisition date were determined using valuation techniques. The Group applied judgement to select methods/approaches such as income, market and cost approaches to determine the fair value of acquired assets and liabilities. Assumptions were also made based on market conditions existing at the end of the acquisition date. Some assets and liabilities for which the income approach was used (Lease liability, borrowings and NPDC receivables) were discounted at 10% because the rate reflects the average market borrowings rate for the acquiree.

6. Financial risk management

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks such as market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in US dollars.	Cash flow forecasting Sensitivity analysis	Match and settle foreign denominated cash inflows with foreign denominated cash outflows.
Market risk – interest rate	Interest bearing loans and borrowings at variable rate	Sensitivity analysis	Review refinancing opportunities
Market risk – commodity prices	Future sales transactions	Sensitivity analysis	Oil price hedges
Credit risk	Cash and bank balances, trade receivables and derivative financial instruments.	Aging analysis Credit ratings	Diversification of bank deposits.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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The profit or loss and equities sensitivites shown below excludes the newly acquired subsidiary, as the acquisition did not impact the profit or loss and equity of the Group during the year.

6.1.1 Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, interest rates and commodity prices.

i. Commodity price risk

The Group is exposed to the risk of fluctuations on crude oil prices. The uncertainty around the rate at which oil prices increase or decline led to the Group's decision to enter into an option contract to insure the Group's revenue against adverse oil price movements.

Crude Hedge

On 28 June and 19 December 2019, the Group entered an economic crude oil hedge contracts with Standard chartered Bank and J.P Morgan Bank respectively. Strike price of ₦13,815 ($45/bbl.) for 3 million barrels at an average premium price of ₦338 ($1.1/bbl.) was agreed at the contract dates.

These contracts, which will commence in 1 January 2020 and 1 July 2020 for the respective Banks, are expected to reduce the volatility attributable to price fluctuations of oil. The Group has pre-paid a premium of ₦838 million, 2018: ₦1.6 billion ($2.73 million; 2018: $5.2 million) and has recognised an unrealised fair value gain of ₦337 million, 2018: ₦2.7 billion ($1.1 million; 2018: $8.8 million) for these hedges. The termination date is 31 March and 30 September 2020 respectively. Hedging the price volatility of forecast oil sales is in accordance with the risk management strategy of the Group.

Currency forwards

Upon acquisition of Eland, the Group assumed forward contracts with Investec Bank plc which are expected to reduce the volatility attributable to exchange risk. The contracts commenced on 31 July 2019 and are expected to mature between 2 January 2020 to 1 July 2020 with an exercise price of 1 GBP: $1.2379.

A 5% increase in the closing exchange rate of Pound to Dollar will increase the fair value by ₦121 million ($0.4 million) with an inverse impact on goodwill recognised on acquisition. A 5% decrease in the exchange rate will reduce the fair value by ₦121 million ($0.4 million) with an inverse impact on goodwill recognised on acquisition.

The maturity of the commodity options and currency forwards of the Group holds is shown in the table below:

	Less than 6 months	6 to 9 months	9 to 12 months	Above 12 months	Total	Fair value ₦ million	Fair value $'000
As at 31 December 2019							
Crude oil hedges Volume (bbl.)	1,500,000	1,500,000	-	-	3,000,000	308	1,002
Currency forwards (Notional amount - $'000)	500	1,500	2,000	2,000	6,000	149	484
						457	1,486

	Less than 6 months	6 to 9 months	9 to 12 months	Total	Fair value ₦ million	Fair value $'000
As at 31 December 2018						
Crude oil hedges Volume (bbl.)	2,500,000	750,000	750,000	4,000,000	2,693	8,772

The following table summarises the impact of the commodity options on the Group's profit before tax due to a 10 % change in market inputs, with all other variables held constant:

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Increase/decrease in Commodity Price	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+10%	31	-	100	-
-10%	31	-	(100)	-

Increase/decrease in Commodity Price	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+10%	111	-	363	-
-10%	(136)	-	(443)	-

The Group may be exposed to business risks from fluctuations in the future prices of crude oil and gas. The following table summarises the impact on the Group's profit before tax of a 10 % change in crude oil prices, with all other variables held constant:

Increase/decrease in market inputs	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million
+10%	15,195	-	18,075	-
-10%	(15,195)	-	(18,075)	-

Increase/decrease in market inputs	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+10%	49,510	-	59,050	-
-10%	(49,510)	-	(59,050)	-

The following table summarises the impact on the Group's profit before tax of a 10% change in gas prices, with all other variables held constant:

Increase/decrease in Commodity Price	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million
+10%	4,167	-	13,576	-
-10%	(4,167)	-	(13,576)	-

Increase/decrease in Commodity Price	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+10%	4,764	-	15,564	-
-10%	(4,764)	-	(15,564)	-

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ii. Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk relates primarily to interest bearing loans and borrowings. The Group has both variable and fixed interest rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and short-term fixed deposit held at variable rates. Fixed rate borrowings only give rise to interest rate risk if measured at fair value. The Group's borrowings are not measured at fair value and are denominated in US dollars.The Group is exposed to cash flow interest rate risk on short-term deposits to the extent that the significant increases and reductions in market interest rates would result in a decrease in the interest earned by the Group.

The contractual re-pricing date of the interest-bearing loans and borrowings is between 3-6 months. The exposure of the Group's variable interest-bearing loans and borrowings at the end of the reporting period is shown below.

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Corporate loan	135,112	29,558	440,130	96,282

The following table demonstrates the sensitivity of the Group's profit before tax to changes in LIBOR rate, with all other variables held constant.

Increase/decrease in interest rate	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million
+1%	(41)	-	(296)	-
-1%	42	-	296	-

Increase/decrease in interest rate	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+1%	(135)	-	(963)	-
-1%	136	-	963	-

6.1.2 Foreign exchange risk

The Group has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currency. The Group is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US dollar.

The Group holds the majority of its cash and bank balances in US dollar. However, the Group maintains deposits in Naira in order to fund ongoing general and administrative activities and other expenditure incurred in this currency. Other monetary assets and liabilities which give rise to foreign exchange risk include trade and other receivables, trade and other payables.The following table demonstrates the carrying value of monetary assets and liabilities exposed to foreign exchange risks for Naira exposures at the reporting date:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Financial assets				
Cash and bank balances	31,945	64,748	103,892	210,923
Trade and other receivables	15,201	14,003	49,515	44,191
Contract assets	6,527	4,327	21,259	14,096
Inventory	248	-	807	-
	53,921	83,078	175,473	269,210
Financial liabilities				
Trade and other payables	(41,847)	(28,945)	(126,116)	(94,283)
Net exposure to foreign exchange risk	12,074	54,133	49,357	174,927

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The following table demonstrates the carrying value of monetary assets and liabilities exposed to foreign exchange risks for Pound exposures at the reporting date:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Financial assets				
Cash and bank balances	611	679	2,153	2,210
Trade and other receivables	1,624	-	5,290	-
	2,235	679	7,443	2,210
Financial liabilities				
Trade and other payables	(4,948)	(469)	(16,117)	(1,527)
Net exposure to foreign exchange risk	(2,713)	210	(8,674)	683

Sensitivity to foreign exchange risk is based on the Group's net exposure to foreign exchange risk due to Naira and pound denominated balances. If the Naira strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit before tax 2019	Effect on other components of equity before tax 2019	Effect on profit before tax 2018	Effect on other components of equity before tax 2018
	₦ million	₦ million	₦ million	₦ million
+5%	(722)	-	(2,557)	-
-5%	798	-	2,826	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+5%	(2,350)	-	(8,330)	-
-5%	2,598	-	9,207	-

If the Pounds strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million
+5%	127	-	(10)	-
-5%	(140)	-	11	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+5%	413	-	(33)	-
-5%	(457)	-	36	-

6.1.3 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and bank balances, derivative financial assets as well as credit exposures to customers (i.e.

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Mercuria, Shell western, Pillar, Azura, and NGMC receivables), and other parties (i.e. NAPIMS receivables, NPDC receivables and other receivables).

a. Risk management

The Group is exposed to credit risk from its sale of crude oil to Mercuria, Vitol, Eni Trading and Shell western. There is a 30-day payment term after Bill of Lading date in the off-take agreement with Mercuria (OMLs 4, 38 &41) which runs for five years until 31 July 2021 and on Vitol off-take agreement (OML53 – Ohaji South Field) which expires in May 2021. While payment term is 10 days in the Eni off-take agreement (OML53 – Jisike Field) which expires in December 2020. The Group is exposed to further credit risk from outstanding cash calls from Nigerian Petroleum Development Company (NPDC) and National Petroleum Investment Management Services (NAPIMS).

In addition, the Group is exposed to credit risk in relation to the sale of gas to its customers.

The credit risk on cash and cash balances is managed through the diversification of banks in which the balances are held. The risk is limited because the majority of deposits are with banks that have an acceptable credit rating assigned by an international credit agency. The Group's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

b. Impairment of financial assets

The Group has six types of financial assets that are subject to IFRS 9's expected credit loss model. Contract assets are also subject to the expected credit loss model, even though they are not financial assets, as they have substantially the same credit risk characteristics as trade receivables. The impairment of receivables is disclosed in the table below.

- Nigerian Petroleum Development Company (NPDC) receivables
- National Petroleum Investment Management Services (NAPIMS)
- Trade receivables
- Contract assets
- Other receivables and;
- Cash and bank balances

Reconciliation of impairment on financial assets

	Notes	₦'million	$'000
As at 1 January 2019 (A)		6,871	22,382
Increase in provision for Nigerian Petroleum Development Company (NPDC) receivables	27.6	12,836	41,813
Increase in provision for National Petroleum Investment Management Services (NAPIMS) receivables	27.8	23	77
Increase in provision for trade receivables	27.4	525	1,710
Decrease in provision for cash and bank balances: short term fixed deposits	30	(13)	(39)
Increase in provision for other receivables	27.10	1,540	5,020
Impairment charge to the profit or loss (B)		14,911	48,581
Total impairment before acquisition (A+B)		21,782	70,963
Receivables written off during the year as uncollectible	27.6	(14,871)	(48,439)
As at 31 December 2019		6,911	22,524

The parameters used to determine impairment for NPDC receivables, NAPIMS receivables, other receivables and short-term fixed deposits are shown below. For all receivables presented in the table, the respective 12-month Probability of Default (PD) equate the lifetime PD for stage 2 as the maximum contractual period over which the Group is exposed to credit risk arising from the receivables is less than 12 months.

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	Nigerian Petroleum Development Company (NPDC) receivables	National Petroleum Investment Management Services (NAPIMS) receivables	Other receivables	Short term fixed deposits
Probability of Default (PD)	The PD for base case, downturn and upturn is 2.03%, 2.10% and 2.10% respectively.	The 12-month PD and lifetime PD for stage 1 and stage 2 is 3.9%.The PD for stage 3 is 100%.	The 12-month PD and lifetime PD for stage 1 and stage 2 is 0.05%.The PD for stage 3 is 100%.	The 12-month PD and lifetime PD for stage 1 and stage 2 is 0.09%.The PD for stage 3 is 100%.
Loss Given Default (LGD)	The 12-month LGD and lifetime LGD were determined using Moody's recovery rate for senior unsecured corporate bonds for emerging economies.	The 12-month LGD and lifetime LGD were determined to be 100% as no collateral was used.	The 12-month LGD and lifetime LGD were determined using Management's estimate of expected cash recoveries.	The 12-month LGD and lifetime LGD were determined using the average recovery rate for Moody's senior unsecured corporate bonds for emerging economies.
Exposure at default (EAD)	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the short-term fixed deposits to credit risk.
Macroeconomic indicators	The historical inflation, unemployment growth rate in Nigeria and crude oil price were used.	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used.	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used.
Probability weightings	80%, 10% and 10% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	75%, 8% and 17% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	89%, 2% and 9% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	78%, 12% and 10% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.

The Group considers both quantitative and qualitative indicators in classifying its receivables into the relevant stages for impairment calculation as shown below:

- Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).
- Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as the increase in political risk concerns or other macro-economic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.
- Stage 3: This stage includes financial assets that have been assessed as being in default (i.e. receivables that are more than 90 days past due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

i. Nigerian Petroleum Development Company (NPDC) receivables

NPDC receivables represent the outstanding cash calls due to Seplat from its Joint Arrangement partner, Nigerian Petroleum Development Company. The Group applies the IFRS 9 general model for measuring expected credit losses (ECL). This requires a three-stage approach in recognising the expected loss allowance for NPDC receivables.

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The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The ECL was calculated based on actual credit loss experience from 2014, which is the date the Group initially became a party to the contract. The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

During the year, the Group wrote off ₦14.9 billion ($48.4 million) which was netted off from NPDC payables in 2018. (See details in Note 27.5 and 27.6)

			31 December 2019	
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	68,712	-	-	68,712
Loss allowance	(448)	-	-	(448)
Net Exposure at Default (EAD)	68,264	-	-	68,264

			31 December 2018	
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	-	-	14,871	14,871
Loss allowance	-	-	(2,475)	(2,475)
Net Exposure at Default (EAD)	-	-	12,396	12,396

			31 December 2019	
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	223,817	-	-	223,817
Loss allowance	(1,460)	-	-	(1,460)
Net Exposure at Default (EAD)	222,357	-	-	222,357

			31 December 2018	
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	-	-	48,439	48,439
Loss allowance	-	-	(8,086)	(8,086)
Net Exposure at Default (EAD)	-	-	40,353	40,353

ii. National Petroleum Investment Management services (NAPIMS) receivables

NAPIMS receivables represent the outstanding cash calls due to Seplat from its Joint Operating Arrangement (JOA) partner, National Petroleum Investment Management Services. The Group applies the general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for NAPIMS receivables.

The ECL was calculated based on actual credit loss experience from 2016, which is the date the Group initially became a party to the contract. The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty. There were no receivables as at 31 December 2018, therefore, the tables below show the expected credit losses for the year ended 31 December 2019.

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31 December 2019

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	377	-	-	377
Loss allowance	(23)	-	-	(23)
Net Exposure at Default (EAD)	354	-	-	354

31 December 2019

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	1,229	-	-	1,229
Loss allowance	(77)	-	-	(77)
Net Exposure at Default (EAD)	1,152	-	-	1,152

iii. Trade receivables (Nigerian Gas Marketing Company)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The impairment of trade receivables (NGMC) was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2019 and 31 December 2018 are as follows:

31 December 2019

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	2,515	-	1,790	-	-	12,176	16,481
Expected loss rate	0.16%	0.16%	0.17%	0.17%	0.17%	3.0%	
Lifetime ECL (Note 27.4)	(4)	-	(3)	-	-	(333)	(340)
Total	2,511	-	1,787	-	-	11,843	16,141

31 December 2018

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	4,639	-	2,392	4,035	-	3,080	14,146
Expected loss rate	0.5%	0.5%	0.5%	0.5%	0.5%	2.2%	
Lifetime ECL (Note 27.4)	(25)	-	(13)	(21)	-	(63)	(122)
Total	4,614	-	2,379	4,014	-	3,017	14,024

31 December 2019

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	8,192	-	5,831	-	-	39,661	53,684
Expected loss rate	0.16%	0.16%	0.17%	0.17%	0.17%	3.0%	
Lifetime ECL (Note 27.4)	(11)	-	(8)	-	-	(1,090)	(1,109)
Total	8,181	-	5,823	-	-	38,571	52,575

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31 December 2018

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	15,111	-	7,792	13,142	-	10,033	46,078
Expected loss rate	0.53%	-	0.53%	0.53%	-	2.16%	
Lifetime ECL (Note 27.4)	(80)	-	(41)	(70)	-	(205)	(396)
Total	15,031	-	7,751	13,072	-	9,828	45,682

iv. Trade receivables (Mercuria)

The impairment of trade receivables (Mercuria) was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2019 are as follows:

31 December 2019

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	15,863	-	-	-	-	-	15,863
Expected loss rate	0.4%	-	-	-	-	-	0.4%
Lifetime ECL (Note 27.4)	(68)	-	-	-	-	-	(68)
Total	15,795	-	-	-	-	-	15,795

31 December 2019

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	51,669	-	-	-	-	-	51,669
Expected loss rate	0.4%	-	-	-	-	-	-
Lifetime ECL (Note 27.4)	(219)	-	-	-	-	-	(219)
Total	51,450	-	-	-	-	-	51,450

v. Trade receivables (Pillar)

The impairment of trade receivables (Pillar) was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2019 and 31 December 2018 are as follows:

31 December 2019

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	915	-	555	-	-	274	1,744
Expected loss rate	1.2%	1.2%	15%	15%	15%	54%	
Lifetime ECL (Note27.4)	(11)	-	(83)	-	-	(149)	(243)
Total	904	-	472	-	-	125	1,501

Notes to the consolidated financial statements
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31 December 2018

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	1,606	-	-	-	-	-	1,606
Expected loss rate	0.2%	-	-	-	-	-	0.2%
Lifetime ECL (Note 27.4)	(4)	-	-	-	-	-	(4)
Total	1,602	-	-	-	-	-	1,602

31 December 2019

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	2,980	-	1,808	-	-	894	5,682
Expected loss rate	1.2%	1.2%	15%	15%	15%	54%	
Lifetime ECL (Note 27.4)	(35)	-	(272)	-	-	(483)	(790)
Total	2,944	-	1,536	-	-	411	4,891

31 December 2018

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	5,232	-	-	-	-	-	5,232
Expected loss rate	0.2%	-	-	-	-	-	
Lifetime ECL (Note 27.4)	(12)	-	-	-	-	-	(12)
Total	5,220	-	-	-	-	-	5,220

vi. Contract assets
The expected credit losses on contract assets have been assessed to be immaterial and the loss rates insignificant.

vii. Other receivables
Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is a receivable amount on an investment that is no longer being pursued. The Group applied the general approach in estimating the expected credit loss.

31 December 2019

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	-	29,633	3,070	32,703
Loss allowance	-	(2,685)	(3,070)	(5,755)
Net Exposure at Default (EAD)	-	26,948	-	26,948

31 December 2018

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	-	10,770	3,045	13,815
Loss allowance	-	(1,186)	(3,029)	(4,215)
Net Exposure at Default (EAD)	-	9,584	16	9,600

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				31 December 2019
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	-	96,571	10,000	106,571
Loss allowance	-	(8,790)	(10,000)	(18,790)
Net Exposure at Default (EAD)	-	87,781	-	87,781

				31 December 2018
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	-	35,042	10,000	45,042
Loss allowance	-	(3,875)	(9,895)	(13,770)
Net Exposure at Default (EAD)	-	31,167	105	31,272

viii. Cash and cash equivalent

Short-term fixed deposits

The Group applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for cash and bank balances. The ECL was calculated as the probability weighted estimate of the credit losses expected to occur over the contractual period of the facility after considering macroeconomic indicators.

				31 December 2019
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	29,741	-	-	29,741
Loss allowance	(23)	-	-	(23)
Net Exposure at Default (EAD)	29,718	-	-	29,718

				31 December 2018
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	33,272	-	-	33,272
Loss allowance	(36)	-	-	(36)
Net Exposure at Default (EAD)	33,236	-	-	33,236

				31 December 2019
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	96,878	-	-	96,878
Loss allowance	(79)	-	-	(79)
Net Exposure at Default (EAD)	96,799	-	-	96,799

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				31 December 2018
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	108,732	-	-	108,732
Loss allowance	(118)	-	-	(118)
Net Exposure at Default (EAD)	108,614	-	-	108,614

Other cash and bank balances

The group assessed the other cash and bank balances to determine their expected credit losses. Based on this assessment, they identified the expected credit loss to be insignificant as at 31 December 2019 (2018: nil). The assets are assessed to be in stage 1.

Credit quality of cash and bank balances

The credit quality of the Group's cash and bank balances are assessed on the basis of external credit ratings (Fitch national long-term ratings) as shown below cash and bank balances are all in Stage 1 based on the ECL assessment:

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Non-rated	6	4	19	12
B	25,987	-	84,649	-
B+	1,713	-	5,580	-
BBB+	-	36	-	117
BBB	-	619	-	2,015
A	4,182	-	13,623	-
A+	65,684	94,128	213,956	306,608
AA	-	47,920	-	156,090
AA-	750	28,688	2,444	93,451
AAA	3,941	8,150	12,836	26,548
	102,263	179,545	333,107	584,841
Allowance for impairment recognised during the year (Note 30)	(23)	(36)	(79)	(118)
Net cash and cash bank balances	102,240	179,509	333,028	584,723

c. Maximum exposure to credit risk – financial instruments subject to impairment

The Group estimated the expected credit loss on NPDC receivables, NAPIMS receivables and short-term fixed deposits by applying the general model. The gross carrying amount of financial assets represents the Group's maximum exposure to credit risks on these assets.

All financial assets impaired using the General model (NPDC, NAPIMS and short-term fixed deposits) are graded under the standard monitoring credit grade (rated B under Standard and Poor's unmodified ratings) and are classified under Stage 1, except for the other receivables which are graded under the investment grade (rated AA under Standard and Poor's unmodified ratings) and classified in Stage 2 and Stage 3.

d. Roll forward movement in loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

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- Transfers between Stage 1 and Stage 2 or Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslation for assets dominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-off of receivables and allowances related to assets.

The following tables explain the changes in the loss allowance between the beginning and end of the annual period due to these factors:

Nigerian Petroleum Development Company (NPDC) receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	₦ million	₦ million	₦ million	₦ million	₦ million
Loss allowance as at 1 January 2019	-	-	2,475	-	2,475
Movements with profit or loss impact					
New financial assets originated or purchased	448	-	-	-	448
Write offs	-	-	12,388	-	12,388
Total net profit or loss charge during the period	448	-	12,388	-	12,836
Other movements with no profit or loss impact;					
Exchange difference	-	-	8	-	8
Write offs	-	-	(14,871)	-	(14,871)
Loss allowance as at 31 December 2019	448	-	-	-	448

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$'000	$'000	$'000	$'000	$'000
Loss allowance as at 1 January 2019	-	-	8,086	-	8,086
Movements with profit or loss impact					
Transfers within Stages					
New financial assets originated or purchased	1,460	-	-	-	1,460
Write offs	-	-	40,353	-	40,353
Total net profit or loss charge during the period	1,460	-	40,353	-	41,813
Other movements with no profit or loss impact;					
Write offs	-	-	(48,439)	-	(48,439)
Loss allowance as at 31 December 2019	1,460	-	-	-	1,460

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National Petroleum Investment Management services (NAPIMS) receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	₦ million	₦ million	₦ million	₦ million	₦ million
Loss allowance as at 1 January 2019	-	-	-	-	-
Movements with profit or loss impact					
New financial assets originated or purchased	23	-	-	-	23
Total net profit or loss charge during the period	23	-	-	-	23
Loss allowance as at 31 December 2019	23	-	-	-	23

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$’000	$’000	$’000	$’000	$’000
Loss allowance as at 1 January 2019	-	-	-	-	-
Movements with profit or loss impact					
New financial assets originated or purchased	77	-	-	-	77
Total net profit or loss charge during the period	77	-	-	-	77
Loss allowance as at 31 December 2019	77	-	-	-	77

Other receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	₦ million	₦ million	₦ million	₦ million	₦ million
Loss allowance as at 1 January 2019	-	1,186	3,029	-	4,215
Movements with profit or loss impact					
Changes in PDs/LGDs/EADs	-	-	1,499	-	1,499
Unwind of discount	-	41	-	-	41
Total net profit or loss charge during the period	-	41	1,499	-	1,540
Loss allowance as at 31 December 2019	-	1,227	4,528	-	5,755

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$’000	$’000	$’000	$’000	$’000
Loss allowance as at 1 January 2019	-	3,875	9,895	-	13,770
Movements with profit or loss impact					
Changes in PDs/LGDs/EADs	-	-	4,915	-	4,915
Unwind of discount	-	105	-	-	105
Total net profit or loss charge during the period	-	105	4,915	-	5,020
Loss allowance as at 31 December 2019	-	3,980	14,810	-	18,790

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Short-term fixed deposit

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	₦ million	₦ million	₦ million	₦ million	₦ million
Loss allowance as at 1 January 2019	36	-	-	-	36
Movements with profit or loss impact					
New financial assets originated or purchased	23	-	-	-	23
Derecognised financial assets	(36)	-	-	-	(36)
Total net profit or loss charge during the period	(13)	-	-	-	(13)
Loss allowance as at 31 December 2019	23	-	-	-	23

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$'000	$'000	$'000	$'000	$'000
Loss allowance as at 1 January 2019	118	-	-	-	118
Movements with profit or loss impact					
New financial assets originated or purchased	79	-	-	-	79
Derecognised financial assets	(118)	-	-	-	(118)
Total net profit or loss charge during the period	(39)	-	-	-	(39)
Loss allowance as at 31 December 2019	79	-	-	-	79

e. Estimation uncertainty in measuring impairment loss

The table below shows information on the sensitivity of the carrying amounts of the Group's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Group's financial assets.

i. Expected cashflows recoverable

The table below demonstrates the sensitivity of the Group's profit before tax to a 20% change in the expected cashflows from financial assets, with all other variables held constant:

	Effect on profit before tax 2019	Effect on other components of equity before tax 2019	Effect on profit before tax 2019	Effect on other components of equity before tax 2019
	₦ million	₦ million	$'000	$'000
Increase/decrease in estimated cashflows				
+20%	94	-	305	-
-20%	(94)	-	(305)	-

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	Effect on profit before tax 2018	Effect on other components of equity before tax 2018	Effect on profit before tax 2018	Effect on other components of equity before tax 2018
	₦ million	₦ million	$'000	$'000
Increase/decrease in estimated cash flows				
+20%	24	-	79	-
-20%	(24)	-	(79)	-

ii. Significant unobservable inputs

The table below demonstrates the sensitivity of the Group's profit before tax to movements in the loss given default (LGD) for financial assets, with all other variables held constant:

	Effect on profit before tax 2019	Effect on other components of equity before tax 2019	Effect on profit before tax 2019	Effect on other components of equity before tax 2019
	₦ million	₦ million	$'000	$'000
Increase/decrease in loss given default				
+10%	(46)	-	(145)	-
-10%	46	-	145	-

	Effect on profit before tax 2018	Effect on other components of equity before tax 2018	Effect on profit before tax 2018	Effect on other components of equity before tax 2018
	₦ million	₦ million	$'000	$'000
Increase/decrease in loss given default				
+10%	(222)	-	(725)	-
-10%	222	-	725	-

The table below demonstrates the sensitivity of the Group's profit before tax to movements in probabilities of default, with all other variables held constant:

	Effect on profit before tax 2019	Effect on other components of equity before tax 2019	Effect on profit before tax 2019	Effect on other components of equity before tax 2019
	₦ million	₦ million	$'000	$'000
Increase/decrease in probability of default				
+10%	(49)	-	(159)	-
-10%	49	-	159	-

	Effect on profit before tax 2018	Effect on other components of equity before tax 2018	Effect on profit before tax 2018	Effect on other components of equity before tax 2018
	₦ million	₦ million	$'000	$'000
Increase/decrease in probability of default				
+10%	(279)	-	(908)	-
-10%	279	-	908	-

Notes to the consolidated financial statements
Continued

The table below demonstrates the sensitivity of the Group's profit before tax to movements in the forward-looking macroeconomic indicators, with all other variables held constant:

	Effect on profit before tax 2019	Effect on other components of equity before tax 2019	Effect on profit before tax 2019	Effect on other components of equity before tax 2019
	₦ million	₦ million	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators				
+10%	(46)	-	(145)	-
-10%	46	-	145	-

	Effect on profit before tax 2018	Effect on other components of equity before tax 2018	Effect on profit before tax 2018	Effect on other components of equity before tax 2018
	₦ million	₦ million	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators				
+10%	16	-	52	-
-10%	(15)	-	(52)	-

6.1.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Group uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the Group's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in interest bearing current accounts, time deposits and money market deposits.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.

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	Effective interest rate %	Less than 1 year ₦ million	1 - 2 year ₦ million	2 - 3 years ₦ million	3 - 5 years ₦ million	Total ₦ million
31 December 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	10,105	10,077	10,077	112,475	142,734
Variable interest rate borrowings						
Citibank, N.A., London Branch	6.0% +LIBOR	1,020	5,078	4,750	4,421	15,269
Nedbank Limited London	6.0% +LIBOR	1,020	5,078	4,750	4,421	15,269
Stanbic IBTC Bank Plc	6.0% +LIBOR	510	2,539	2,375	2,211	7,635
The Standard Bank of South Africa Limited	6.0% +LIBOR	510	2,539	2,375	2,211	7,635
RMB International (Mauritius) Limited	6.0% +LIBOR	1,020	5,078	4,750	4,421	15,269
The Mauritius Commercial Bank Ltd	6.0% +LIBOR	1,020	5,078	4,750	4,421	15,269
JPMorgan Chase Bank, N.A., London Branch	6.0% +LIBOR	764	3,808	3,564	3,316	11,452
Standard Chartered Bank	6.0% +LIBOR	764	3,808	3,564	3,316	11,452
Natixis	6.0% +LIBOR	764	3,808	3,564	3,316	11,452
Société Générale, London Branch	6.0% +LIBOR	383	1,904	1,781	1,658	5,726
Zenith Bank Plc	6.0% +LIBOR	383	1,904	1,781	1,658	5,726
United Bank for Africa Plc	6.0% +LIBOR	383	1,904	1,781	1,658	5,726
First City Monument Bank Limited	6.0% +LIBOR	383	1,904	1,781	1,658	5,726
		8,924	44,430	41,566	38,686	133,606
Acquired through business combination- Stanbic IBTC Bank Plc & The Mauritius Commercial Bank Ltd	8.0% +LIBOR	10,230	9,461	7,844	5,835	33,370
Total variable interest borrowings		19,154	53,891	49,410	44,521	166,976
Other non - derivatives						
Trade and other payables**		114,388	-	-	-	114,388
Lease liability		247	155	1,059	2,036	3,496
		114,635	155	1,059	2,036	117,884
Total		143,894	64,123	60,546	159,032	427,594

31 December 2018	Effective interest rate %	Less than 1 year ₦ million	1 - 2 year ₦ million	2 - 3 years ₦ million	3 - 5 years ₦ million	Total ₦ million
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	10,130	10,075	10,048	122,220	152,473
Variable interest rate borrowings						
Stanbic IBTC Bank Plc	6.0% +LIBOR	312	313	312	3,789	4,726
The Standard Bank of South Africa L	6.0% +LIBOR	208	209	208	2,526	3,151
Nedbank Limited, London Branch	6.0% +LIBOR	434	434	434	5,263	6,565
Standard Chartered Bank	6.0% +LIBOR	390	391	390	4,736	5,907
Natixis	6.0% +LIBOR	304	304	304	3,684	4,596
FirstRand Bank Limited Acting	6.0% +LIBOR	304	304	304	3,684	4,596
Citibank N.A. London	6.0% +LIBOR	260	261	260	3,158	3,939
The Mauritius Commercial Bank Plc	6.0% +LIBOR	260	261	260	3,158	3,939

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	Effective interest rate %	Less than 1 year ₦ million	1 - 2 year ₦ million	2 - 3 years ₦ million	3 - 5 years ₦ million	Total ₦ million
Nomura International Plc	6.0% +LIBOR	130	130	130	1,579	1,969
Total variable interest borrowings		2,602	2,607	2,602	31,577	39,388
Other non - derivatives						
Trade and other payables**		48,152	-	-	-	48,152
Contingent consideration		-	5,680	-	-	5,680
		48,152	5,680	-	-	53,832
Total		60,884	18,362	12,650	153,797	245,693

	Effective interest rate %	Less than 1 year $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
31 December 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	32,915	32,825	32,825	366,367	464,932
Variable interest rate borrowings						
Citibank, N.A., London Branch	6.0% +LIBOR	3,321	16,540	15,471	14,402	49,734
Nedbank Limited London	6.0% +LIBOR	3,321	16,540	15,471	14,402	49,734
Stanbic IBTC Bank Plc	6.0% +LIBOR	1,661	8,270	7,736	7,201	24,868
The Standard Bank of South Africa Limited	6.0% +LIBOR	1,661	8,270	7,736	7,201	24,868
RMB International (Mauritius) Limited	6.0% +LIBOR	3,321	16,540	15,471	14,402	49,734
The Mauritius Commercial Bank Ltd	6.0% +LIBOR	3,321	16,540	15,471	14,402	49,734
JPMorgan Chase Bank, N.A., London Branch	6.0% +LIBOR	2,491	12,405	11,604	10,802	37,302
Standard Chartered Bank	6.0% +LIBOR	2,491	12,405	11,604	10,802	37,302
Natixis	6.0% +LIBOR	2,491	12,405	11,604	10,802	37,302
Société Générale, London Branch	6.0% +LIBOR	1,246	6,203	5,802	5,401	18,652
Zenith Bank Plc	6.0% +LIBOR	1,246	6,203	5,802	5,401	18,652
United Bank for Africa Plc	6.0% +LIBOR	1,246	6,203	5,802	5,401	18,652
First City Monument Bank Limited	6.0% +LIBOR	1,246	6,203	5,802	5,401	18,652
		29,063	144,727	135,376	126,020	435,186
Acquired through business combination- Stanbic IBTC Bank Plc & The Mauritius Commercial Bank Ltd	8.0% +LIBOR	33,322	30,820	25,549	19,005	108,696
Total variable interest borrowings		62,385	175,547	160,925	145,025	543,882
Other non - derivatives						
Trade and other payables**		372,599	-	-	-	372,599
Lease liability		803	505	3,449	6,632	11,389
		373,402	505	3,449	6,632	383,988
Total		468,702	208,877	197,199	518,024	1,392,802

Notes to the consolidated financial statements

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	Effective interest rate %	Less than 1 year $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
31 December 2018						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	33,094	32,915	32,825	399,282	498,116
Variable interest rate borrowings						
Stanbic IBTC Bank Plc	6.0% +LIBOR	1,020	1,023	1,020	12,378	15,441
The Standard Bank of South Africa L	6.0% +LIBOR	680	682	680	8,252	10,294
Nedbank Limited, London Branch	6.0% +LIBOR	1,417	1,421	1,417	17,192	21,447
Standard Chartered Bank	6.0% +LIBOR	1,275	1,279	1,275	15,473	19,302
Natixis	6.0% +LIBOR	992	995	992	12,035	15,014
FirstRand Bank Limited Acting	6.0% +LIBOR	992	995	992	12,035	15,014
Citibank N.A. London	6.0% +LIBOR	850	853	850	10,315	12,868
The Mauritius Commercial Bank Plc	6.0% +LIBOR	850	853	850	10,315	12,868
Nomura International Plc	6.0% +LIBOR	425	426	425	5,158	6,434
		8,501	8,527	8,501	103,153	128,682
Other non - derivatives						
Trade and other payables**		156,847	-	-	-	156,847
Contingent consideration		-	18,500			18,500
		198,442	59,942	41,326	502,435	802,145

** Trade and other payables (exclude non-financial liabilities such as provisions, taxes, pension and other non-contractual payables).

6.1.5 Fair value measurements

Set out below is a comparison by category of carrying amounts and fair value of all financial instruments:

	Carrying amount		Fair value	
	2019 ₦ million	2018 ₦ million	2019 ₦ million	2018 ₦ million
Financial assets at amortised cost				
Trade and other receivables*	35,225	29,466	35,225	29,466
Contract assets	6,527	4,327	6,527	4,327
Cash and bank balances	102,240	179,509	102,240	179,509
	143,992	213,302	143,992	213,302
Financial assets at fair value				
Derivative financial instruments (Note 29)	457	2,693	457	2,693
	457	2,693	457	2,693
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	242,349	136,830	229,805	143,158
Contingent consideration	-	5,676	-	5,676
Trade and other payables	106,260	48,152	106,260	48,152
	348,609	190,658	336,065	196,986

Notes to the consolidated financial statements
Continued

	Carrying amount		Fair value	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Trade and other receivables*	114,740	95,982	114,740	95,982
Contract assets	21,259	14,096	21,259	14,096
Cash and bank balances	333,028	584,723	333,028	584,723
	469,027	694,801	469,027	694,801
Financial assets at fair value				
Derivative financial instruments (Note 29)	1,486	8,772	1,486	8,772
	1,486	8,772	1,486	8,772
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	789,408	445,699	748,551	466,314
Contingent consideration	-	18,489	-	18,489
Trade and other payables	346,125	156,847	346,125	156,847
	1,135,533	621,035	1,094,676	641,650

* Trade and other receivables exclude NGMC VAT receivables, cash advances and advance payments.

In determining the fair value of the interest-bearing loans and borrowings, non-performance risks of the Group as at year-end were assessed to be insignificant.

Trade and other payables (exclude non-financial liabilities such as provisions, taxes, pension and other non-contractual payables), trade and other receivables (excluding prepayments), contract assets and cash and bank balances are financial instruments whose carrying amounts as per the financial statements approximate their fair values. This is mainly due to their short-term nature.

6.1.6 Fair Value Hierarchy

As at the reporting period, the Group had classified its financial instruments into the three levels prescribed under the accounting standards. There are recurring fair value measurements and non-recurring fair value measurements resulting from the acquisition of Eland. There were no transfers of financial instruments between fair value hierarchy levels during the year.

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Recurring fair value measurements

Financial Assets

31 Dec 2019	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets:						
Derivative financial instruments	457	-	-	1,486	-	-

31 Dec 2018	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets:						
Derivative financial instruments	2,693	-	-	8,772	-	-
	2,693	-	-	8,772	-	-

Notes to the consolidated financial statements
Continued

The fair value of the Group's derivative financial instruments has been determined using a proprietary pricing model that uses marked to market valuation. The valuation represents the mid-market value and the actual close-out costs of trades involved. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

Financial Liabilities

31 Dec 2019	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial liabilities:						
Interest bearing loans and borrowings	-	229,805	-	-	748,551	-
	-	229,805	-	-	748,551	-

31 Dec 2018	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial liabilities:						
Interest bearing loans and borrowings	-	143,158	-	-	466,314	-
Contingent consideration	-	-	5,676	-	-	18,489
	-	143,158	5,676	-	466,314	18,489

The fair value of the Group's interest-bearing loans and borrowings is determined by using discounted cash flow models that use market interest rates as at the end of the period. The interest-bearing loans and borrowings are in level 2.

The fair value of the Group's contingent consideration is determined using the discounted cash flow model. The cash flows were determined based on probable future oil prices. The estimated future cash flow was discounted to present value using a discount rate.

Non-recurring fair value measurements - Acquired in business combination

Financial assets

31 Dec 2019	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Receivable from NPDC (Note 14.1)	-	16,075	-	-	52,360	-

The fair value of NPDC acquired through business combinations is determined using the discounted cash flow model. The cash flows were determined based on probable expected future receipt. The estimated future cash flow was discounted to present value using a discount rate that depicts the market rate of interest for the borrower.

Financial liabilities

31 Dec 2019	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Interest bearing loans and borrowings (Note 14.1)	-	27,704	-	-	90,242	-
Lease liability (Note 14.1)	-	461	-	-	1,500	-
	-	28,165	-	-	91,742	-

The fair value of the interest-bearing loans and borrowings acquired through business combinations is determined by using discounted cash flow models (income approach) which uses the market interest rates specific to the borrower as at the end of the period. These borrowings have also been classified as a level 2 instrument.

The fair value of the lease liability acquired through business combinations is determined by using discounted cash flow models (income approach) that uses the incremental borrowing rate specific to the borrower as at the end of the period. This lease liability has also been classified as a level 2 instrument.

The carrying amounts of the other financial instruments acquired in business combination are the same as their fair values.

Notes to the consolidated financial statements
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The valuation process

The finance & planning team of the Group performs the valuations of financial and non-financial assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the General Manager (GM) Commercial who reports to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the GM and the valuation team at least once every quarter, in line with the Group's quarterly reporting periods.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a government risk free rate to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Contingent consideration – Fair value is determined by using the discounted cash flow model. Expected cash inflows are determined based on the terms of the contract (see Note 35) and the entity's knowledge of the business and how the current economic environment is likely to impact it.

- Changes in level 3 fair values are analysed and the reason for the change explained at the end of each reporting period during the quarterly discussion between the FM and the valuation team and eventually with the CFO and Audit Committee.

6.1.7 Reconciliation of fair value measurements of Level 3 financial instruments

Refer to Note 35 for reconciliation of fair value measurements of level 3 contingent consideration.

6.1.8 Sensitivity of level 3 significant unobservable inputs

The following table demonstrates the sensitivity of the Group's profit/(loss) before tax to changes in the discount rate of the contingent consideration, with all other variables held constant.

In 2019, the contingent consideration was written back. (See details in Note 35.1)

Increase/decrease in discount rate	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+10%	181	-	56	-
-10%	(185)	-	(57)	-

The fair value of the contingent consideration of $18.5 million for OML 53 was estimated by calculating the present value of the deferred payment of $18.75 million over the contractual maximum period of five (5) years till 31 January 2020.

The estimates are calculated using the 5-year US daily treasury yield curve rates as at the inception date, 5 February 2015. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded treasury securities in the over-the-counter market. The market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York.

6.1.9 Capital management

Risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain optimal capital structure and reduce cost of capital. Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio, net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances.

Notes to the consolidated financial statements
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	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Interest bearing loans and borrowings	242,349	136,830	789,408	445,699
Lease liabilities	2,829	-	9,210	-
Less: cash and bank balances	(102,240)	(179,509)	(333,028)	(584,723)
Net debt	142,938	(42,679)	465,590	(139,024)
Total equity	553,668	491,472	1,803,486	1,600,885
Total capital	696,606	448,793	2,269,076	1,461,861
Net debt (net debt/total capital) ratio	21%	(10%)	21%	(10%)

During the year, the Group's strategy which was unchanged from 2018, was to maintain a net debt gearing ratio of 20% to 40%. Capital includes share capital, share premiums, capital contribution and all other equity reserves.

The net debt to equity ratio increased by 0.33% following the adoption of IFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019.

As the Group continuously reviews its funding and maturity profile, it continues to monitor the market in ensuring that its well positioned for any refinancing and or buy back opportunities for the current debt facilities – including potentially the US$350 million 9.25% 144A/Reg S bond maturing in 2023.

Loan covenant

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- Total net financial indebtedness to annualised EBITDA is not to be greater than 3:1;
- The sources of funds exceed the relevant expenditures in each semi-annual period within the 18 months shown in the Group's liquidity plan.
- The minimum production levels stipulated for each 6-month period must be achieved.
- The Cash Adjusted Debt Service Cover Ratio should equal to or greater than 1.20 to 1 for each Calculation Period through to the applicable Termination Date.

The Group has complied with these covenants throughout the reporting periods present.

7. Segment reporting

Business segments are based on the Group's internal organisation and management reporting structure. The Group's business segments are the two core businesses: Oil and Gas. The Oil segment deals with the exploration, development and production of crude oil while the Gas segment deals with the production and processing of gas. These two reportable segments make up the total operations of the Group.

For the year ended 31 December 2019, revenue from the gas segment of the business constituted 29% (2018: 21%) of the Group's revenue. Management believes that the gas segment of the business will continue to generate higher profits in the foreseeable future. It also decided that more investments will be made toward building the gas arm of the business. This investment will be used in establishing more offices, creating a separate operational management and procuring the required infrastructure for this segment of the business. The gas business is positioned separately within the Group and reports directly to the ('chief operating decision maker'). As this business segment's revenues and results, and its cash flows, will be largely independent of other business units within the Group, it is regarded as a separate segment.

The result is two reporting segments, Oil and Gas. There were no intersegment sales during the reporting periods under consideration, therefore all revenue was from external customers.

Amounts relating to the gas segment are determined using the gas cost centres, with the exception of depreciation. Depreciation relating to the gas segment is determined by applying a percentage which reflects the proportion of the Net Book Value of oil and gas properties that relates to gas investment costs (i.e. cost for the gas processing facilities).

The Group accounting policies are also applied in the segment reports. The results of the discontinued operation have not been included in the segment reporting information.

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7.1 Segment profit disclosure

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Oil	26,623	8,421	86,743	27,512
Gas	54,352	36,430	177,099	119,014
Total profit from continued operations for the year	80,975	44,851	263,842	146,526

Oil

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Revenue from contract with customers				
Crude oil sales (Note 8)	151,954	180,751	495,104	590,503
Operating profit before depreciation, amortisation and impairment	81,984	94,502	268,597	308,729
Depreciation and amortization	(25,570)	(31,244)	(84,792)	(102,061)
Impairment	(14,692)	(4,829)	(47,869)	(15,781)
Operating profit	41,722	58,429	135,936	190,887
Finance income (Note 16)	4,134	3,032	13,471	9,905
Finance costs (Note 16)	(10,294)	(17,292)	(33,539)	(56,492)
Profit before taxation	35,562	44,169	115,868	144,300
Income tax expense (Note 17)	(8,939)	(35,748)	(29,125)	(116,788)
Profit for the period	26,623	8,421	86,743	27,512

Gas

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Revenue from contract with customer				
Gas sales (Note 8)	41,668	47,640	135,761	155,637
Gas processing (Note 8)	20,535	-	66,912	-
	62,203	47,640	202,673	155,637
Operating profit before depreciation, amortisation and impairment	60,277	42,302	188,835	138,198
Depreciation and amortization	(6,031)	(6,218)	(12,084)	(20,322)
(Impairment loss)/reversal of impairment loss	(219)	346	(712)	1,138
Operating profit	54,027	36,430	176,039	119,014
Finance income	-	-	-	-
Finance cost	-	-	-	-
Share of profit from joint venture accounted for using equity accounting	325	-	1,060	-
Profit before taxation	54,352	36,430	177,099	119,014
Taxation	-	-	-	-
Profit for the year	54,352	36,430	177,099	119,014

During the reporting period, impairment losses recognised in the gas segment relates to NGMC. Impairment losses recognised in the oil segment relate to receivables from trade receivables (Pillar and Mercuria) NPDC, NAPIMS and other receivables. See Note 12 for further details.

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7.1.1 Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of commodities at a point in time or over time and from different geographical regions.

	2019 Oil ₦'million	2019 Gas ₦'million	2019 Total ₦'million	2019 Oil $'000	2019 Gas $'000	2019 Total $'000
Geographical markets						
Nigeria	13,424	62,203	75,627	43,740	202,673	246,413
Switzerland	138,530	-	138,530	451,364	-	451,364
Revenue from contract with customers	151,954	62,203	214,157	495,104	202,673	697,777
Timing of revenue recognition						
At a point in time	151,954	-	151,954	495,104	-	495,104
Over time	-	62,203	62,203	-	202,673	202,673
Revenue from contract with customers	151,954	62,203	214,157	495,104	202,673	697,777

	2018 Oil ₦'million	2018 Gas ₦'million	2018 Total ₦'million	2018 Oil $'000	2018 Gas $'000	2018 Total $'000
Geographical markets						
Nigeria	11,218	47,640	58,858	36,647	155,637	192,284
Switzerland	169,533	-	169,533	553,856	-	553,856
Revenue from contract with customers	180,751	47,640	228,391	590,503	155,637	746,140
Timing of revenue recognition						
At a point in time	180,751	-	180,751	590,503	-	590,503
Over time	-	47,640	47,640	-	155,637	155,637
Revenue from contract with customers	180,751	47,640	228,391	590,503	155,637	746,140

The Group's transactions in 2019 with its major customer, Mercuria, constitutes more than 65% (₦139 billion, $451 million in 2018; ₦169 billion, $554 million) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC (₦62 billion, $203 million in 2018; ₦48 billion, $156 million) accounted for more than 10% of the total revenue from the gas segment and the Group as a whole.

7.1.2 Impairment/ (reversal of) losses by reportable segments

	2019 Oil ₦'million	2019 Gas ₦'million	2019 Total ₦'million	2018 Oil ₦'million	2018 Gas ₦'million	2018 Total ₦'million
Impairment losses recognised during the period	1,870	219	2,089	4,990	-	4,990
Receivables written off during the year as uncollectible	14,871	-	14,871	-	-	-
Reversal of previous impairment losses	(2,049)	-	(2,049)	(158)	(347)	(505)
Exchange difference	-	-	-	(3)	1	(2)
	14,692	219	14,911	4,829	(346)	4,483

Notes to the consolidated financial statements

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	2019 Oil $'000	2019 Gas $'000	2019 Total $'000	2018 Oil $'000	2018 Gas $'000	2018 Total $'000
Impairment losses recognised during the period	6,097	712	6,809	16,303	-	16,303
Receivables written off during the year as uncollectible	48,439	-	48,439	-	-	-
Reversal of previous impairment losses	(6,667)	-	(6,667)	(522)	(1,138)	(1,660)
	47,869	712	48,581	15,781	(1,138)	14,643

At year end, Eland was acquired. The acquisition was consummated at 31 December 2019. As a result, the profit for Eland is not reflected here as it does not form part of pre-acquisition reserves.

7.2 Segment assets

Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the reporting segment and the physical location of the asset. The Group had no non-current assets domiciled outside Nigeria.

Total segment assets	Oil ₦'million	Gas ₦'million	Total ₦'million	Oil $'000	Gas $'000	Total $'000
31 December 2019	763,322	240,911	1,004,233	2,563,147	707,963	3,271,110
31 December 2018	614,032	152,639	766,671	2,000,107	497,191	2,497,298

7.3 Segment liabilities

Segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Total segment liabilities	Oil ₦'million	Gas ₦'million	Total ₦'million	Oil $'000	Gas $'000	Total $'000
31 December 2019	434,334	16,091	450,425	1,398,462	68,709	1,467,171
31 December 2018	248,579	26,620	275,199	809,704	86,709	896,413

8. Revenue from contracts with customers

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Crude oil sales	151,954	180,751	495,104	590,503
Gas sales	41,668	47,640	135,761	155,637
Gas processing	20,535	-	66,912	-
	214,157	228,391	697,777	746,140

The major off-taker for crude oil is Mercuria. The major off-taker for gas is the Nigerian Gas Marketing Company and Azura.

Gas processing is revenue received from Nigerian Petroleum Development Company (NPDC) for processing its share of the gas extracted from OML 4, 38 and 41 from 2015 to 2018. In prior periods, the Group had not recognised the related income or receivable for the service because the basis for determining the fees was yet to be concluded with NPDC.

Notes to the consolidated financial statements

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9. Cost of sales

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Royalties	29,654	38,008	96,622	124,173
Depletion, depreciation and amortisation (Note 20.6)	27,952	36,570	91,075	119,471
Crude handling fees	17,616	20,954	57,396	68,455
Nigeria Export Supervision Scheme (NESS) fee	181	235	589	767
Niger Delta Development Commission Levy	2,599	1,651	8,469	5,395
Rig related costs	1,872	12	6,101	39
Operational & maintenance expenses	12,824	11,211	41,787	36,626
	92,698	108,641	302,039	354,926

Rig related costs for 2019 mostly relate to workovers which form part of expenses for the relevant reporting period. During the year ended 2019, substantial repair and maintenance (work-over) were carried out to ensure adequate running of the wells.

Operational & maintenance expenses mainly relates to maintenance costs, warehouse operations expenses, security expenses, community expenses, clean-up costs, fuel supplies and catering services.

10. Other income

	2019 ₦ million	2018 ₦'million	2019 $'000	2018 $'000
(Overlift)/underlift	(2,101)	4,179	(6,847)	13,652
Exchange gains	735	406	2,395	1,325
Gains on disposal of oil and gas assets (Note 20.3)	9,462	-	30,830	-
Tariffs	1,074	-	3,498	-
	9,170	4,585	29,876	14,977

Overlifts are excess crude lifted above the share of production. It may exist when the crude oil lifted by the Group during the period is above its ownership share of production. Overlifts are initially measured at the market price of oil at the date of lifting and recognised as other expenses. At each reporting period, overlifts are remeasured at the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss.

Underlifts are shortfalls of crude lifted below the share of production. It may exist when the crude oil lifted by the Group during the period is less than its ownership share of production. The shortfall is initially measured at the market price of oil at the date of lifting and recognised as other income. At each reporting period, the shortfall is remeasured at the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss as other income.

Gains on foreign exchange are principally as a result of translation of naira denominated monetary assets and liabilities.

Tariffs which is a form of crude handling fee, relate to income generated from the use of the Group's pipeline.

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11. General and administrative expenses

	2019 ₦ million	2018 ₦'million	2019 $'000	2018 $'000
Depreciation (Note 20.6)	872	891	2,841	2,912
Depreciation of right-of-use assets (Note 46)	908	-	2,960	-
Auditor's remuneration	170	180	553	586
Professional and consulting fees	3,195	3,866	10,408	12,627
Directors' emoluments (executive)	770	757	2,508	2,474
Directors' emoluments (non-executive)	1,056	1,083	3,440	3,537
Donations	73	122	237	397
Employee benefits (Note 11.1)	11,565	10,402	37,681	33,987
Flights and other travel costs	2,792	2,258	9,097	7,376
Rentals	274	586	892	1,912
Other general expenses	-	4,255	-	13,903
	21,675	24,400	70,617	79,711

Directors' emoluments have been split between executive and non-executive directors. There were no non-audit services rendered by the Group's auditors during the period. Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others. Share based payment expenses are included in employee benefits expense.

11.1 Salaries and employee related costs include the following:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Short term employee benefits:				
Basic salary	5,300	5,488	17,272	17,932
Housing allowances	622	37	2,026	123
Other allowances	1,814	1,112	6,017	3,631
Post-employment benefits:				
Defined contribution expenses	622	456	2,026	1,492
Defined benefit expenses (Note 37.2)	343	340	1,117	1,111
Other employee benefits:				
Share based payment expenses (Note 31.4)	2,864	2,969	9,223	9,698
	11,565	10,402	37,681	33,987

Other allowances relate to staff bonus, car allowances and relocation expenses.

12. Impairment of losses on financial assets

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Impairment losses:				
Impairment loss on NAPIMS receivables	23	-	77	-
Impairment loss on NPDC receivables	-	775	-	2,533
Impairment loss on other receivables	1,540	4,215	5,020	13,770
Impairment loss on trade receivables (NGMC)	219	-	712	-
Impairment loss on trade receivables (Pillar)	239		779	
Impairment loss on trade receivables (Mercuria)	68		221	
	2,089	4,990	6,809	16,303
Receivables written off during the year as uncollectible	14,871	-	48,439	-
	16,960	4,990	55,248	16,303
Reversal of impairment losses:				
Reversal of impairment loss on NAPIMS receivables	-	(64)	-	(215)
Reversal of impairment loss on trade receivables (NGMC)	-	(347)	-	(1,139)

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	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Reversal of impairment loss on NPDC receivables	(2,036)	-	(6,628)	-
Reversal of impairment loss on trade receivables (Pillar Limited)	-	(27)	-	(89)
Reversal of impairment loss on short-term fixed deposits	(13)	(67)	(39)	(217)
	(2,049)	(505)	(6,667)	(1,660)
Exchange difference		(2)		
Total impairment loss allowance	14,911	4,483	48,581	14,643

During the year, the Group wrote off some of the receivables due from NPDC. These receivables relate to interest accrued on cash calls. The Group assessed these interest receivables to be uncollectible. (See details in Note 27.5 and 27.6)

13. Discontinued operation

On 20 January 2017, the Group incorporated ANOH Gas Processing Company Limited (ANOH), a wholly owned subsidiary, as a midstream Company to develop, design, engineer, construct, operate and maintain the Assa North-Ohaji South gas processing plant.

In order to fund the development of the processing plant, on 13 August 2018, the Group entered into a shareholder's agreement with Nigerian Gas Processing and Transportation Company ("NGPTC") for both parties to provide the required funding for the expansion of the processing plant. The contributing parties would fund the project through capital injection in tranches. However, the monies extended would be in form of equity contribution and would be used to subscribe for the ordinary shares in ANOH.

The shareholders agreement, which became effective on 18 April 2019, provides that the shareholding structure in ANOH be revised such that both parties have equal shareholding and unanimous consent in the Company. As a result of the change in the ownership structure, the Group lost full control of ANOH from the effective date of the agreement.

ANOH was deconsolidated with effect from 18 April 2019 and is reported in the current period as a discontinued operation. The details of the deconsolidation of ANOH have been disclosed in Note 1 (corporate structure and business) and Note 2 (significant changes in the current reporting period. Financial information relating to the discontinued operation for the period to the date of deconsolidation is set out below:

13.1 Financial performance and cash flow information

The financial performance and cash flow information for the year ended 31 December 2019 (effectively 1 January 2019 – 18 April 2019), and the respective comparative periods, that is, the year ended 31 December 2018 are presented below:

	April 2019 ₦'million	2018 ₦'million	April 2019 $'000	2018 $'000
Revenue	-	-	-	-
Cost of sales	-	-	-	-
General and administrative expenses	(11)	(10)	(36)	(58)
Other (expenses)/income – net	(7)	26	(22)	108
Finance income – net	190	-	620	-
Profit before taxation	172	16	562	50
Taxation	-	-	-	-
Profit from discontinued operation	172	16	562	50
Gain on deconsolidation of subsidiary (Note 13.2)	3,869	-	12,604	-
Profit from discontinued operation	4,041	16	13,166	50
				-
Net cash inflow from operating activities	49,158	5,502	160,133	17,976
Net cash outflows from investing activities	(1,806)	(5,507)	(5,893)	(17,991)
Net cash outflows from financing activities	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	47,352	(5)	154,240	(15)

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13.2 Gain on deconsolidation of subsidiary

	2019	2019
	₦'million	$'000
Purchase consideration	-	-
Add: fair value gain on 50% retained interest	3,469	11,302
Add: 50% of net liabilities derecognised (Note 13.3)	400	1,302
	3,869	12,604

The gain arising on loss of control is recorded in profit or loss. This gain includes the gain on the portion sold and the gain on remeasurement of the 50% retained interest.

13.2.1 Gain on portion sold

	2019	2019
	₦'million	$'000
Purchase consideration	-	-
Group's share of net liabilities derecognized	400	1,302
Gain on derecognition of net liabilities	400	1,302

13.2.2 Gain on remeasurement of retained interest

	2019	2019
	₦'million	$'000
Purchase consideration	-	-
Group's share of net liabilities retained	400	1,302
Fair value of retained interest	3,069	10,000
	3,469	11,302

The fair value of the retained interest in ANOH was determined to be $2 per share. This is based on the amount NGPTC paid for each ordinary share in ANOH. ANOH has not entered into any lease arrangements. Therefore, the adoption of IFRS 16 did not have an impact on the Group's discontinued operations.

13.3 Net liabilities derecognised

The carrying amounts of assets and liabilities that were deconsolidated on the date of loss of control (18 April 2019) were:

	As at 18 April 2019	As at 18 April 2019
	₦'million	$'000
Non-current assets:		
Oil and gas properties	12,141	39,557
Current assets:		
Trade and other receivables	221	711
Prepayments	21	71
Cash and bank balances	47,352	154,240
Total assets	59,735	194,579
Current liabilities:		
Trade and other payables	(60,535)	(197,183)
Total liabilities	(60,535)	(197,183)
Net liabilities derecognized	(800)	(2,604)
50% of retained interest	(400)	(1,302)

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14. Business combination

14.1 Summary of acquisition

On 31 December 2019 Seplat Petroleum Development Company (Seplat) reached an agreement to acquire 100% of Eland Oil and Gas Plc's (Eland) issued and yet to be issued ordinary shares. Under the terms of the acquisition, each Eland Shareholder is entitled to receive, for each Eland Share, 166 pence in cash. The cash consideration payable under the acquisition was wholly funded through a combination of existing cash resources of Seplat and a new loan facility (see note 34) available to Seplat. Seplat's acquisition includes Eland's main asset, the OML 40 license in the Niger Delta, which would enable Seplat boost its production capacity.

Eland is an independent oil and gas company that holds interest in subsidiaries and joint ventures that are into production, development and exploration in West Africa, particularly the Niger Delta region of Nigeria. In 2012, Eland through its joint venture company, Elcrest Exploration and Production Company Limited (Elcrest), purchased a 45 percent interest in OML 40. Elcrest is a Joint Venture between Eland Oil and Gas (45%) and Starcrest Nigeria Energy Limited (55%). In 2014 Eland acquired a 40% stake in a second licence, Ubima. Eland also has ownership interests in several companies. (Refer to note 1 for corporate structure and business details.
Details of the purchase consideration are as follows:

	31 December 2019	31 December 2019
	₦'million	$'000
Cash paid	148,170	482,637
Outstanding payments	1,549	5,046
Total purchase consideration	149,719	487,683

The fair value assets and liabilities recognised as a result of the acquisition are as follows:

	31 December 2019	31 December 2019
	₦'million	$'000
Assets;		
Other property, plant and equipment	727	2,367
Producing asset	94,823	308,869
Investment accounted for using equity method (Elandale)	3	11
Right of use assets- IFRS 16	630	2,053
Exploration and evaluation assets	18,072	58,865
Contract based intangible asset on acquisition*	33,748	109,929
Licence cost	2,222	7,241
Deferred tax assets	27,686	90,182
Inventories	1,326	4,319
Trade receivables	2,780	9,056
Receivable from NPDC	16,075	52,360
Other receivables	4,484	14,605
Derivative financial instrument	149	485
Cash and cash equivalents	9,651	31,438
Total Assets	**212,376**	**691,780**
Liabilities;	-	
Interest bearing loans and borrowings	(27,704)	(90,242)
Lease liability	(461)	(1,500)
Provision for decommissioning	(5,799)	(18,890)
Contingent liability**	(2,216)	(7,217)
Trade and other payables	(42,274)	(137,705)
Current Taxation	(523)	(1,702)
Total liabilities	**(78,977)**	**(257,256)**
Fair value of net assets	**133,399**	**434,524**
Add: Net liabilities of non-controlling interest (Note 25.2)	**7,252**	**23,621**
Fair value of net asset acquired - Eland	**140,651**	**458,145**

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*The contract based intangible asset in relation to OML 40 was acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

**A contingent liability of ₦2.4 billion ($7.9 million) was recognised on acquisition of Eland. The outcome of the EU state aid – UK Controlled Foreign Companies (CFC) case required companies in tax efficient jurisdictions to assess the profit allocable to UK significant people functions (SPFs). In April 2019, the European commission issued a press release announcing its conclusion that the UK finance Company Partial Exemption Rules (The FCPE rules) was partly justified for the period of 2013 to 2018. As a result, the estimated exposure is recognised as contingent liability on acquisition.

For the non-controlling interests in Eland Oil Limited, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 3.8 ix for the group's accounting policies for business combination and note 25.2 for details on the non-controlling interest .

14.2 Summary of acquisition

On 15 October 2019 Seplat acquired 100% of the issued share capital of Eland Oil and Gas Plc ("Eland") for $487.7 million cash consideration. Eland is an oil and gas exploration and production company that holds interests in various subsidiaries and joint ventures. The assets and liabilities acquired were valued as at the acquisition date – 31 December 2019. Details of the net assets acquired, and goodwill are as follows:

	12 months ended 31 December 2019	12 months ended 31 December 2019
	₦'million	$'000
Purchase Consideration	149,719	487,683
Fair value of net asset acquired – Eland (Note 14.1)	(140,651)	(458,145)
Goodwill	9,058	29,538

The goodwill is attributable mainly to the skills and technical talent of Eland's workforce and the high profitability of the acquired business. None of the goodwill recognised is expected to be deductible for tax purposes.

The goodwill on acquisition has been allocated entirely to oil segment because it is the Cash Generating Unit (CGU) directly affected by the acquisition of Eland.

14.3 Acquired receivables

The acquired receivables on business combination are as shown below;

	Fair value	Gross carrying amount	Loss allowance	Net carrying value
	₦ million	₦ million	₦ million	₦ million
Trade receivables	2,780	2,780	-	2,780
Receivables from NPDC	16,075	17,682	1,665	19,347
Other receivables	4,484	4,898	415	5,313
Total receivables	23,339	25,360	2,080	27,440

	Fair value	Gross carrying amount	Loss allowance	Net carrying value
	$'000	$'000	$'000	$'000
Trade receivables	9,056	9,056	-	9,056
Receivables from NPDC	52,360	57,596	5,423	52,173
Other receivables	14,605	15,956	1,351	14,605
Total receivables	76,021	82,608	6,774	75,834

Receivables acquired on business combination were carried at fair value.

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14.4 Revenue and profit contribution

The acquisition was commutated on 31 December 2019. As a result, the acquired business did not contribute revenue or profit during the year.

14.5 Purchase consideration – cash outflow

	2019 ₦ million	2019 $'000
Purchase consideration	149,719	487,683
Less: Balances acquired		
Cash	(9,651)	(31,438)
Fair value of outstanding payment	(1,549)	(5,046)
Exchange difference	(40)	-
Net outflow of cash – investing activities	138,479	451,199

Acquisition-related costs of ₦3 billion ($9.7 million) that were not directly attributable to the issue of shares are included in general and administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

15. Fair value gain/(loss)

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Realised fair value losses on crude oil hedges	(1,733)	(1,374)	(5,160)	(4,464)
Unrealised fair value loss	(2,236)	2,693	(7,770)	8,772
Fair value gain/(loss) on contingent consideration (Note 35)	5,675	(1,405)	18,489	(4,589)
Fair value (loss) on other asset (Note 21)	-	(507)	-	(1,655)
	1,706	(593)	5,559	(1,936)

Fair value gain/(loss) on derivatives represents changes in the fair value of hedging receivables charged to profit or loss. In 2018 fair value loss on contingent consideration arose in relation to remeasurement of contingent consideration on the Group's acquisition of participating interest in OML 53.

In the reporting period, the write off of the contingent consideration due to production milestones not achieved resulted in a gain (see Note 35). Fair value loss on other asset arises from the fair value remeasurement of the Group's rights to receive the discharge sum on OML 55. See Note 21 for further details.

16. Finance income/(cost)

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Finance income				
Interest income	4,134	3,032	13,471	9,905
Finance cost				
Interest on advance payments for crude oil sales	-	(530)	-	(1,730)
Interest on bank loans (Note 34)	(8,890)	(15,870)	(28,966)	(51,848)
Interest on lease liabilities (Note 46)	(164)	-	(534)	-
Unwinding of discount on provision for decommissioning (Note 36)	(1,240)	(892)	(4,039)	(2,914)
	(10,294)	(17,292)	(33,539)	(56,492)
Finance (cost) – net	(6,160)	(14,260)	(20,068)	(46,587)

Finance income represents interest on short-term fixed deposits.

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The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings denominated in dollars during the year, in this case 12.33% (2018: 13.1%). The amount capitalised during the year is ₦6 billion ($21 million), 2018: ₦5 billion ($16 million).

17. Taxation

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

Income tax expense

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Current tax:				
Current tax expense on profit for the year	6,009	6,651	19,578	21,726
Education tax	955	1,042	3,111	3,408
Total current tax	6,964	7,693	22,689	25,134
Deferred tax:				
Deferred tax expense in profit or loss (Note 18.3)	1,975	28,055	6,436	91,654
Total tax expense in statement of profit or loss	8,939	35,748	29,125	116,788
Deferred tax recognised in other comprehensive income (Note 18.1)	(171)	80	(558)	261
Total tax charge for the period	8,768	35,828	28,567	117,049
Effective tax rate	10%	44%	10%	44%

17.1 Reconciliation of effective tax rate

The estimated applicable average annual tax rates used for the year ended 31 December 2019 were 85% and 65.75% for crude oil activities and 30% for gas activities; 2018 were 85% and 65.75% for crude oil activities and 30% for gas activities.

In May 2015, in line with Sections of the Companies Income Tax Act which provides incentives to companies that deliver gas utilisation projects, Seplat was granted a tax holiday for three years with a possible extension of two years. In 2018, on review of the performance of the business, the Group provided a notification to the Federal Inland Revenue Service (FIRS) for the extension of claim for the additional two years tax holiday. The financial statements have been prepared taking into consideration the impact of the additional tax holiday and this forms the basis for the Group's current income taxation and deferred taxation for the year ended 31 December 2019. A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Profit before taxation	89,914	80,599	292,967	263,314
Tax rate of 85%, 65.75% and 30%	76,427	68,523	249,022	223,859
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Income not subject to tax	(19,038)	(36,671)	(62,029)	(119,803)
Expenses not deductible for tax purposes	37,911	15,936	123,525	52,065
Recognition of previously unrecognised deductible temporary difference	(34,050)	-	(110,943)	-
Impact of unutilised tax losses	1,975	-	6,436	-
Effect of differences in tax rates	(6,994)	-	(22,789)	-
Effect of permanent differences	(801)		(2,610)	
Impact of tax incentive	(46,329)	(13,083)	(150,953)	(42,741)
Education tax	955	1,043	3,111	3,408
Tax loss utilized	(1,119)	-	(3,645)	-
Impact of exchange difference	2	-	-	-
Total tax charge in statement of profit or loss	8,939	35,748	29,125	116,788

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17.2 Current tax liabilities/(assets)

The movement in the current tax liabilities is as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
As at 1 January	(723)	1,264	(2,356)	4,133
Tax charge	6,964	7,693	22,689	25,134
Utilisation of prepaid tax	-	(9,680)	-	(31,623)
Tax paid	(1,084)	-	(3,533)	-
Acquired in business combination (Note 14)	522	-	1,702	-
As 31 December	5,679	(723)	18,502	(2,356)

18. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Deferred tax asset to be recovered in less than 12 months	-	-	-	-
Deferred tax asset to be recovered after more than 12 months	182,352	130,478	595,132	426,131
	182,352	130,478	595,132	426,131

Deferred tax liabilities	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Deferred tax liabilities to be recovered in less than 12 months	-		-	
Deferred tax liabilities to be recovered after more than 12 months	(113,985)	(87,990)	(372,435)	(287,738)
	(113,985)	(87,990)	(372,435)	(287,738)
Net deferred tax assets	68,367	42,488	222,697	138,393

18.1 Deferred tax assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

	Balance at 1 January 2019 ₦ million	(Charged)/ credited to profit or loss ₦ million	Credited to other comprehensive income ₦ million	Acquisition of subsidiary ₦ million	Balance at 31 December 2019 ₦ million
Other cumulative timing differences:					
Unutilised capital allowance	116,068	8,365	-	-	124,433
Provision for decommissioning obligation	818	(522)	-	-	296
Provision for defined benefit	1,540	1,014	171	-	2,725
Share based payment plan	3,294	2,376	-		5,670
Unrealised foreign exchange loss/(gain) on trade and other receivables	1,258	(212)	-	-	1,046
Overlift/(underlift)	5,246	5,620	-	-	10,866
Acquired in business combination	-	-	-	27,686	27,686
Impairment provision on trade and other receivables	2,071	1,328	-	-	3,399
Unrecognised deferred tax asset	-	6,050	-	-	6,050
	130,295	24,019	171	27,686	182,171
Effect of exchange differences	183	(2)	-		181
	130,478	24,017	171	27,686	182,352

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	Balance at 1 January 2018	Impact on initial application of IFRS 9	Restated as at 1 January 2018	(Charged)/ credited to profit or loss	Charged to other comprehensive incomecompre hensiincome	Balance at 31 December 2018
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
Other cumulative timing differences:						
Unutilised capital allowance	127,499	-	127,499	(11,431)	-	116,068
Provision for decommissioning obligation	102	-	102	716	-	818
Provision for defined benefit	1,250	-	1,250	370	(80)	1,540
Share based payment plan	4,629	-	4,629	(1,335)	-	3,294
Unrealised foreign exchange loss/(gain)	4,209	-	4,209	(2,951)	-	1,258
Overlift/(underlift)	6,489	-	6,489	(1,243)	-	5,246
Impairment provision on trade and other receivables	1,811	2,013	3,824	(1,753)	-	2,071
	145,989	2,013	148,002	(17,627)	(80)	130,295
Exchange difference	-	6	6	177	-	183
	145,989	2,019	148,008	(17,450)	(80)	130,478

	Balance at 1 January 2019	(Charged)/ credited to profit or loss	Credited to other comprehensive income	Acquisition of subsidiary	Balance at 31 December 2019
	$'000	$'000	$'000	$'000	$'000
Other cumulative timing differences:					
Unutilised capital allowance	379,592	27,256	-	-	406,848
Provision for decommissioning obligation	2,674	(1,700)	-	-	974
Provision for defined benefit	5,036	3,303	558	-	8,897
Share based payment plan	10,778	7,741	-	-	18,519
Unrealised Foreign exchange loss/(gain)	4,123	(690)	-	-	3,433
Overlift/(underlift)	17,158	18,311	-	-	35,469
Acquired in business combination	-	-	-	90,182	90,182
Impairment provision on trade and other receivables	6,770	4,326	-	-	11,096
Unrecognised deferred tax asset	-	19,714	-	-	19,714
	426,131	78,261	558	90,182	595,132

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	Balance at 1 January 2018	Initial impact on application of IFRS 9	Restated as at 1 January 2018	(Charged)/ credited to profit or loss	(Charged) to other comprehensive income	Balance at 31 December 2018
	$'000	$'000	$'000	$'000	$'000	$'000
Tax losses	40,523	-	40,523	(40,523)	-	-
Other cumulative timing differences:						
Unutilised capital allowance	416,935	-	416,935	(37,343)	-	379,592
Provision for decommissioning obligation	334	-	334	2,339	-	2,673
Provision for defined benefit	4,087	-	4,087	1,209	(261)	5,035
Share based payment plan	15,138	-	15,138	(4,360)	-	10,778
Unrealised Foreign exchange (Gain)/loss	13,765	-	13,765	(9,641)	-	4,124
Overlift/(underlift)	21,219	-	21,219	(4,060)	-	17,159
Impairment provision on trade and other receivables	5,923	6,577	12,500	(5,730)	-	6,770
	517,924	6,577	524,501	(98,109)	(261)	426,131

18.2 Deferred tax liabilities

Deferred tax liabilities are recognised for amounts of income taxes payable in future periods in respect of taxable temporary differences.

	Balance at 1 January 2019	Charged /(credited) to profit or loss	Balance at 31 December 2019
	₦ million	₦ million	₦ million
Tax losses	12	1,119	1,131
Other cumulative timing differences:			
Fixed assets	85,706	24,876	110,582
Derivative financial instruments	2,282	-	2,282
	88,000	25,995	113,995
Effect of exchange differences	(10)	-	(10)
	87,990	25,995	113,985

	Balance at 1 January 2018	Impact on initial application of IFRS 9	Charged/(credited) to profit or loss	Balance at 31 December 2018
	₦ million	₦ million	₦ million	₦ million
Tax losses	(12,392)	-	12,404	12
Other cumulative timing differences:				
Fixed assets	89,964	-	(4,258)	85,706
Derivative financial instruments	-	-	2,282	2,282
	77,572	-	10,428	88,000
Effect of exchange difference	-	-	(10)	(10)
	77,572	-	10,418	87,990

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	Balance at 1 January 2019	Charged/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2019
	$'000	$'000	$'000	$'000
Tax losses	-	3,645	-	3,645
Other cumulative timing differences:				
Fixed assets	280,282	81,052	-	361,334
Derivative financial instruments	7,456	-	-	7,456
	287,738	84,697	-	372,435

	Balance at 1 January 2018	Impact on initial application of IFRS 9	Charged/ (credited) to profit or loss	Credited to other comprehensive income	Balance at 31 December 2018
	$'000	$'000	$'000	$'000	$'000
Tax losses	-	-	-	-	-
Other cumulative timing differences:					
Fixed assets	(294,193)	-	13,911	-	(280,282)
Derivative financial instruments	-	-	(7,456)	-	(7,456)
	(294,193)	-	6,455	-	(287,738)

18.3 Deferred tax recognised in profit or loss

	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
	₦'million	₦'million	$'000	$'000
Credited/(Charged) to profit or loss;				
Unutilised capital allowance	8,365	(11,431)	27,256	(37,343)
Provision for defined benefit	1,014	370	3,303	1,209
Share based payment plan	2,376	(1,335)	7,741	(4,360)
Overlift/(underlift)	5,620	(1,243)	18,311	(4,060)
Derivative financial instruments	-	(2,282)	-	(7,456)
Impairment provision on trade and other receivables	1,328	(1,753)	4,326	(5,730)
Unrecognised deferred tax asset	6,050	-	19,714	-
(Charged)/Credited to Profit or loss;		-		
Tax losses	(1,119)	(12,404)	(3,645)	(40,523)
Provision for decommissioning obligation	(522)	716	(1,700)	2,340
Unrealised foreign exchange loss/(gain) on trade and other receivables	(212)	(2,951)	(690)	(9,642)
Fixed assets	(24,876)	4,258	(81,052)	13,911
Exchange difference	1	-	-	-
Total (charged) to profit or loss	(1,975)	(28,055)	(6,436)	(91,654)
Charged to other comprehensive income				
Deferred tax credit/(expense) on remeasurement	171	(80)	558	(261)
	171	(80)	558	(261)

18.4 Unrecognised deferred tax assets

The unrecognised deferred tax assets relate to the Group's subsidiaries and will be recognised once the entities return to profitability. There are no expiration dates for the unrecognized deferred tax assets.

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	As at 30 Dec 2019	As at 30 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2018
	₦'million	₦'million	₦'million	₦'million
	Gross amount	Tax effect	Gross amount	Tax effect
Other deductible temporary differences	2,469	1,623	17,894	11,206
Tax losses	6,429	4,227	10,224	6,011
	8,898	5,850	28,118	17,217

	As at 31 Dec 2019	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2018
	$'000	$'000	$'000	$'000
	Gross amount	Tax effect	Gross amount	Tax effect
Other cumulative timing differences	8,042	5,288	58,288	36,509
Tax losses	20,942	13,769	33,303	19,573
	28,984	19,057	91,591	56,082

18.5 Unrecognised deferred tax liabilities

There were no temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability would have been recognised in the periods presented.

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19. Computation of cash generated from operations

	Notes	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Profit before tax					
Continuing operations		89,914	80,599	292,967	263,314
Discontinued operations	13.1	4,041	16	13,166	50
Adjusted for:					
Depletion, depreciation and amortization	20.6	28,824	37,461	93,916	122,383
Depreciation of right-of-use asset	11	908	-	2,960	-
Impairment losses on financial assets	12	14,911	4,483	48,581	14,643
Interest income	16	(4,134)	(3,032)	(13,471)	(9,905)
Interest on advance payments for crude oil sales	16	-	530	-	1,730
Interest expense on bank loans	16	8,890	15,870	28,966	51,848
Interest on lease liabilities	16	164	-	534	-
Unwinding of discount on provision for decommissioning	16	1,240	892	4,039	2,914
Fair value (gain)/loss on contingent consideration	15	(5,675)	1,405	(18,489)	4,589
Fair value loss on other assets	15	-	507	-	1,655
Fair value (gain)/loss on derivatives financial instrument	15	2,236	(2,693)	7,770	(8,772)
Unrealised foreign exchange (gain)	10	(735)	(406)	(2,395)	(1,325)
Share based payment expenses	11.1	2,864	2,969	9,223	9,698
Defined benefit expenses	11.1	343	340	1,117	1,111
Gain on deconsolidation of subsidiary	13.1	(3,869)	-	(12,604)	-
Gain on disposal of oil and gas properties	20	(9,462)	-	(30,830)	-
Share of profit in joint venture	25.3	(325)	-	(1,060)	-
Changes in working capital: (excluding the effects of exchange differences)					
Trade and other receivables		(95,451)	47,233	(311,001)	153,850
Prepayments		(11,606)	(11,355)	(37,816)	(36,988)
Contract assets		(2,198)	(4,327)	(7,163)	(14,096)
Net working capital on loss of control of subsidiary		60,277	-	196,401	-
Trade and other payables		12,698	(15,139)	41,374	(49,313)
Contract liabilities		5,002	-	16,301	-
Restricted Cash		(1,007)	(1,049)	(3,280)	(3,418)
Inventories		6,864	(680)	22,365	(2,218)
Net cash from operating activities		104,714	153,624	341,571	501,750

19.1 Non-cash investing activities

i. Reconciliation of additional investment in joint venture (Note 25.3.1.4)
ii. Proceeds from disposal of oil and gas properties (Note 20.4)
iii. Reclassification of oil and gas properties to intangible asset (Note 20.2)
iv. Payment for acquisition of subsidiary, net of cash acquired (Note 14.5)

19.2 Non-cash financing activity

i. Net debt reconciliation of interest bearing loans and borrowings (Note 34.1)
ii. Net debt reconciliation of crude oil advance (Note 38.1)

Notes to the consolidated financial statements
Continued

20. Property, plant and equipment

20.1 Oil and gas properties

Cost	Production and field facilities ₦ million	Assets under construction ₦ million	Exploration and Evaluation assets ₦ million	Total ₦ million
At 1 January 2018	465,010	43,304	-	508,314
Additions	3,729	22,500	-	26,229
Interest capitalized	-	4,929	-	4,929
Changes in decommissioning	10,112	-	-	10,112
Reclassifications (Note 20.2)	-	(9,070)	-	(9,070)
Exchange differences	1,705	251	-	1,956
At 31 December 2018	480,556	61,914	-	542,470
Depreciation				
At 1 January 2018	114,937	-	-	114,937
Charge for the year	36,494	-	-	36,494
Exchange differences	558	-	-	558
At 31 December 2018	151,989	-	-	151,989
NBV				
At 31 December 2018	328,567	61,914	-	390,481
Cost				
At 1 January 2019	480,556	61,914	-	542,470
Additions	34,130	961	-	35,091
Transfers	19,567	(19,567)		-
Acquired in business combination	94,823	-	18,072	112,895
Loss of control	-	(12,141)	-	(12,141)
Disposal of producing assets	(28,126)	-	-	(28,126)
Changes in decommissioning	(5,142)	-	-	(5,142)
Interest capitalised	-	6,308	-	6,308
Exchange differences	9	(6)	-	3
At 31 December 2019	595,817	37,469	18,072	651,358
Depreciation				
At 1 January 2019	151,989	-	-	151,989
Charge for the year	27,511	-	-	27,511
Disposal of producing assets	(6,522)	-	-	(6,522)
Exchange difference	8	-	-	8
At 31 December 2019	172,986	-	-	172,986
NBV				
At 31 December 2019	422,831	37,469	18,072	478,372

Notes to the consolidated financial statements
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	Production and field facilities	Assets under construction	Exploration and Evaluation assets	Total
Cost	$'000	$'000	$'000	$'000
At 1 January 2018	1,520,635	141,608	-	1,662,243
Additions	12,182	73,507	-	85,689
Interest capitalized	-	16,104	-	16,104
Changes in decommissioning	32,511	-	-	32,511
Reclassifications (Note 20.2)	-	(29,543)	-	(29,543)
Exchange differences	-	-	-	-
At 31 December 2018	1,565,328	201,676	-	1,767,004
Depreciation				
At 1 January 2018	375,856	-	-	375,856
Charge for the year	119,225	-	-	119,225
Exchange differences	-	-	-	-
At 31 December 2018	495,081	-	-	495,081
NBV				
At 31 December 2018	1,070,247	201,676	-	1,271,923
Cost				
At 1 January 2019	1,565,328	201,676	-	1,767,004
Additions	111,207	3,132	-	114,339
Transfers	63,755	(63,755)		-
Acquired in business combination	308,869	-	58,865	367,734
Loss of control		(39,557)	-	(39,557)
Disposal of producing assets	(91,643)	-	-	(91,643)
Changes in decommissioning	(16,745)	-	-	(16,745)
Interest capitalised	-	20,554	-	20,554
Exchange differences	-	-	-	-
At 31 December 2019	1,940,771	122,050	58,865	2,121,686
Depreciation				
At 1 January 2019	495,081	-	-	495,081
Charge for the year	89,636	-	-	89,636
Disposal of producing assets	(21,244)	-		(21,244)
Exchange difference	-	-	-	-
At 31 December 2019	563,473	-	-	563,473
NBV	1,377,298	122,050	58,865	1,558,213

Notes to the consolidated financial statements
Continued

20.2 Reclassification of oil and gas properties to intangible asset

During the year, the Group reclassified an existing licence renewed in 2018 for ₦9 billion ($29 million) from oil and gas properties to intangible assets. (See Note 22) For the purpose of the statement of cashflows, the reconciliation of the oil and gas properties and intangible asset is shown below:

	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
	₦'million	₦'million	$'000	$'000
Addition	35,091	26,229	114,339	85,689
Reclassified to intangible assets	-	(9,070)	-	(29,543)
	35,091	17,159	114,339	56,146

20.3 Disposal of oil and gas properties

	As at 31 Dec 2019		As at 31 Dec 2019	
	₦'million	₦'million	$'000	$'000
Purchase consideration for disposal of oil and gas assets (Note 20.4)		31,066		101,229
Net book value of Production and Field Facilities (Note 20.1);				
Cost	28,126		91,643	
Depreciation	(6,522)		(21,244)	
		(21,604)		(70,399)
Gain on disposal of oil and gas properties		9,462		30,830

During the year, the Group disposed 55% of Oben gas plant.

20.4 Purchase consideration

	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
	₦'million	₦'million	$'000	$'000
Cash received	15,527	-	50,614	-
Purchase consideration outstanding	15,539	-	50,615	-
	31,066	-	101,229	-

*50% of the proceeds expected from the disposal of oil and gas assets have been paid, the other half is recognised within the receivables.

Assets under construction represent costs capitalised in connection with the development of the Group's oil fields and other property, plant and equipment not yet ready for their intended use. Some of which are qualifying assets that take a substantial period to get ready for its intended use. A capitalisation rate of 12.3% (2018: 13.1%) has been determined and applied to the Group's general borrowing to determine the borrowing cost capitalised as part of the qualifying assets. Borrowing costs capitalised during the year amounted to ₦8 billion, 2018: ₦4.9 billion ($26 million, 2018: $16.1 million). There was no oil and gas property pledged as security during the reporting period.

Notes to the consolidated financial statements
Continued

20.5 Other property, plant and equipment

	Plant & machinery	Motor vehicles	Office furniture & IT equipment	Leasehold improvements	Land	Building	Total
Cost	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
At 1 January 2018	1,594	2,266	4,456	895	-	-	9,211
Additions	-	469	206	30	-	-	705
Disposals	(102)	(82)	-	-	-	-	(184)
Exchange differences	6	10	18	3	-	-	37
At 31 December 2018	1,498	2,663	4,680	928	-	-	9,769
Depreciation							
At 1 January 2018	1,049	1,747	4,135	727	-	-	7,658
Disposals	(31)	(82)	-	-	-	-	(113)
Charge for the year	224	331	272	64	-	-	891
Exchange differences	5	7	17	4	-	-	33
At 31 December 2018	1,247	2,003	4,424	795	-	-	8,469
NBV							
At 31 December 2018	251	660	256	133	-	-	1,300

Cost							
At 1 January 2019	1,498	2,663	4,680	928	-	-	9,769
Addition	28	393	1,280	287	21	1,194	3,203
Acquired in business combination (Note 14)	-	319	332	76	-	-	727
Exchange difference	-	-	1	-	-	-	1
At 31 December 2019	1,526	3,375	6,293	1,291	21	1,194	13,700
Depreciation							
At 1 January 2019	1,247	2,003	4,424	795	-	-	8,469
Charge for the year	150	235	354	113	-	20	872
Exchange differences	(1)	1	-	(1)	-	-	(1)
At 31 December 2019	1,396	2,239	4,778	907	-	20	9,340
NBV							
At 31 December 2019	130	1,136	1,515	384	21	1,174	4,360

	Plant & machinery	Motor vehicles	Office furniture & IT equipment	Leasehold improvements	Land	Building	Total
Cost	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2018	5,212	7,411	14,572	2,928	-	-	30,123
Additions	-	1,532	672	98	-	-	2,302
Disposals	(332)	(268)	-	-	-	-	(600)
At 31 December 2018	4,880	8,675	15,244	3,026	-	-	31,825
Depreciation							
At 1 January 2018	3,432	5,714	13,521	2,378	-	-	25,045
Disposals	(101)	(268)	-	-	-	-	(369)
Charge for the year	731	1,081	890	210	-	-	2,912
At 31 December 2018	4,062	6,527	14,411	2,588	-	-	27,588
NBV							
At 31 December 2018	818	2,148	833	438	-	-	4,237

Notes to the consolidated financial statements
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Cost	Plant & machinery $'000	Motor vehicles $'000	Office furniture & IT equipment $'000	Leasehold improvements $'000	Land	Building $'000	Total $'000
At 1 January 2019	4,880	8,675	15,244	3,026	-	-	31,825
Addition	92	1,279	4,172	936	68	3,891	10,438
Acquired in business combination (Note 14)	-	1,038	1,083	246	-	-	2,367
At 31 December 2019	4,972	10,992	20,499	4,208	68	3,891	44,630
Depreciation							
At 1 January 2019	4,062	6,527	14,411	2,588	-	-	27,588
Charge for the year	487	767	1,154	367	-	66	2,841
At 31 December 2019	4,549	7,294	15,565	2,955	-	66	30,429
NBV							
At 31 December 2019	423	3,698	4,934	1,253	68	3,825	14,201

20.6 Depletion, depreciation and amortisation

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Oil and gas properties (Note 20.1)	27,511	36,494	89,636	119,225
Amortisation of intangible asset (Note 22)	441	76	1,439	246
Charged to cost of sales	27,952	36,570	91,075	119,471
Other property, plant and equipment charged to general and administrative expense (Note 20.5)	872	891	2,841	2,912
Total depletion, depreciation and amortisation	28,824	37,461	93,916	122,383

20.7 Gain/(loss) on disposal of other property plant and equipment

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Proceeds from disposal of assets	-	71	-	231
Less net book value of disposed assets	-	(71)	-	(231)
	-	-	-	-

21. Other asset

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Fair value at the beginning of the year	51,299	66,368	167,100	217,031
Receipts from crude oil lifted	(11,106)	(14,777)	(36,185)	(48,276)
Fair value adjustment	-	(507)	-	(1,655)
Exchange differences	(3)	215	-	-
Fair value at the end of the year	40,190	51,299	130,915	167,100

Other assets represents the Group's rights to receive the discharge sum of ₦ 65 billion, 2018: ₦76 billion ($210 million, 2018: $246 million) from the crude oil reserves of OML 55.The asset is measured at fair value through profit or loss (FVTPL) and receipts from crude oil lifted reduce the value of the asset. At each reporting date, the fair value of the discharge sum is determined using the income approach in line with IFRS 13: Fair Value Measurement (discounted cash flow). This asset is categorised within Level 3 of the fair value hierarchy. The fair value is shown above.

Notes to the consolidated financial statements
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22. Intangible assets

	Goodwill	License	Total	Goodwill	License	Total
Cost	₦ million	₦ million	₦ million	$'000	$'000	$'000
At 1 January 2018	-	-	-	-	-	-
Additions	-	9,070	9,070	-	29,543	29,543
At 31 December 2018	-	9,070	9,070	-	29,543	29,543
Amortisation	-	76	76	-	246	246
NBV						
At 31 December 2018	-	8,994	8,994	-	29,297	29,297
Cost						
At 1 January 2019	-	9,070	9,070	-	29,543	29,543
Acquired in business combination (Note 14)	9,068	35,971	45,039	29,538	117,170	146,708
At 31 December 2019	9,068	45,041	54,109	29,538	146,713	176,251
Amortisation						
At 1 January 2019	-	76	76		246	246
Charge for the year	-	441	441	-	1,439	1,439
At 31 December 2019	-	517	517	-	1,685	1,685
NBV						
At 31 December 2019	9,068	44,524	53,592	29,538	145,028	174,566

License relates to costs paid in connection with the renewal of a right for exploration of an oil mining lease field. The additions in 2018 were licence costs reclassed from oil and gas properties.

The license of ₦36 billion ($117 million) were acquired as part of business combination (See note 14 for details). ₦34 billion ($110 million) relates to the fair value of the identified intangible asset on business combination (See note 5 xii for details) and ₦2 billion ($7 million) relates to licence acquisition cost assumed on business combination. They are recognised at their fair values at the date of acquisition and subsequently amortised on a straight line based on the useful life.

23. Tax paid in advance

In 2013 and 2014, Petroleum Profit Tax payments (2013: ₦9 billion and 2014: ₦0.9 billion) (2013: $28.7 million and 2014: $2.9 million) were made by the Group prior to obtaining a pioneer status. This was accounted for as a tax paid in advance pending when it will be is utilized towards offsetting tax liabilities. During the year, the Group netted off the tax credit with current tax liability because there is a legal right to offset with the current tax liability and the tax relates to the same tax authority.

Tax paid in advance has been reclassified to current tax liability in the current period (comparatives were also reclassified). See Note 17.2 for details.

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24. Prepayments

Non-current	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Rent	381	275	1,238	893
Advances to suppliers	18,928	7,675	61,654	25,000
	19,309	7,950	62,892	25,893
Current				
Rent	-	1,217	-	3,964
Prepayment for service charge	320	-	1,040	-
Crude oil hedge	838	1,584	2,730	5,160
Other prepayments	807	748	2,627	2,437
	1,965	3,549	6,397	11,561
	21,274	11,499	69,289	37,454

24.1 Rent

In 2014, the Group entered into three new commercial leases in relation to three buildings that it occupies with two in Lagos state and one in Delta state. The non-cancellable leases which relate to buildings in Lagos expire in 2018 and 2019 respectively. The rent on the expired lease agreement was not renewed. The building in Delta which was peviously rented has now been acquired by the Group. (See Note 20)

In 2018, the Group entered into a lease agreement for an office building in Lagos. The non-cancellable period of the lease is 5 years commencing on 1 January 2019 and ending on 31 December 2023. However, the Group has an option of either extending the lease period on terms to be mutually agreed by parties to the lease on the expiration of the current term or purchase the property. (see note 46 for details)

24.2 Advances to suppliers

Advances to suppliers relate to a milestone payment made to finance the construction of the Amukpe Escravos Pipeline Project and other related facilities. At the end of the reporting period, the total prepaid amount in ₦18.9 billion ($61.6 million), 2018: ₦7.7 billion ($25 million).

24.3 Other prepayments

Included in other prepayments are prepaid service charge expenses for office buildings, health insurance, software license maintenance, motor insurance premium and crude oil handling fees.

24.4 Crude oil hedge

In 2019, the Group commenced a crude oil hedge of ₦13,815 ($45/bbl) 2018: ₦15,350 ($50/bbl.) for 3 million barrels (2018: 4 million barrels at a cost of ₦0.8 billion ($2.7 million) 2018: ₦1.6 billion ($5.2 million).

25. Interest in other entities

25.1 Material subsidiaries

The Group's principal subsidiaries as at 31 December 2019 are set in Note 1. Unless otherwise stated, their share capital consists solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

The Group exercised significant judgement in consolidating Elcrest. Please see Note 4.1 for details. Also, there were no significant restrictions on any of the entities.

Notes to the consolidated financial statements
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25.2 Non-controlling interest (NCI)

Summarised financial information in respect of Elcrest Exploration and Production Nigeria Limited which has a material non-controlling interest is set out below.

The information disclosed reflects amounts presented in the financial statements of the subsidiary amended to reflect fair value adjustments made by the Group, and modifications for differences in accounting policy during the business combination.

	As at 31 Dec 2019 ₦'million	As at 31 Dec 2019 $'000
Current assets	24,634	80,242
Current liabilities	(194,910)	(634,887)
Current net liabilities	(170,276)	(554,645)
Non-current asset	162,667	529,861
Non-current liabilities	(5,576)	(18,163)
Non-current net assets	157,091	511,698
Net liabilities	(13,185)	(42,947)
Accumulated NCI at 55%	(7,252)	(23,621)

The statement of profit or loss and cashflow statements of Elcrest are not presented because the acquisition of Eland was consummated on 31 December 2019. The profit of Elcrest for the period forms part of pre-acquisition reserves.

25.3 Investment accounted for using equity accounting method

	As at 31 Dec 2019 ₦'million	As at 31 Dec 2018 ₦'million	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Investment in joint venture (note 25.3.1)	49,445	-	161,060	-
Investment in associate (note 25.3.2)	3	-	11	-
	49,448	-	161,071	

25.3.1 Interest in joint ventures

The revised shareholders agreement between the Group and Nigerian Gas Processing and Transportation Company (NGPTC) requires both parties to have equal shareholding in ANOH. With the change in the ownership structure, the Group has reassessed its retained interest in ANOH and determined that it has joint control. The Group's interest in ANOH is accounted for in the consolidated financial statements using the equity method because the Group interest in ANOH (Joint venture) is assessed to be a joint venture.

Set below is the information on the material joint venture of the Group, ANOH. The Company has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The Company is a private entity hence no quoted price is available.

As at the reporting period, the Group had no capital commitment neither had it incurred any contingent liabilities jointly with its joint venture partner.

Notes to the consolidated financial statements

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Name of entity	Country of incorporation and place of business	Percentage of ownership interest As at 31 Dec 2019	As at 31 Dec 2018	Carrying amount As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 30 Dec 2018
		%	%	₦'million	₦'million	$'000	$'000
ANOH Gas Processing Company Limited	Nigeria	50	100	49,445	-	161,060	-

For information on capital commitment to ANOH, see Note 44.2.

25.3.1.1 Summarised statement of financial position of ANOH

	As at 31 Dec 2019 ₦'million	As at 31 Dec 2019 $'000
Current assets:		
Cash and bank balances	54,404	177,213
Other current assets	3,445	11,220
Total current assets	57,849	188,433
Non-current assets	51,472	167,661
Total assets	**109,321**	**356,094**
Current liabilities:		
Financial liabilities (excluding trade payables)	(93)	(302)
Other current liabilities	(17,277)	(56,276)
Total liabilities	**(17,370)**	(56,578)
Net assets	**91,951**	**299,516**
Reconciliation to carrying amounts:		
Opening net liability as at 18 April 2019	(800)	(2,604)
Profit for the period	650	2,120
Share issue	92,101	300,000
Dividends paid	-	-
Closing net assets	**91,951**	**299,516**
Group's share (%)	50%	50%
Group's share of net asset	45,976	149,758
Remeasurement of retained interest (Note 13.2.2)	3,469	11,302
Carrying amount	**49,445**	**161,060**

25.3.1.2 Summarised statement of profit or loss and other comprehensive income of ANOH

	8 months ended 31 Dec 2019 ₦'million	8 months ended 31 Dec 2019 $'000
General and administrative expenses	(25)	(82)
Other income/(expenses) – net		-
Finance income	675	2,202
Profit before taxation	650	2,120
Taxation	-	-
Profit for the period	650	2,120
Group's share (%)	50%	50%
Group's share of profit for the period	325	1,060
Dividends received from joint venture	-	-

Notes to the consolidated financial statements
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25.3.1.3 Investment in joint venture

	As at 31 Dec 2019 ₦'million	As at 31 Dec 2019 $'000
Fair value of 50% retained interest (Note 13.2.2)	3,069	10,000
Additional investment (Note 25.3.1.4)	46,051	150,000
Share of profit from joint venture accounted for using the equity method (Note 25.3.1.2)	325	1,060
	49,445	161,060

25.3.1.4 Reconciliation of additional investment in joint venture

	As at 31 Dec 2019 ₦'million	As at 31 Dec 2019 $'000
Cash paid in the current period	31,627	103,050
Amount reclassified from other receivables	14,424	46,950
	46,051	150,000

25.3.2 Investment in associate

	As at 31 Dec 2019 ₦'million	As at 31 Dec 2018 ₦'million	As at 31 Dec 2019 $'000	As at 31 Dec 2018 $'000
Investment in Elandale	3	-	11	-

Elandale Nigeria Limited is an associate acquired on the business combination. Elandale was incorporated in Nigeria on 17 January 2019. Elandale is an unquoted investment and valued based on fixed asset investment. The Group indirectly owns 40% ownership interest and voting rights in Elandale. The associate is deemed to be immaterial, as a result, financial information is not provided.

26. Inventories

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Tubulars, casings and wellheads	25,944	31,485	84,508	102,554

Inventory represents the value of tubulars, casings and wellheads. The inventory is carried at the lower of cost and net realisable value. Inventory charged to profit or loss and included in cost of sales during the year is ₦1.3 billion ($4.1 million) 2018: nil. There was no write down or reversal of previously recognised write down of inventory for the year ended 31 December 2019 (2018: nil).

27. Trade and other receivables

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Trade receivables (Note 27.3)	37,465	29,127	122,033	94,875
Nigerian Petroleum Development Company (NPDC) receivables (Note 27.5)	68,264	-	222,357	-
National Petroleum Investment Management Services (NAPIMS) receivables (Note 27.7)	354	-	1,152	-
Underlift	3,445	1,325	11,224	4,313
Advances to suppliers	9,015	1,822	29,368	5,933
Receivables from ANOH	3,945	-	12,847	
Other receivables (Note 27.9)	26,948	9,600	87,781	31,272
	149,436	41,874	486,762	136,393

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27.1 Trade receivables

Included in trade receivables is an amount due from Nigerian Gas Marketing Company (NGMC) and Central Bank of Nigeria (CBN) totaling ₦16 billion ($52 million), 2018: ₦14 billion ($46 million) with respect to the sale of gas, for the Group. Also included in trade receivables is an amount of ₦16 billion ($52 million), 2018: N13 billion $43 million due from Mercuria for sale of crude. Other component of trade receivables totaling ₦5 billion ($18 million), 2018: ₦2 billion ($5 million) relates to Pillar, PanOcean and other trade receivables.

27.2 Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is an escrow deposit of ₦12 billion $40 million (2018: nil) made for a potential investment. The funds were placed in an escrow on 8 January 2019 pursuant to an agreement reached with the vendor on the final terms of the transaction. Also included here is a receivable amount of ₦8 billion ($27 million) 2018: ₦10 billion ($31 million) on an investment that is no longer being pursued. Other receivables also include an escrow deposit of ₦5 billion, $13 million (2018: nil). This amount relates to excess cash not utilised on acquisition of Eland Oil and Gas. Other balances in other receivables amount to ₦2 billion ($8 million) (2018: nil).

27.3 Reconciliation of trade receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Balance as at 1 January	29,127	33,236	94,875	108,685
Additions during the year	263,676	217,553	859,131	710,725
Receipts for the year	(254,690)	(221,659)	(829,855)	(724,127)
Exchange difference	3	123	-	-
Gross carrying amount	38,116	29,253	124,151	95,283
Less: impairment allowance (Note 27.4)	(651)	(126)	(2,118)	(408)
Balance as at 31 December	37,465	29,127	122,033	94,875

27.4 Reconciliation of impairment allowance trade receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Loss allowance as at 1 January	126	502	408	1,636
Increase/(decrease) in loss allowance during the period	525	(376)	1,710	(1,228)
Loss allowance as at 31 December	651	126	2,118	408

Increase in expected credit loss on trade receivables to due to increase in the receivable balance at the end of the reporting period.

27.5 Reconciliation of NPDC receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Balance as at 1 January	(10,022)	-	(32,643)	-
Additions during the year	129,927	-	423,337	-
Receipts for the year	(54,880)	-	(178,884)	-
Write off of accured interest	(14,871)		(48,439)	
Reversal of impairment loss on accrued interest written off	2,475		8,086	
Acquired on business combination	16,075	-	52,360	-
Exchange difference	8	-	-	-
Gross carrying amount	68,712	-	223,817	-
Less: impairment allowance (Note 27.6)	(448)	-	(1,460)	-
Balance as at 31 December	68,264	-	222,357	-

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In 2018, the outstanding NPDC receivable of ₦14.8 billion ($48.4 million) was netted against the gas receipts payable to NPDC as Seplat has a legally enforceable right to settle outstanding amounts on a net basis which is as shown below;

	31 December 2018			
	Gross amount	Loss allowance	Gross amount offset in the balance sheet	Net amount presented in the balance sheet
	₦'million	₦'million	₦'million	₦'million
Financial asset				
Trade receivables	14,871	(2,475)	12,396	-
Financial liabilities				
Payable to NPDC	(22,418)	-	(12,396)	(10,022)

	31 December 2018			
	Gross amounts	Loss allowance	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet
	$'000	$'000	$'000	$'000
Financial asset				
Trade receivables	48,439	(8,086)	40,353	-
Financial liabilities				
Payable to NPDC	(72,996)	-	(40,353)	(32,643)

During the year, a receivable of ₦14.9 billion ($48.4 million), which was netted against payables to NPDC in 2018, was written off by the Group. The amount relates to interest which accrued on cash calls. This was written off because the Group assessed the amount to be uncollectable.

27.6 Reconciliation of impairment allowance NPDC receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Loss allowance as at 1 January	2,475	-	8,086	-
Increase in loss allowance during the period	12,836	2,475	41,813	8,086
Receivables written off during the year as uncollectible	(14,871)	-	(48,439)	-
Exchange difference	8	-	-	-
Loss allowance as at 31 December	448	2,475	1,460	8,086

During the year, the NPDC receivables netted against trade payables in 2018 was fully provided for and eventually written off by the Group. It relates to the interest accrued on NPDC cash call which is assessed to be uncollectible by the Group.

27.7 Reconciliation of NAPIMS receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Balance as at 1 January (Note 38)	(2,785)	3,824	(9,073)	12,506
Additions during the year	10,611	-	34,597	-
Receipts for the year	(7,452)	(6,609)	(24,295)	(21,579)
Exchange difference	3	-	-	-
Gross carrying amount	377	-	1,229	-
Less: impairment allowance (Note 27.8)	(23)	-	(77)	-
Balance as at 31 December	354	(2,785)	1,152	(9,073)

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27.8 Reconciliation of impairment allowance NAPIMS receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Loss allowance as at 1 January	-	64	-	213
Increase/(decrease) in loss allowance during the period	23	(64)	77	(213)
Loss allowance as at 31 December	23	-	77	-

Increase in expected credit loss on NAPIMS receivables to due to increase in the receivable balance at the end of the reporting period.

27.9 Reconciliation of other receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Balance as at 1 January	9,600	894	31,272	2,924
Additions during the year	176,910	121,825	576,998	396,968
Receipts for the year	(153,815)	(108,907)	(501,699)	(354,850)
Exchange difference	8	3	-	-
Gross carrying amount	32,703	13,815	106,571	45,042
Less: impairment allowance (Note 27.10)	(5,755)	(4,215)	(18,790)	(13,770)
Balance as at 31 December	26,948	9,600	87,781	31,272

27.10 Reconciliation of impairment allowance on other receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Loss allowance as at 1 January	4,215	-	13,770	-
Increase in loss allowance during the period	1,540	4,215	5,020	13,770
Loss allowance as at 31 December	5,755	4,215	18,790	13,770

Increase in expected credit loss on other receivables is due to additional provision made by the Group due to increase credit risk of the counterparty (Crester) at the end of the reporting period.

28. Contract assets

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Revenue on gas sales (Note 28.1)	6,527	4,326	21,259	14,096

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. The Group has recognised an asset in relation to a contract with NGMC for the delivery of gas supplies which NGMC has received but which has not been invoiced as at the end of the reporting period.

The terms of payments relating to the contract is between 30- 45 days from the invoice date. However, invoices are raised after delivery between 14-21 days when the receivable amount has been established and the right to the receivables crytallises. The right to the unbilled receivables is recognised as a contract asset. At the point where the final billing certificate is obtained from NGMC authorising the quantities, this will be reclassified from contract assets to trade receivables.

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28.1 Reconciliation of contract assets

The movement in the Group's contract assets is as detailed below:

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Balance as at 1 January	4,327	4,217	14,096	13,790
Addition during the year	49,092	39,120	159,956	127,803
Receipts for the year	(46,893)	(39,027)	(152,793)	(127,497)
Exchange difference	1	17	-	-
Balance as at 31 December	6,527	4,327	21,259	14,096

There were no significant changes in the contract assets for the reporting period. There were no impairment allowances recognised on contract assets as it was immaterial. 2018: Nil

29. Derivative financial instruments

The Group uses its derivatives for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are accounted for at fair value through profit or loss. They are presented as current assets to the extent they are expected to be settled within 12 months after the reporting period.

The fair value of the derivative financial instrument as at 31 December 2019 is as a result of a fair value gain on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Crude oil options	308	2,693	1,002	8,772
Currency forwards	149	-	484	-
	457	2,693	1,486	8,772

30. Cash and bank balances

Cash and bank balances in the statement of financial position comprise of cash at bank and on hand, short-term deposits with a maturity of three months or less and restricted cash balances.

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Cash on hand	3	2	9	7
Short-term fixed deposits	29,741	33,272	96,878	108,732
Cash at bank	70,463	145,222	229,522	472,684
Gross cash and cash equivalent	100,207	178,496	326,409	581,423
Loss allowance	(23)	(36)	(79)	(118)
Net cash and cash equivalents per cash flow statement	100,184	178,460	326,330	581,305
Restricted cash	2,056	1,049	6,698	3,418
Cash and bank balance	102,240	179,509	333,028	584,723

The restricted cash balance above is an amount set aside in the Stamping Reserve account for the revolving credit facility (RCF). The amount is to be used for the settlement of all fees and costs payable for the purposes of stamping and registering the Security Documents at the stamp duties office and at the Corporate Affairs Commission (CAC). The amounts are restricted for a period of four (4) years, which is the contractual period of the RCF. These amounts are subject to legal restrictions and are therefore not available for general use by the Group. These amounts have therefore been excluded from cash and bank balances for the purposes of cash flow.

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30.1 Reconciliation of impairment allowance on cash and bank balance

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Loss allowance as at 1 January	36	-	118	-
Increase/(decrease) in loss allowance during the period	(13)	36	(39)	118
Loss allowance as at 31 December	23	36	79	118

31. Share capital

31.1 Authorised and issued share capital

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500	3,335	3,335
Issued and fully paid				
575,321,598 (2018: 568,497,025) issued shares denominated in Naira of 50 kobo per share	289	286	1,845	1,834

Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

31.2 Movement in share capital and other reserves

	Number of shares Shares	Issued share capital ₦'million	Share premium ₦'million	Share based payment reserve ₦'million	Total ₦'million
Opening balance as at 1 January 2019	568,497,025	286	82,080	7,298	89,664
Share based payments	-	-	-	2,864	2,864
Vested shares	6,824,573	3	1,965	(1,968)	-
Closing balance as at 31 December 2019	575,321,598	289	84,045	8,194	92,528

	Number of shares Shares	Issued share capital $'000	Share premium $'000	Share based payment reserve $'000	Total $'000
Opening balance as at 1 January 2019	568,497,025	1,834	497,457	27,499	526,790
Share based payments	-	-	-	9,223	9,223
Vested shares	6,824,573	11	6,285	(6,296)	-
Closing balance as at 31 December 2019	575,321,598	1,845	503,742	30,426	536,013

31.3 Share Premium

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Share premium	84,045	82,080	503,742	497,457

Section 120.2 of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 requires that where a Company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

During the year, an additional 6,824,573 shares vested with a fair value of $6.41 million. The excess of $6.29 million above the nominal value of ordinary shares have been recognised in share premium.

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31.4 Employee share based payment scheme

As at 31 December 2019, the Group had awarded 48,400,563 shares (2018: 40,410,644 shares) to certain employees and senior executives in line with its share-based incentive scheme. Included in the share-based incentive schemes are two additional schemes (2018 Deferred Bonus and 2019 LTIP Scheme) awarded during the reporting period. During the reporting period,10,802,067 shares had vested out of which 1,853,465 shares were forfeited in relation to participants whose employment was terminated during the vesting period. Also, the reserves growth underpins (non-market performance condition) which was partially achieved (at 75% vesting) resulted in a further reduction in the number of shares vested by 2,088,283. The total number of shares forfeited during the period amount to 3,941,748. The number of shares that eventually vested during the year after the forfeiture and conditions above is 6,824,573 (Dec 2018: 5,052,464 shares were vested).

i. Description of the awards valued

The Group has made a number of share-based awards under incentive plans since its IPO in 2014: IPO-related grants to Executive and Non-Executive Directors, 2014/2015/2016/2017 deferred bonus awards and 2014/2015/2016/2017/2018/2019 Long-term Incentive plan ('LTIP') awards. Shares under these incentive plans were awarded at the IPO in April 2014, 2015, 2016, 2017,2018 and 2019 conditional on the Nigerian Stock Exchange ('NSE') approving the share delivery mechanism proposed by the Group. A number of these awards have fully vested.

Seplat Deferred Bonus Award

25% of each Executive Director's 2014, 2015, 2016,2017 and 2018 bonus (paid in 2015, 2016, 2017, 2018 and 2019) has been deferred into shares and released on 1 June 2017, 1 June 2018, 20 April 2019 respectively subject to continued employment over the vesting period. The 2018 bonus is expected to be released on 31 December 2020. No performance criteria are attached to this award. As a result, the fair value of these awards is calculated using a Black Scholes model.

Long Term Incentive Plan (LTIP) awards

Under the LTIP Plan, shares are granted to management staff of the organisation at the end of every year. The shares were granted to the employees at no cost. The shares vest (after 3 years) based on the following conditions.

- 25% vesting for median relative TSR performance rising to 100% for upper quartile performance on a straight-line basis.
- Relative TSR vesting reduced by 75% if 60% and below of operational and technical bonus metrics are achieved, with 35% reduction if 70% of operational and technical bonus metrics are achieved and no reduction for 80% or above achievement.
- the Group outperforms the median TSR performance level with the LTIP exploration and production comparator group.

The LTIP awards have been approved by the NSE.

ii. Share based payment expenses

The expense recognised for employee services received during the year is shown in the following table:

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Expense arising from equity-settled share-based payment transactions	2,864	2,969	9,223	9,698

There were no cancellations to the awards in 2019. The share awards granted to Executive Directors and confirmed employees are summarised below:

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Scheme	Deemed grant date	Start of Service Period	End of service period	Vesting status	Number of awards
Global Bonus Offer	4 November 2015	9 April 2014	9 April 2015	Fully	6,472,138
Non- Executive Shares	4 November 2015	9 April 2014	9 April 2015	Fully	793,650
2014 Deferred Bonus	14 December 2015	14 December 2015	21 April 2017	Fully	212,701
2014 Long term incentive Plan	14 December 2015	14 December 2015	09 April 2017	Fully	2,173,259
2015 Long term incentive Plan	31 December 2015	14 December 2015	21 April 2018	Fully	5,287,354
2015 Deferred Bonus	21 April 2016	21 April 2016	20 April 2018	Fully	247,610
2016 Long term incentive Plan	22 December 2016	22 December 2016	21 December 2019	Fully	10,294,300
2016 Deferred Bonus	24 November 2017	24 November 2017	20 April 2019	Fully	278,191
2017 Long term incentive Plan	24 November 2017	24 November 2017	20 April 2020	Partially	7,938,589
2017 Deferred Bonus	29 December 2017	29 December 2017	31 December 2019	Fully	193,830
2018 Long term incentive Plan	2 May 2018	2 May 2018	1 May 2021	Partially	6,519,022
2018 Deferred Bonus	2 May 2019	2 May 2019	31 December 2020	Partially	341,069
2019 Long term incentive Plan	2 May 2019	2 May 2019	2 May 2022	Partially	7,648,850
					48,400,563

iii. Determination of share awards outstanding

Share awards used in the calculation of diluted earnings per shares are based on the outstanding shares granted as at 31 December 2019.

Share award scheme (all awards)	2019 Number	2019 WAEP ₦	2018 Number	2018 WAEP ₦
Outstanding at 1 January	12,350,871	310	8,205,773	251.64
Granted during the year	10,802,067	387	9,197,562	362.26
Exercised during the year	(6,824,573)	-	(5,052,464)	-
Forfeited during the year	(3,941,748)	-	-	-
Outstanding at 31 December	12,386,617	474	12,350,871	310
Vested and exercisable at 31 December	-	-	-	-

Share award scheme (all awards)	2019 Number	2019 WAEP $	2018 Number	2018 WAEP $
Outstanding at 1 January	12,350,871	1.01	8,205,773	0.82
Granted during the year	10,802,067	1.26	9,197,562	1.18
Exercised during the year	(6,824,573)	-	(5,052,464)	-
Forfeited during the year	(3,941,748)	-	-	-
Outstanding at 31 December	12,386,617	1.54	12,350,871	1.01
Vested and exercisable at 31 December	-	-	-	-

The following table illustrates the number and weighted average exercise prices ('WAEP') of and movements in deferred bonus scheme and long-term incentive plan during the year for each available scheme.

Deferred Bonus Scheme	2019 Number	2019 WAEP ₦	2018 Number	2018 WAEP ₦
Outstanding at 1 January	315,603	451	230,351	412
Granted during the year	292,509	522	332,862	589
Exercised during the year	(472,021)	-	(247,610)	-
Outstanding at 31 December	136,092	572	315,603	518
Vested and exercisable at 31 December	-	-	-	-

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Deferred Bonus Scheme	2019 Number	2019 WAEP $	2018 Number	2018 WAEP $
Outstanding at 1 January	315,603	1.47	230,351	1.35
Granted during the year	292,509	1.70	332,862	1.92
Exercised during the year	(472,021)	-	(247,610)	-
Outstanding at 31 December	136,092	1.86	315,603	1.69
Vested and exercisable at 31 December	-	-	-	-

The fair value of the modified options was determined using the same models and principles as described in the table below on the inputs to the models used for the scheme.

Long term incentive Plan (LTIP)	2019 Number	2019 WAEP ₦	2018 Number	2018 WAEP ₦
Outstanding at 1 January	12,035,268	361	8,457,922	292
Granted during the year	10,509,557	362	8,864,700	593
Exercised during the year	(6,352,552)	-	(5,287,354)	-
Forfeited during the year	(3,941,748)	-	-	-
Outstanding at 31 December	12,250,525	209	12,035,268	447
Vested and exercisable at 31 December	-	-	-	-

Long term incentive Plan (LTIP)	2019 Number	2019 WAEP $	2018 Number	2018 WAEP $
Outstanding at 1 January	12,035,268	1.18	8,457,922	0.96
Granted during the year	10,509,557	1.18	8,864,700	1.93
Exercised during the year	(6,352,552)	-	(5,287,354)	-
Forfeited during the year	(3,941,748)	-	-	-
Outstanding at 31 December	12,250,525	0.68	12,035,268	1.46
Vested and exercisable at 31 December	-	-	-	-

The shares are granted to the employees at no cost. The weighted average remaining contractual life for the share awards outstanding as at 31 December 2019 range from 0.3 to 2.3 years (2018: 0.3 to 1.3 years).

The weighted average fair value of awards granted during the year range from ₦362.26 to ₦521.9, 2018: ₦451.29 to ₦540.32. $1.18 to $1.70 (2018: $1.47 to $1.76).

The fair value at grant date is independently determined using the Monte Carlo and Black Scholes models which takes into account, the term of the award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the award and the correlations and volatilities of peer group companies.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

iv. Inputs to the models

The following table lists the inputs to the models used for the share awards outstanding in the respective plans for the year ended 31 December 2019:

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	2017 LTIP	2018 LTIP	2018 Deferred Bonus	2019 LTIP
Weighted average fair values at the measurement date				
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	43%	41%	33%	35%
Risk-free interest rate (%)	0.44%	0.83%	0.74%	0.76%
Expected life of share options	2.40	3.00	1.67	3.00
Share price at grant date ($)	1.4	1.93	1.7	1.7
Share price at grant date (₦)	428.4	592.51	521.9	521.9
Model used	Monte Carlo	Monte Carlo	Black Scholes	Monte Carlo

32. Capital contribution

This represents M&P additional cash contribution to the Group. In accordance with the Shareholders' Agreement, the amount was used by the Group for working capital as was required at the commencement of operations.

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Capital contribution	5,932	5,932	40,000	40,000

33. Foreign currency translation reserve

Cumulative foreign exchange differences arising from translation of the Group's results and financial position into the presentation currency and from the translation of foreign subsidiary is recognised in foreign currency translation reserve.

34. Interest bearing loans and borrowings

34.1 Net debt reconciliation

Below is the net debt reconciliation on interest bearing loans and borrowings for 2019:

	Borrowings due within 1 year ₦ million	Borrowings due above 1 year ₦ million	Total ₦ million	Borrowings due within 1 year $'000	Borrowings due above 1 year $'000	Total $'000
Balance as at 1 January 2019	3,031	133,799	136,830	9,872	435,827	445,699
Interest accrued	8,890	-	8,890	28,966		28,966
Interest capitalized	6,308	-	6,308	20,554		20,554
Principal repayment	(3,029)	(27,661)	(30,690)	(9,872)	(90,128)	(100,000)
Interest repayment	(10,364)	-	(10,364)	(33,770)	-	(33,770)
Other financing charges	(2,696)	-	(2,696)	(8,783)	-	(8,783)
Proceeds from loan financing	19,151	87,194	106,345	62,399	284,101	346,500
Acquired on business combination	13,187	14,509	27,696	42,967	47,275	90,242
Exchange differences	8	22	30	-	-	-
Carrying amount as at 31 December 2019	34,486	207,863	242,349	112,333	677,075	789,408

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Below is the net debt reconciliation on interest bearing loans and borrowings 2018:

	Borrowings due within 1 year ₦ million	Borrowings due above 1 year ₦ million	Total ₦ million	Borrowings due within 1 year $'000	Borrowings due above 1 year $'000	Total $'000
Balance as at 1 January 2018	81,159	93,170	174,329	265,400	304,677	570,077
Principal repayment	(81,237)	(126,295)	(207,532)	(265,400)	(412,600)	(678,000)
Interest repayment	(13,343)	-	(13,343)	(43,465)	-	(43,465)
Interest accrued	18,135	239	18,374	59,247	782	60,029
Effect of loan restructuring	-	2,425	2,425	-	7,923	7,923
Other financing charges	(1,809)	-	(1,809)	(5,910)	-	(5,910)
Proceeds from loan financing	-	163,775	163,775	-	535,045	535,045
Exchange differences	126	485	611	-	-	-
Carrying amount as at 31 December 2018	3,031	133,799	136,830	9,872	435,827	445,699

Other financing charges include term loan arrangement and participation fees, bank activity fee, annual bank charges, technical bank fee, agency fee and analytical services in connection with annual service charge. These costs do not form an integral part of the effective interest rate. As a result, they are not included in the measurement of the interest-bearing loan.

34.2 Amortised cost of borrowings

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Senior loan notes	107,237	107,272	349,278	348,417
Revolving loan facilities	107,416	29,558	349,888	97,282
Acquired on business combination	27,696	-	90,242	-
	242,349	136,830	789,408	445,699

$350 million Senior notes - March 2018

Interest bearing loans and borrowings include revolving loan facility and senior notes. In March 2018 the Group issued ₦107 billion, $350 million, senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes were expected to mature in April 2023. The interest accrued at the reporting date is ₦10.56 billion, $34.4 million using an effective interest rate of 10.4%. Transaction costs of ₦2.1 billion, $6.86 million have been included in the amortised cost balance at the end of the reporting period. The amortised cost for the senior notes at the reporting period is ₦107.2 billion, $349.3 million (December 2018: ₦107.0 billion, $348.6 million).

$200 million Revolving credit facility - March 2018

The Group entered into a four-year revolving loan agreement with interest payable semi-annually and principal repayable on 31 December of each year. The revolving loan has an initial contractual interest rate of 6% +Libor (7.7%) and a settlement date of June 2022.

The interest rate of the facility is variable. The Group made a drawdown of ₦61 billion, $199 million in March 2018. The interest accrued at the reporting period is ₦0.2 billion (Sept 2018: ₦2.89 billion) using an effective interest rate of 9.8% (Sept 2018: 9.4%). The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period. In October 2018, the Group made principal repayments on the four-year revolving facility for a lump sum of ₦30.7 billion, $100 million. The repayment was accounted for as a prepayment of the outstanding loan facility. The gross carrying amount of the facility was recalculated as the present value of the estimated future contractual cash flows that are discounted using the effective interest rate at the last reporting period. Gain or loss on modifications are recognised immediately as part of interest accrued on the facility. Transaction costs of ₦1.4 billion, $4.58 million have been included in the amortised cost balance at the end of the reporting period. In the reporting period, the Group repaid the outstanding principal amount of ₦30.7 billion, $100 million on the revolving loan facility.

$350 million Revolving credit facility - December 2019

The Group's parent company on 20 December 2019 also entered into a four-year revolving loan agreement with interest payable semi-annually. There is a two-year moratorium on the principal which ends on 31 December 2021. The revolving loan has an initial contractual interest rate of 6% +Libor (7.9%) and a settlement date of 31 December 2023.

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The interest rate of the facility is variable. The Group made a drawdown of ₦107.45 billion, $350 million as at year end. The interest accrued at the reporting period is ₦337 million, $1.1 million using an effective interest rate of 10.2%. The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period.

$125 million Reserved based lending (RBL) facility - December 2018
The Group through its subsidiary Westport on 5th December 2020 entered into a five-year loan agreement with interest payable semi-annually. The RBL facility has an initial contractual interest rate of 8% +Libor as at year end (9.91%) and a settlement date of 29 November 2023.

The interest rate of the facility is variable. The Group made a drawdown of ₦27.63 billion, $90 million as at year end. The interest accrued at the reporting period is ₦3.2 billion, $10.5 million using an effective interest rate of 15.7%. The interest paid was determined using 6-month LIBOR rate + 8 % on the last business day of the reporting period. The outstanding amount of this borrowing as at the date of acquisition is ₦26.7 billion, $87 million and the recognised fair value for business combination is ₦27.6 billion, $90 million.

34.3 Outstanding principal exposures

The following is the analysis of the principal outstanding showing the lenders of the facility as at the year end:

31 December 2019	Interest	Current ₦ million	Non-Current ₦ million	Total ₦ million	Current $'000	Non-Current $'000	Total $'000
Fixed interest rate							
Senior notes:	9.25		107,450	107,450		350,000	350,000
Variable interest rate							
Corporate loan:							
Citibank, N.A., London Branch	6.0% +LIBOR	-	12,280	12,280	-	40,000	40,000
Nedbank Limited London	6.0% +LIBOR	-	12,280	12,280	-	40,000	40,000
Stanbic IBTC Bank Plc	6.0% +LIBOR	-	6,140	6,140	-	20,000	20,000
The Standard Bank of South Africa Limited//	6.0% +LIBOR	-	6,140	6,140	-	20,000	20,000
RMB International (Mauritius) Limited	6.0% +LIBOR	-	12,280	12,280	-	40,000	40,000
The Mauritius Commercial Bank Ltd	6.0% +LIBOR	-	12,280	12,280	-	40,000	40,000
JPMorgan Chase Bank, N.A., London Branch	6.0% +LIBOR	-	9,210	9,210	-	30,000	30,000
Standard Chartered Bank	6.0% +LIBOR	-	9,210	9,210	-	30,000	30,000
Natixis	6.0% +LIBOR	-	9,210	9,210	-	30,000	30,000
Société Générale, London Branch	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
Zenith Bank Plc	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
United Bank for Africa Plc	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
First City Monument Bank Limited	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
Acquisition through business combination;							
Stanbic IBTC Bank Plc & The Mauritius Commercial Bank Ltd	8.0% +LIBOR	7,675	19,955	27,630	25,000	65,000	90,000
		7,675	234,855	242,530	25,000	765,000	790,000

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31 December 2018	Interest	Current ₦ million	Non-Current ₦ million	Total ₦ million	Current $'000	Non-Current $'000	Total $'000
Fixed interest rate							
Senior notes	9.25%	-	107,450	107,450	-	350,000	350,000
Variable interest rate							
Corporate loan:							
Stanbic IBTC Bank Plc	6.0% +LIBOR	-	3,681	3,681	-	12,000	12,000
The Standard Bank of South Africa	6.0% +LIBOR	-	2,454	2,454	-	8,000	8,000
Nedbank Limited, London Branch	6.0% +LIBOR	-	5,113	5,113	-	16,667	16,667
Standard Chartered Bank	6.0% +LIBOR	-	4,601	4,601	-	15,000	15,000
Natixis	6.0% +LIBOR	-	3,579	3,579	-	11,667	11,667
FirstRand Bank Limited Acting	6.0% +LIBOR	-	3,579	3,579	-	11,667	11,667
Citibank N.A. London	6.0% +LIBOR	-	3,068	3,068	-	10,000	10,000
The Mauritius Commercial Bank Plc	6.0% +LIBOR	-	3,068	3,068	-	10,000	10,000
Nomura International Plc	6.0% +LIBOR	-	1,534	1,534	-	5,000	5,000
		-	30,677	30,677	-	100,000	100,000
		-	138,127	138,127	-	450,000	450,000

35. Contingencies

35.1 Contingent consideration

	₦ million	$'000
At 1 January 2018	4,251	13,900
Fair value loss	1,405	4,589
Exchange differences	20	-
At 31 December 2018	5,676	18,489
At 1 January 2019	5,676	18,489
Write back	(5,675)	(18,489)
Exchange differences	(1)	-
At 31 December 2019	-	-

During the year, the group de-recognised the contingent consideration for OML 53 as shown above. It is contingent on oil price rising above $90 (₦ 27,630)/bbl. over a one-year period and expiring on 31 January 2020. The contingency criteria were not achieved during the reporting period, and as a result, the contingent consideration has been derecognised.

35.2 Contingent liability

	₦ million	$'000
At 1 January 2019	-	-
Acquired in business combination (Note 14)	2,215	7,217
At 31 December 2019	2,215	7,217

The above contingent liability relates to liability recognised on acquisition of Eland. The liability is an outcome of the European union state aid – UK Controlled Foreign Companies (CFC) case required companies in tax efficient jurisdictions to assess the profit allocable to UK significant people functions (SPFs). In April 2019, the European commission issued a press release announcing its conclusion that the UK finance Company Partial Exemption Rules (The FCPE rules) was partly justified for the period of 2013 to 2018. As a result, the fair value of the estimated exposure is recognised as contingent liability on acquisition.

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We are assessing the potential impact of the Commission's decision on the tax treatment of the Group's financing arrangements. The application of the decision is judgemental and there is no consensus regarding how it should be applied. Based on the Group's assessment of its specific circumstances, it is not currently considered probable that there will be an outflow in respect of these issues and no provision has been made in the financial statements. The maximum potential exposure to the Group of the EC CFC challenge, including interest, is around $46.0m, albeit this outcome is extremely remote. Notwithstanding the on-going court proceedings, HMRC may request payment for the alleged state aid within the next 12 months although any such request could be challenged through the UK courts.

36. Provision for decommissioning obligation

	₦ million	$'000
At 1 January 2018	32,510	106,312
Unwinding of discount due to passage of time	892	2,914
Change in estimate	10,112	32,511
At 31 December 2018	43,514	141,737
At 1 January 2019	43,514	141,737
Unwinding of discount due to passage of time	1,240	4,039
Changes in estimate	(5,142)	(16,745)
Acquired in business combination	5,799	18,890
At 31 December 2019	45,411	147,921

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. This relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a "probable future sacrifice of economic benefits arising from a present obligation", and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred as highlighted in the table below which is the current expectation as to when the producing facilities are expected to cease operations. Management engaged a third party to assist with an estimate of the expenditure to be incurred. These provisions were based on estimations carried out by Netherland, Sewell and Associates for OML 40 and Ubima & Ryder Scott for others based on current assumptions of the economic environment which management believes to be 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 necessary decommissioning works required that 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.

	Current estimated life span of reserves	
	2019 In years	2018 In years
Seplat Petroleum Development Company:	2037	2027
OML 4	2027 - 2037	2037
OML 38	2027 - 2034	2027 - 2037
OML 41	2037	2037
Newton Energy Limited (OPL 283)	2037 - 2044	2037 - 2044
Seplat East Onshore Ltd (OML 53)	2028 - 2054	2028 - 2054
Elcrest (OML 40)	2033	-
Ubima (OML 17)	-	-

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37. Employee benefit obligation

37.1 Defined contribution plan

The Group contributes to a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Group pays fixed contributions to an approved Pension Fund Administrator ('PFA') – a separate entity. The assets of the scheme are managed by various Pension Fund Administrators patronised by employees of the Group. The Group's contributions are charged to the profit and loss account in the year to which they relate.

37.2 Defined benefit plan

i. Investment management strategy and policy

The Group operates a funded defined benefit pension plan in Nigeria under the regulation of National Pension Commission. The plan provides benefits to all the employees (excluding Directors holding salaried employment in the Group) who have been employed by the Group for a continuous period of five years and whose employment have been confirmed. The employee's entitlement to the accrued benefits occurs on retirement from the Group. The level of benefits provided on severance depends on members' length of service and salary at retirement age.

The overall investment philosophy of the defined benefit plan fund is to ensure safety, optimum returns and liquidity in line with the regulation and guidelines of the Pension Reform Act 2014 or guidelines that may be issued from time to time by National Pension Commission.

Plan assets are held in trust. Responsibility for supervision of the plan assets (including investment decisions and contributions schedules) lies jointly with the trustees and the pension fund managers. The trustees are made up of members of the Group's senior management appointed by the Chief Executive Officer. The Group does not have an investment strategy of matching match plan assets with the defined obligations as they fall due, however, the Group has an obligation to settle shortfalls in the plan asset upon annual actuarial valuations.

The provision for the defined benefit plan is based on an independent actuarial valuation performed by Logic Professional Services ("LPS") using the projected unit credit method. The provision is adjusted for inflation, interest rate risks, changes in salary and changes in the life expectancy for the beneficiaries.

The amount payable as at 31 December 2019 was ₦3 billion($9.8 million), 2018: ₦1.8 billion ($5.9 million).

The following tables summarise the components of net defined benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

ii. Liability recognised in the financial position

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Defined benefit obligation	3,595	2,324	11,707	7,568
Fair value of plan assets	(583)	(505)	(1,899)	(1,645)
	3,012	1,819	9,808	5,923

iii. Amount recognised in profit or loss

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Current service cost	602	500	1,961	1,633
Interest cost on defined benefit obligation	364	285	1,186	931
	966	785	3,147	2,564
Return on plan assets	(129)	(3)	(420)	(10)
	837	782	2,727	2,554

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The Group recognises a part of its defined benefit expenses in profit or loss and recharges the other part to its joint operations partners, this is recognised as a receivable from the partners. Below is the breakdown:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Charged to profit or loss	343	340	1,117	1,111
Charged to receivables	494	442	1,610	1,443
Balance as at 31 December	837	782	2,727	2,554

iv. Re-measurement (gains)/losses in other comprehensive income

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Remeasurement losses due to changes in financial and demographic assumptions	(508)	408	(1,655)	1,331
Remeasurement gains due to experience adjustment	111	(14)	362	(46)
Remeasurement gain on plan assets	(51)	-	(166)	-
	(448)	394	(1,459)	1,285
Deferred tax credit/(expense) on remeasurement losses	381	(335)	1,240	(1,094)
	67	59	219	193

The Group recognises a part of the remeasurement losses in other comprehensive income and recharges the other part to its joint operations partners. Below is the breakdown:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Recharged to receivables	(247)	216	(803)	706
(Charged)/credited to other comprehensive income	(201)	178	(656)	579
Remeasurement (losses)/gain due to changes in financial and demographic assumptions	(448)	394	(1,459)	1,285

v. Deferred tax (expense)/credit on re- measurement (gains)/losses

The Group recognises deferred tax (credit on a part of the remeasurement (gain)/ losses in other comprehensive income/(loss). Below is the breakdown:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Credited/(charged) to other comprehensive income	171	(80)	558	(261)
Charged to receivables	210	(255)	682	(833)
Deferred tax on remeasurement losses	381	(335)	1,240	(1,094)

vi. Changes in the present value of the defined benefit obligation are as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Defined benefit obligation as at 1 January	2,324	1,994	7,568	6,518
Current service cost	602	500	1,961	1,633
Interest cost on benefit obligation	364	285	1,186	931
Remeasurement losses due to changes in financial and demographic assumptions	508	(408)	1,655	(1331)
Remeasurement gains due to experience adjustment	(111)	14	(362)	46
Benefits paid by the employer	(86)	(63)	(280)	(206)
Exchange differences	(6)	2	(21)	(23)
Defined benefit obligation at 31 December	3,595	2,324	11,707	7,568

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vii. The changes in the fair value of plan assets is as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Balance as at 1 January	(505)	-	(1,645)	-
Employer contributions	-	(502)	-	(1,635)
Return on plan assets	(129)	(3)	(420)	(10)
Remeasurement loss on plan assets	51	-	166	-
Balance as at 31 December	(583)	(505)	(1,899)	(1,645)

The net liability disclosed above relates to funded plans as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Present value of funded obligations	3,595	2,324	11,707	7,568
Fair value of plan assets	(583)	(505)	(1,899)	(1,645)
Deficit of funded plans	3,012	1,819	9,808	5,923

The fair value of the plan asset of the Group at the end of the reporting period was determined using the market values of the comprising assets as shown below:

	Quoted ₦ million	Not quoted ₦ million	2019 Total ₦ million	Quoted $'000	Not quoted $'000	2019 Total $'000
Money market	-	136	136	-	442	442
Equity Instrument	12		12	40		40
Treasury bills	50	-	50	163	-	163
Bonds	386		386	1,258		1,258
Cash at bank	-	2	2	-	6	6
Other current asset	-	(3)	(3)	-	(10)	(10)
Total plan asset as at 31 December	448	135	583	1,461	438	1,899

	Quoted ₦ million	Not quoted ₦ million	2018 Total ₦ million	Quoted $'000	Not quoted $'000	2018 Total $'000
Money market	-	125	125	-	407	407
Treasury bills	379	-	379	1,234	-	1,234
Cash at bank	-	1	1	-	4	4
Total plan asset as at 31 December	379	126	505	1,234	411	1,645

viii. The principal assumptions used in determining defined benefit obligations for the Group's plans are shown below:

	2019 %	2018 %
Discount rate	14.00	15.50
Average future pay increase	12.00	12.00
Average future rate of inflation	12.00	10.00

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a) Mortality in service

	Number of deaths in year out of 10,000 lives	
Sample age	2019	2018
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

b) Withdrawal from service

	Rates	
Age band	2019	2018
Less than or equal to 30	1.0%	1.0%
31 – 39	1.5%	1.5%
40 – 44	1.5%	1.5%
45 – 55	1.0%	1.0%
56 – 60	0.0%	0.0%

c) A quantitative sensitivity analysis for significant assumption is as shown below:

		Discount Rate		Salary increases		Mortality	
Assumptions	Base	1% increase ₦ million	1% decrease ₦ million	1% increase ₦ million	1% decrease ₦ million	1% increase ₦ million	1% decrease ₦ million
Sensitivity Level: Impact on the net defined benefit obligation							
31 December 2019	3,595	(225)	262	280	(243)	3	(3)
31 December 2018	2,324	(225)	262	280	(243)	3	(3)

		Discount Rate		Salary increases		Mortality	
Assumptions	Base	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000
Sensitivity Level: Impact on the net defined benefit obligation							
31 December 2019	11,707	(733)	854	912	(792)	10	(10)
31 December 2018	7,568	(735)	856	915	(794)	10	(10)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The methods and assumptions used in preparing the sensitivity analysis did not change compared to prior period.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

The expected maturity analysis of the undiscounted defined benefit plan obligation is as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Within the next 12 months (next annual reporting period)	198	57	646	186
Between 2 and 5 years	1,403	1,335	4,569	4,361
Between 6 and 10 years	5,421	131,806	17,658	430,604
Beyond 10 years	127,029	-	413,775	-
	134,051	133,198	436,648	435,151

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The weighted average liability duration for the Plan is 11.35 years (2018: 11.95 years). The longest weighted duration for Nigerian Government bond as at 31 December 2019 was about 7.26 years (2018: 5.96 years) with a gross redemption yield of about 13.31% (2018: 15.29%).

d) Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks. The most significant of which are detailed below:

i) Liquidity risk

The plan liabilities are not fully funded and as a result, there is a risk that the Group may not have the required cash flow to fund future defined benefit obligations as they fall due.

ii) Inflation risk

This is the risk of an unexpected significant rise/fall of market interest rates. A rise leads to a fall in long term asset values and a rise in liability values.

iii) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

iv) Asset volatility

The Group holds a significant proportion of its plan assets in equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

38. Trade and other payables

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Trade payable	31,977	12,073	104,161	39,328
Accruals and other payables	84,527	53,296	275,330	173,603
Nigerian Petroleum Development Company (NPDC)	-	10,022	-	32,643
National Petroleum Investment Management Services (NAPIMS)	-	2,785	-	9,073
Pension payables	(29)	107	(97)	350
NDDC levy	8	345	23	1,124
Royalties payable	9,096	8,732	29,629	28,444
Overlift	18,346	-	59,758	-
	143,925	87,360	468,804	284,565

Included in accruals and other payables are field accruals of ₦ 39 billion, 2018: ₦28 billion ($127 million, 2018: $74 million), accruals for services received with invoices uncleared of ₦6 billion ($21 million) 2018: ₦6 billion ($19 million) and other payables to creditors, employees and contractors of ₦40 billion ($127 million), 2018: ₦25 billion ($99 million).

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38.1 Net debt reconciliation

Included in accruals and other payables is advance payment on crude oil sales. Below is the net debt reconciliation on this amount.

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Balance as at 1 January	-	23,723	-	77,499
Principal repayment	-	(23,193)	-	(75,769)
Interest repayment	-	(530)	-	(1,730)
Carrying amount as at 31 December		-	-	-

39. Contract liabilities

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
	5,005	-	16,301	-

39.1 Reconciliation of contract liabilities

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Opening balance	-	-	-	-
Addition during the year	5,005	-	16,301	-
	5,005	-	16,301	-

Contract liabilities represents take or pay volumes contracted with Azura for 2018 which is yet to be utilized. In line with contract, Azura can make a demand on the makeup gas but only after they have taken and paid for the take or pay quantity for the respective year. The contract liability is accrued for two years after which the ability to take the makeup gas expires and any outstanding balances are recognised as revenue from contracts with customers.

40. Earnings per share (EPS)

Basic

Basic EPS is calculated on the Group's profit after taxation attributable to the parent entity and on the basis of weighted average number of issued and fully paid ordinary shares at the end of the year.

Diluted

Diluted EPS is calculated by dividing the profit after taxation attributable to the parent entity by the weighted average number of ordinary shares outstanding during the year plus all the dilutive potential ordinary shares (arising from outstanding share awards in the share-based payment scheme) into ordinary shares.

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	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Profit from continued operations	80,975	44,851	263,842	146,526
Profit from discontinued operations	4,041	16	13,166	50
Profit for the year	85,016	44,867	277,008	146,576
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	569,228	568,497	569,228	568,497
Outstanding share-based payments (shares)	12,387	8,206	12,387	8,206
Weighted average number of ordinary shares adjusted for the effect of dilution	581,615	576,703	581,615	576,703
Basic earnings per shares	₦	₦	$	$
From continuing operations attributable to the ordinary equity holders of the Group	142.25	78.89	0.46	0.26
From discontinuing operations attributable to the ordinary equity holders of the Group	7.10	0.03	0.02	0.00
Total basic earnings per share attributable to the ordinary equity holders of the Group	149.35	78.92	0.49	0.26
Diluted earnings per shares	₦	₦	$	$
From continuing operations attributable to the ordinary equity holders of the Group	139.22	77.77	0.45	0.25
From discontinuing operations attributable to the ordinary equity holders of the Group	6.95	0.03	0.02	0.00
Total diluted earnings per share attributable to the ordinary equity holders of the Group	146.17	77.80	0.48	0.25

The weighted average number of issued shares was calculated as a proportion of the number of months in which they were in issue during the reporting period.

41. Dividends paid and proposed

As at 31 December 2019, the final proposed dividend for the Group is ₦15.35 ($0.05), 2018: is ₦15.35 ($0.05).

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Cash dividends on ordinary shares declared and paid:				
Interim dividend for 2019: ₦30.7 ($0.10) per share 575,321,598 shares in issue (2018: ₦30.7 ($0.10) per share, 568,497,025 shares in issue)	18,019	18,036	58,708	58,888
Proposed dividend on ordinary shares:				
Final proposed dividend for the year 2019: ₦15.35 ($0.05) (2018: ₦15.35 ($0.05) per share	8,831	9,033	28,766	29,422

As at 31 December 2019, ₦9 billion ($29.4 million) of interim dividend was paid at ₦15.35 ($0.05) per share as at 30 June 2019 and the remaining dividend ₦9 billion ($29.3 million) was paid at ₦15.35 ($0.05) per share as at 30 November 2019. [(2018: ₦9 billion ($29.4 million) of the interim dividend was paid at ₦15.35 ($0.05) per share as at 31 March 2018 and the remaining dividend ₦9 billion($29.4 million) was paid at ₦15.35 ($0.05) as at 31 December 2018]. Final Naira dividend payments will be based on the Naira/Dollar rates on the date for determining the exchange rate. The payment subject to shareholders' approval at the 2020 Annual General Meeting.

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.

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i) Shareholders of the parent company

Shebah Petroleum Development Company Limited SPDCL ('BVI'): The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The company provided consulting services to Seplat. Services provided to the Group during the year amounted to N322million, $1.05million (2018: N333million, $1.09million)

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

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

Montego Upstream Services Limited: The chairman's nephew is shareholder and director. The company provides drilling and engineering services to Seplat. The transactions during the year amounted to N783million, $2.55million (2018: N24million, $79thousand). Receivables and payables were nil in the current period (receivables in 2018: N8million, $26thousand).

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 N2.89billion, $9.44million (N621million, $2.03million). Receivables and payables were nil in the current period (receivables in 2018: N1.49billion, $4.87million).

Stage leasing (Ndosumili Ventures Limited): is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat. This amounted to N445million, $1.45million (2018: N434million, $1.42million). Receivables and payables were nil in the current period (2018: N13million, $43thousand)

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

Abbeycourt Trading Company Limited: The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations. This amounted to N286million, $0.93million during the year (2018: N334million, $1.09million). Payables were nil in the current period (2018: N9million, $28thousand)

Charismond Nigeria Limited: The sister to the Chief Executive Officer (CEO) works as a General Manager. The company provides administrative services including stationary and other general supplies to the field locations. This amounted to N11million, $36thousand (2018: N23million, $74thousand). Receivables and payables were nil in the current period. (Payables in 2018 was immaterial, receivables in 2018 was nil)

Keco Nigeria Enterprises: The Chief Executive Officer's sister is shareholder and director. The company provides diesel supplies to Seplat in respect of its rig operations. This amounted to N221million, $0.72million (2018: N78million, $0.25million). Payables were nil in the current period (2018: N19million, $61thousand)

Oriental Catering Services Limited: The spouse of the CEO is a shareholder and director. The company provides catering services to Seplat at the staff canteen. This amounted to N47million, $0.15million (2018: N199million, $0.65million). Payables were nil in the current period (2018: N14million, $47thousand). Services from Oriental Catering Service Limited ceased on February 2019.

iv) Entitites controlled by the Company – Investment in newly acquired subsidiairy

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

v) Jointly controlled entities

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

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43. Information relating to employees

43.1 Key management compensation

Key management includes executive and members of the leadership team. The compensation paid or payable to key management for employee services is shown below:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Salaries and other short-term employee benefits	728	793	2,373	2,590
Post-employment benefits	95	86	308	281
Share based payment expenses	166	146	540	476
	989	1,025	3,221	3,347

43.2 Chairman and Directors' emoluments

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Chairman (Non-executive)	354	342	1,155	1,118
Chief Executive Officer	763	445	2,486	1,453
Executive Directors	800	699	2,606	2,283
Non-Executive Directors	702	494	2,287	1,614
Total	2,619	1,980	8,535	6,468

2019 Executive Director emoluments includes 2018 bonus paid in 2019.

43.3 Highest paid Director

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Highest paid Director	440	484	1,434	1,577

Emoluments are inclusive of income taxes.

43.4 Number of Directors

The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2019 Number	2018 Number
Zero - ₦19,896,500	-	-
₦19,896,501 - ₦115,705,800	-	-
₦115,705,801 - ₦157,947,600	-	-
Above ₦157,947,600	3	3
	3	3

	2019 Number	2018 Number
Zero - $65,000	-	-
$65,001 - $378,000	-	-
$378,001 - $516,000	-	-
Above $516,000	3	3
	3	3

Notes to the consolidated financial statements
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43.5 Employees

The number of employees (other than the Directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over ₦1,989,650 ($6,500), received remuneration (excluding pension contributions) in the following ranges:

	2019 Number	2018 Number
₦1,989,650 – ₦4,897,600	9	71
₦4,897,601– ₦9,795,200	142	177
₦9,795,201 – ₦14,692,800	132	77
Above ₦14,692,800	180	139
	463	464

	2019 Number	2018 Number
$6,500 – $16,000	9	71
$16,001 – $32,000	142	177
$32,001 – $48,000	132	77
Above $48,000	180	139
	463	464

43.6 Number of persons employed during the year

The average number of persons (excluding Directors) in employment during the year was as follows:

	2019 Number	2018 Number
Senior management	19	16
Managers	100	93
Senior staff	200	193
Junior staff	144	162
	463	464

43.7 Employee cost

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to the following:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Salaries & wages	7,015	6,039	22,851	19,670
	7,015	6,039	22,851	19,670

44. Commitments and contingencies

44.1 Contingent liabilities

The Company is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the year ended 31 December 2019 is ₦14 billion, 2018: ₦0.7 billion ($48 million, 2018: $2.4 million). The contingent liability for the year is determined based on possible occurrences, though unlikely to occur. No provision has been made for this potential liability in these financial statements. Management and the Company's solicitors are of the opinion that the Company will suffer no loss from these claims.

Notes to the consolidated financial statements

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44.2 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	31 Dec 2019 ₦ million	31 Dec 2018 ₦ million	31 Dec 2019 $'000	31 Dec 2018 $'000
Property, plant and equipment	31,022	-	101,050	-

Anoh Joint Venture: The above commitments include capital expenditure commitments of ₦18.4 billion ($60 million) 2018 – nil. relating to the Anoh Joint Venture.

45. Events after the reporting period

On 9 March 2020, oil prices fell by around 20% and the forward curve for 2020 and 2021 fell to approximately $38/bbl and $43/bbl respectively. These recent events will continue to have an impact on oil price volatility. Seplat prudently manages its commodity risk and is well hedged with 60% of 2020 production hedged at a floor price of $45/bbl up to Q3 2020. Realised oil prices for January and February 2020 averaged over $62.8/bbl. Seplat will continue to monitor the oil prices and take adequate steps to manage our business and any financial impact of same.

46. Changes in accounting policies

This note explains the impact of adoption of IFRS 16: Leases on the Group's financial statements.

Leases

The Group's leased assets include buildings and land. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension options. The lease terms are between 1 and 5 years. On renewal of a lease, the terms are renegotiated. Leased assets may not be used as security for borrowing purposes.

Prior to 2019 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognised as rentals in the statement of profit or loss and other comprehensive income on a straight-line basis and disclosed within general and administrative expenses over the period of the lease.

From 1 January 2019, on adoption of IFRS 16, leased assets are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group is also recognised. The Group elected to use the transition practical expedient which allows the standard to be applied to contracts that were previously identified as leases under IAS 17 (Leases) and IFRIC 4 (Determining whether an arrangement contains a lease) at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'). The Group had no low value leases on adoption of the new standard. Lease liabilities for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate of 7.56% as at that date.

Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The weighted average incremental borrowing rate for the Group is 7.56%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The lease term refers to the contractual period of a lease.

The Group has elected to exclude non-lease components in calculating lease liabilities and instead treat the related costs as an expense in profit or loss.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of a lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred, decommissioning costs (if any), and lease payments made at or before the commencement date less

any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Short-term leases and leases of low value

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. low value assets). Low-value assets are assets with lease amount of less than $5,000 when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

a. Impact of adoption

The new Leases standard, IFRS 16 replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. As discussed in Note 3.2, the Group has elected to apply the new standard using the simplified method. Accordingly, the information presented for the year end 31 December 2018 has not been restated but presented, as previously reported, under IAS 17.

On adoption of IFRS 16, the lease liabilities as at 1 January 2019 for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at that date. The Group's weighted average incremental borrowing rates as at 1 January 2019 and 31 December 2019 was 7.56%.

On adoption of the new accounting standard, the Group elected to apply the following practical expedients:

- The Group relied on previous assessment of existing lease contracts
- Leases with a remaining lease term of one year or less with no extension commitments as at 1 January 2019 were treated as short-term leases.
- The Group excluded initial direct costs in determining the cost of right-of-use assets
- The same discount rate was applied for a portfolio of leases with reasonably similar characteristics.

b. Impact on financial statements

Impact on statement of financial position

The following table summarises the impact of transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.
There was no impact of adoption of IFRS 16 on retained earnings as at 1 January 2019.

	Amounts without impact of IFRS 16 ₦'million	Impact of IFRS 16 ₦'million	At as 1 January 2019 ₦'million
ASSETS			
Non-current assets			
Right-of-use assets	-	4,217	4,217
Prepayments	7,950	(274)	7,676
Total non-current assets	503,234	3,942	507,176
Current assets			
Prepayments	3,549	(1,802)	1,747
Total current assets	263,437	(1,802)	261,635
Total assets	766,671	2,140	768,811
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	-	1,902	1,902

Total non-current liabilities	184,808	1,902	186,710
Current liabilities			
Lease liabilities	-	238	238
Total current liabilities	90,391	238	90,629
Total liabilities	275,199	2,140	277,339

Notes to the consolidated financial statements

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	Amounts without impact of IFRS 16 $'000	Impact of IFRS 16 $'000	At as 1 January 2019 $'000
ASSETS			
Non-current assets			
Right-of-use assets	-	13,737	13,737
Prepayments	25,893	(893)	25,000
Total non-current assets	1,639,199	12,844	1,652,043
Current assets			
Prepayments	11,561	(5,872)	5,689
Total current assets	858,099	(5,872)	852,227
Total assets	2,497,298	6,972	2,504,270
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	-	6,196	6,196
Total non-current liabilities	601,976	6,196	608,172
Current liabilities			
Lease liabilities	-	776	776
Total current liabilities	294,437	776	295,213
Total liabilities	896,413	6,972	903,385

a) Right-of-use assets

All the Group's right-of-use assets are non-current assets. A reconciliation of the Group's right-of-use assets as at 1 January 2019 and 31 December 2019 is shown below:

	₦'million	$'000
Opening balance as at 1 January 2019	-	-
Effect of initial application of IFRS 16	4,217	13,737
Adjusted opening balance as at 1 January 2019	4,217	13,737
Additions during the year	87	285
Acquired in business combination (Note 14)	630	2,053
Less: depreciation for the period	(908)	(2,960)
Closing balance as at 31 December 2019	4,026	13,115

The right-of-use assets recognised as at 1 January 2019 and 31 December 2019 comprised of the following asset:

	As at 31 Dec 2019 $'000	As at 1 Jan 2019 $'000
Office buildings	13,115	13,737
Right-of-use assets	13,115	13,737

	As at 31 Dec 2019 ₦'million	As at 1 Jan 2019 ₦'million
Office buildings	4,026	4,217

Right-of-use assets	4,026	4,217

Notes to the consolidated financial statements
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b) Lease liabilities

A reconciliation of the Group's remaining operating lease payments as at 31 December 2018 and the lease liabilities as at 1 January 2019 and 31 December 2019 is shown below:

	₦'million	$'000
Total undiscounted operating lease commitment as at 31 December 2018	2,860	9,316
Lease liability as at 1 January 2019	2,140	6,972
Additions/(payments) during the year	64	204
Acquired in business combination (Note 14)	461	1,500
Add: interest on lease liabilities (Note 16)	164	534
Closing balance as at 31 December 2019	2,829	9,210

The lease liability as at 1 January 2019 is the total operating lease commitment as at 31 December 2018 discounted using the incremental borrowing rate as at that date.

Short term leases relate to leases of residential buildings, car parks and office building with contractual lease term of less than or equal to 12 months at the date of initial application of IFRS 16. At the end of the reporting period, rental expense of ₦427 million ($1.4 million) was recognised within general and administrative expenses for these leases. The Group's future cash outflows from short term lease commitments at the end of the reporting period is ₦14.8 billion ($48 million).

The Group's lease payments for drilling rigs are classified as variable lease payments. The variability arises because the lease payments are linked to the use of the underlying assets. These variable lease payments are therefore excluded from the measurement of the lease liabilities. At the end of the reporting period, there was no rental expense recognised within cost of sales for these leases. The expected future cash outflows arising from variable lease payments is estimated at ₦14.8 billion ($48 million).
The Group's lease liability as at 1 January 2019 and 31 December 2019 is split into current and non-current portions as follows:

	As at 31 Dec 2019 ₦'million	As at 1 Jan 2019 ₦'million
Non-current	2,617	1,902
Current	212	238
Lease liability	2,829	2,140
	As at 31 Dec 2019 $'000	**As at 1 Jan 2019 $'000**
Non-current	8,518	6,196
Current	692	776
Lease liability	9,210	6,972

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

c) Impact on the statement of profit or loss (decrease)

	31 December 2019 ₦'million	31 December 2019 $'000
Depreciation expense – Right of use assets: Office buildings	(908)	(2,960)
Operating profit	(908)	(2,960)
Finance cost	(164)	(534)
Profit/(loss) for the period	(1,072)	(3,494)

Notes to the consolidated financial statements

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d) Impact on the statement of cashflows (increase)

	31 December 2019	31 December 2019
	₦'million	$'000
Depreciation of right-of-use assets	908	2,960
Net cash flows from operating activities	908	2,960
Interest on lease liabilities	-	-
Net cash flows from financing activities	-	-

No interest was paid on lease during the period. The lease payments for the first two years of the lease contract was prepaid, which has been reclassified to right of use asset in 2019. These are non-cash impact on transition to IFRS 16.

e) Sensitivity to purchase options

In 2018, the Group entered into a lease agreement for its new head office building. The lease contract contains an option to purchase and right of first refusal upon an option of sales during the initial non-cancellable lease term of five (5) years. Management has determined that it is not reasonably certain that the Group will exercise the purchase option. Thus, the purchase price was not included in calculating the lease liability or right-of-use asset. The following tables summaries the impact that exercising the purchase option would have had on the profit before tax and net assets of the Group:

	Effect on profit before tax	Effect on profit before tax
	31 December 2019	31 December 2019
Impact of purchase option	₦'million	$'000
Depreciation	556	1,810
Interest payment	(725)	(2,363)
	(169)	(553)

	31 December 2019	31 December 2019
	Effect on net assets	Effect on net assets
Impact of purchase option	₦'million	$'000
Right-of-use assets	9,594	31,251
Lease liability	(10,322)	(33,621)
	(728)	(2,370)

f) Impact on segment assets and liabilities

The Group's assets are allocated to segments based on the operations and the geographical location of the assets. All non-current assets of the Group are domiciled in Nigeria. The changes in segment assets and liabilities for each segment as at 31 December 2019 is shown below:

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	₦'million	₦'million	₦'million
Segment assets:			
Oil	759,296	4,026	763,322
Gas	240,911	-	240,911
	1,000,207	4,026	1,004,233
Segment liabilities:			
Oil	431,505	2,829	434,334
Gas	16,091	-	16,091
	447,596	2,829	450,425

Notes to the consolidated financial statements

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	Amount under IAS 17 $'000	Impact of IFRS 16 $'000	Amount under IFRS 16 $'000
Segment assets:			
Oil	2,550,032	13,115	2,563,147
Gas	707,963	-	707,963
	3,257,995	13,115	3,271,110
Segment liabilities:			
Oil	1,389,252	9,210	1,398,462
Gas	68,709	-	68,709
	1,457,961	9,210	1,467,171

g) Impact on earnings per share

As a result of adoption of IFRS 16, the earnings per share of the Group for the year ended 31 December 2019 decreased as shown in the table below:

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	₦'million	₦'million	₦'million
Profit from continued operations	82,047	(1,072)	80,975
Profit from discontinued operations	4,041	-	4,041
Profit for the year	86,088	(1,072)	85,016
Earnings per share for profit for the year attributable to the equity shareholders:			
Basic earnings per share (₦)	147.47	(1.88)	149.35
Diluted earnings per share (₦)	144.33	(1.84)	146.17

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	$'000	$'000	$'000
Profit from continued operations	266,881	(3,494)	263,842
Profit from discontinued operations	13,166	-	13,166
Profit for the year	280,047	(3,494)	277,008
Earnings per share for profit for the year attributable to the equity shareholders:			
Basic earnings per share ($)	0.48	(0.01)	0.49
Diluted earnings per share ($)	0.47	(0.01)	0.48

h) Impact on deferred taxes

As a result of adoption of IFRS 16, there were no impact on deferred taxes as interest expense on lease liabilities and depreciation of right-of-use assets give rise to permanent differences for tax purposes.

Statement of value added

For the year ended 31 December 2019

	2019 ₦ million	%	2018 ₦ million	%	2019 $'000	%	2018 $'000	%
Revenue from contracts with customers	214,157		228,391		697,777		746,140	
Other income (net)	9,170		4,585		29,876		14,977	
Finance income	4,134		3,032		13,471		9,905	
Cost of goods and other services:								
Local	(49,694)		(54,152)		(161,913)		(176,878)	
Foreign	(33,129)		(36,102)		(107,942)		(117,918)	
Valued added	144,638	100%	145,754	100%	471,269	100%	476,226	100%

Applied as follows:

	2019 ₦ million	%	2018 ₦ million	%	2019 $'000	%	2018 $'000	%
To employees: - as salaries and labour related expenses	11,565	8%	10,402	7%	37,681	8%	33,987	7%
To external providers of capital: - as interest	10,294	7%	17,292	12%	33,539	7%	56,492	12%
To Government: - as Group taxes	6,964	5%	7,693	5%	22,689	5%	25,134	5%
Retained for the Group's future: - For asset replacement, depreciation, depletion & amortization	28,824	20%	37,461	26%	93,916	20%	122,383	26%
Deferred tax (charges)/credit	1,975	1%	28,055	19%	6,436	1%	91,654	19%
Profit for the year	85,016	59%	44,851	31%	277,008	59%	146,576	31%
Valued added	144,638	100%	145,754	100%	471,269	100%	476,226	100%

The value added represents the additional wealth which the Group has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for the creation of future wealth.

Five-year financial summary
As at 31 December 2019

	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million	2015 ₦ million
Revenue from contracts with customers	214,157	228,391	138,281	63,384	112,972
Profit/(loss) from continuing operation before taxation	89,914	80,599	13,454	(47,419)	17,243
Profit/(loss) from continuing operation before taxation	4,041	16	-	-	-
Profit/(loss) before tax	93,955	80,615	13,454	(47,419)	17,243
Income tax (expense)/credit	(8,939)	(35,748)	67,657	2,035	(4,252)
Profit/(loss) for the year	85,016	44,867	81,111	(45,384)	12,991

	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million	2015 ₦ million
Capital employed:					
Issued share capital	289	286	283	283	282
Share premium	84,045	82,080	82,080	82,080	82,080
Share based payment reserve	8,194	7,298	4,332	2,597	1,729
Capital contribution	5,932	5,932	5,932	5,932	5,932
Retained earnings	259,690	192,723	166,149	85,052	134,919
Foreign currency translation reserve	202,910	203,153	200,870	200,429	56,182
Non-controlling interest	(7,252)	-	-	-	(148)
Total equity	553,808	491,472	459,646	376,373	280,976
Represented by:					
Non-current assets	717,664	502,512	539,672	462,402	295,735
Current assets	286,569	264,159	259,881	202,274	249,462
Non-current liabilities	(258,903)	(184,808)	(131,925)	(141,473)	(131,786)
Current liabilities	(191,522)	(90,391)	(207,982)	(146,830)	(132,435)
Net assets	553,808	491,472	459,646	376,373	280,976

Five-year financial summary

As at 31 December 2019

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Revenue from contracts with customers	697,777	746,140	452,179	254,217	570,477
Profit/(loss) from continuing operation before taxation	292,967	263,314	43,997	(172,766)	87,079
Profit/(loss) from discontinuing operation before taxation	13,166	50	-	-	-
Profit/(loss) before tax	306,133	263,364	43,997	(172,766)	87,079
Income tax (expense)/credit	(29,125)	(116,788)	221,233	6,672	(21,472)
Profit/(loss) for the year	277,008	146,576	265,230	(166,094)	65,607

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Capital employed:					
Issued share capital	1,845	1,834	1,826	1,826	1,821
Share premium	503,742	497,457	497,457	497,457	497,457
Share based payment reserve	30,426	27,499	17,809	12,135	8,734
Capital contribution	40,000	40,000	40,000	40,000	40,000
Retained earnings	1,249,156	1,030,954	944,108	678,922	865,483
Foreign currency translation reserve	2,391	3,141	1,897	3675	325
Non-controlling interest	(23,621)	-	-	-	(745)
Total equity	1,803,939	1,600,885	1,503,097	1,234,015	1,413,075
Represented by:					
Non-current assets	2,337,670	1,639,843	1,764,789	1,516,073	1,487,307
Current assets	933,440	860,455	849,841	663,200	1,254,583
Non-current liabilities	(843,322)	(601,976)	(431,407)	(463,847)	(662,774)
Current liabilities	(623,849)	(294,437)	(680,126)	(481,411)	(666,041)
Net assets	1,803,939	1,600,885	1,503,097	1,234,015	1,413,075

Supplementary financial information (unaudited)

For the year ended 31 December 2019

47. Estimated quantities of proved plus probable reserves

	Oil & NGLs Mumbles	Natural Gas Bscf	Oil Equivalent MMboe
At 31 December 2018	226.6	1473.0	480.6
Revisions	(1.6)	68.2	10.2
Discoveries and extensions	-	-	-
Acquired through business combination	35.5	-	35.5
Production	(8.7)	(47.7)	(16.9)
At 31 December 2019	251.8	1,493.5	509.3

Reserves are those quantities of crude oil, natural gas and natural gas liquid that, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions.

Elcrest holds a 45% participating interest in OML40. Eland holds a 45% interest in Elcrest although has control until such point as Westport loan is fully repaid.

As additional information becomes available or conditions change, estimates are revised.

48. Capitalised costs related to oil producing activities

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Capitalised costs:				
Unproved properties	-	-	-	-
Proved properties	651,358	542,470	2,121,686	1,767,004
Total capitalised costs	651,358	542,470	2,121,686	1,767,004
Accumulated depreciation	(172,986)	(151,989)	(563,473)	(495,081)
Net capitalised costs	478,372	390,481	1,558,213	1,271,923

Capitalised costs include the cost of equipment and facilities for oil producing activities. Unproved properties include capitalised costs for oil leaseholds under exploration, and uncompleted exploratory well costs, including exploratory wells under evaluation. Proved properties include capitalised costs for oil leaseholds holding proved reserves, development wells and related equipment and facilities (including uncompleted development well costs) and support equipment.

49. Concessions

The original, expired and unexpired terms of concessions granted to the Group as at 31 December 2019 are:

		Original	Term in years expired	Unexpired
Seplat	OML 4, 38 & 41	10	9	1
Newton	OML 56	10	9	1
Seplat East Swamp	OML 53	30	21	9
Seplat Swamp	OML 55	30	21	9
Elcrest	OML 40	18.8	-	18.8

The acquisition of Eland resulted in the recognition of OML 40. The licence life on the date of acquisition was 18.8. However, based on the Competent Person Report for December 2019, the economic life of the asset is deemed to be 12 years at the reporting date.

Supplementary financial information (unaudited)

For the year ended 31 December 2019 - continued

50. Results of operations for oil producing activities

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Revenue from contracts with customers	151,954	180,751	495,104	590,503
Other income – net	9,170	4,585	29,876	14,977
Production and administrative expenses	(99,992)	(109,923)	(324,320)	(359,119)
Depreciation & amortization	(25,570)	(31,244)	(84,792)	(102,061)
Profit/(loss) before taxation	35,562	44,169	115,868	144,300
Taxation	(8,939)	(35,748)	(29,125)	(116,788)
Profit/(loss) after taxation	26,623	8,421	86,743	27,512

51. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

52. Exchange rates used in translating the accounts to Naira

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

	Basis	31 December 2019	31 December 2018
		₦/$	₦/$
Fixed assets – opening balances	Historical rate	Historical	Historical
Fixed assets - additions	Average rate	306.91	306.10
Fixed assets - closing balances	Closing rate	307.00	307.00
Current assets	Closing rate	307.00	307.00
Current liabilities	Closing rate	307.00	307.00
Equity	Historical rate	Historical	Historical
Income and Expenses:	Overall Average rate	306.91	306.10

Company Accounts
For the year ended 31 December 2019
(Expressed in Nigerian Naira and US Dollars)

Separate financial statements
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Notes	31 Dec 2019 ₦ million	31 Dec 2018 ₦ million	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from contracts with customers	8	200,733	217,174	654,037	709,493
Cost of sales	9	(85,987)	(103,086)	(280,162)	(336,777)
Gross profit		114,746	114,088	373,875	372,716
Other income	10	4,096	1,757	13,346	5,739
General and administrative expenses	11	(17,044)	(19,752)	(55,531)	(64,520)
Impairment losses on financial assets	12	(12,784)	(69)	(41,652)	(227)
Fair value (loss)/gain	13	(3,969)	1,319	(12,930)	4,308
Operating profit		85,045	97,343	277,108	318,016
Finance income	14	4,702	2,874	15,321	9,388
Finance cost	14	(10,129)	(14,788)	(33,001)	(48,311)
Finance cost/(cost)		(5,427)	(11,914)	(17,680)	(38,923)
Loss on disposal of investment in subsidiary	23	(5)	-	(17)	-
Profit before taxation		79,613	85,429	259,411	279,093
Income tax expense	15	(13,484)	(35,748)	(43,934)	(116,788)
Profit for the year		66,129	49,681	215,477	162,305
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference	31	(17)	2,026	-	-
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations	34	(201)	178	(656)	579
Deferred tax credit/(expense) on remeasurement (gains)/losses	15	171	(80)	558	(261)
		(30)	98	(98)	318
Other comprehensive income/(loss) for the year (net of tax)		(47)	2,124	(98)	318
Total comprehensive income for the year (net of tax)		66,082	51,805	215,379	162,623
Basic earnings per share ₦/ ($)	37	116.17	87.39	0.38	0.29
Diluted earnings per share ₦/ ($)	37	113.70	86.15	0.37	0.28

Notes 1 to 43 on pages 8 to 98 are an integral part of these financial statements.

Separate Statement of financial position

As at 31 December 2019

	Notes	31 Dec 2019 ₦ million	31 Dec 2018 ₦ million	31 Dec 2019 $'000	31 Dec 2018 $'000
ASSETS					
Non-current assets					
Oil & gas properties	18	249,888	266,091	813,967	866,743
Other property, plant and equipment	18	3,582	1,285	11,666	4,183
Right-of-use assets	43	3,397	-	11,064	-
Intangible assets	19	8,553	8,994	27,858	29,297
Prepayments	21	19,228	7,871	62,633	25,635
Deferred tax	16	37,609	44,284	122,508	144,246
Investment in subsidiaries	22	150,054	345	488,779	1,129
Investment in Joint ventures	23	46,055	-	150,016	-
Total non-current assets		518,366	328,870	1,688,491	1,071,233
Current assets					
Inventories	24	24,315	30,400	79,205	99,022
Trade and other receivables	25	423,475	318,997	1,379,404	1,039,074
Prepayments	21	1,479	3,456	4,814	11,258
Current tax assets	15	-	723	-	2,356
Contract assets	26	6,527	4,327	21,259	14,096
Derivative financial instruments	27	308	2,693	1,002	8,772
Cash and bank balances	28	83,319	153,535	271,398	500,116
Total current assets		539,423	514,131	1,757,082	1,674,694
Total assets		1,057,789	843,001	3,445,573	2,745,927
EQUITY AND LIABILITIES					
Equity					
Issued share capital	29	289	286	1,845	1,834
Share premium	29	84,045	82,080	503,742	497,457
Share based payment reserve	29	8,194	7,298	30,426	27,499
Capital contribution	30	5,932	5,932	40,000	40,000
Retained earnings		282,228	234,148	1,304,197	1,147,526
Foreign currency translation reserve	31	196,535	196,552	-	-
Total shareholders' equity		577,223	526,296	1,880,210	1,714,316
Non-current liabilities					
Interest bearing loans and borrowings	32	193,349	133,799	629,800	435,827
Lease liabilities	43	2,367	-	7,709	-
Provision for decommissioning obligation	33	34,988	37,658	113,968	122,666
Defined benefit plan	34	3,011	1,819	9,808	5,923
Total non-current liabilities		233,715	173,276	761,285	564,416
Current liabilities					
Interest bearing loans and borrowings	32	21,295	3,031	69,366	9,872
Trade and other payables	35	215,669	140,398	702,510	457,323
Contract liabilities	36	5,005	-	16,301	-
Current tax liabilities	15	4,882	-	15,901	-
Total current liabilities		246,851	143,429	804,078	467,195
Total liabilities		480,566	316,705	1,565,363	1,031,611
Total shareholders' equity and liabilities		1,057,789	843,001	3,445,573	2,745,927

Notes 1 to 43 on pages 8 to 98 are an integral part of these financial statements.

Separate statement of financial position Continued

As at 31 December 2019

The financial statements of Seplat Development Company Plc for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 23 March 2020 and were signed on its behalf by:

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
23 March 2020

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
23 March 2020

R.T. Brown
FRC/2014/ANAN/00000017939
Chief Financial Officer
23 March 2020

Separate financial statements
Statement of changes in equity
For the year ended 31 December 2019

	Issued share capital ₦ million	Share premium ₦ million	Share based payment reserve ₦ million	Capital contribution ₦ million	Retained earnings ₦ million	Foreign currency translation reserve ₦ million	Total equity ₦ million
At 1 January 2018	283	82,080	4,332	5,932	202,405	194,526	489,558
Profit for the year	-	-	-	-	49,681	-	49,681
Other comprehensive income	-	-	-	-	98	2,026	2,124
Total comprehensive income for the year	-	-	-	-	49,779	2,026	51,805
Transactions with owners in their capacity as owners:							
Dividend Paid	-	-	-	-	(18,036)	-	(18,036)
Share based payments	-	-	2,969	-	-	-	2,969
Vested shares	3	-	(3)	-	-	-	-
Total	3	-	2,966	-	(18,036)	-	(15,067)
At 31 December 2018	286	82,080	7,298	5,932	234,148	196,552	526,296
At 1 January 2019	286	82,080	7,298	5,932	234,148	196,552	526,296
Profit for the year	-	-	-	-	66,129	-	66,129
Other comprehensive (loss)/income	-	-	-	-	(30)	(17)	(47)
Total comprehensive income for the year	-	-	-	-	66,099	(17)	66,082
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	(18,019)	-	(18,019)
Share based payments (Note 29)	-	-	2,864	-	-	-	2,864
Vested shares (Note 29)	3	1,965	(1,968)	-	-	-	-
Total	3	1,965	896	-	(18,019)	-	(15,155)
At 31 December 2019	289	84,045	8,194	5,932	282,228	196,535	577,223

Notes 1 to 43 on pages 8 to 98 are an integral part of these financial statements.

Separate financial statements
Statement of changes in equity continued
For the year ended 31 December 2019

	Issued share capital $'000	Share premium $'000	Share based payment reserve $'000	Capital contribution $'000	Retained earnings $'000	Total equity $'000
At 1 January 2018	1,826	497,457	17,809	40,000	1,043,791	1,600,883
Profit for the year	-	-	-	-	162,305	162,305
Other comprehensive income	-	-	-	-	318	318
Total comprehensive income for the year	-	-	-	-	162,623	162,623
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	(58,888)	(58,888)
Share based payments	-	-	9,698	-	-	9,698
Vested shares	8	-	(8)	-	-	-
Total	8	-	9,690	-	(58,888)	(49,190)
At 31 December 2018	1,834	497,457	27,499	40,000	1,147,526	1,714,316
At 1 January 2019	1,834	497,457	27,499	40,000	1,147,526	1,714,316
Profit for the year	-	-	-	-	215,477	215,477
Other comprehensive loss	-	-	-	-	(98)	(98)
Total comprehensive income for the year	-	-	-	-	215,379	215,379
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	(58,708)	(58,708)
Share based payments (Note 29)	-	-	9,223	-	-	9,223
Issue of shares (Note 29)	11	6,285	(6,296)	-	-	-
Total	11	6,285	2,927	-	(58,708)	(49,485)
At 31 December 2019	1,845	503,742	30,426	40,000	1,304,197	1,880,210

Notes 1 to 43 on pages 8 to 98 are an integral part of these financial statements.

Separate financial statements
Statement of cash flows
For the year ended 31 December 2019

	Notes	31 Dec 2019 ₦ million	31 Dec 2018 ₦ million	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities					
Cash generated from operations	17	78,734	151,582	256,433	495,074
Tax paid	15	(1,036)	-	(3,380)	-
Defined benefit paid	34	(86)	(63)	(280)	(206)
Net cash inflows from operating activities		77,612	151,519	252,773	494,868
Cash flows from investing activities					
Payment for acquisition of subsidiary	22	(148,127)	-	(482,637)	-
Payment for acquisition of oil and gas properties	18	(29,367)	(11,058)	(95,685)	(36,214)
Payment for acquisition of intangible assets	19	-	(9,070)	-	(29,543)
Proceeds from disposal of oil and gas properties	18	15,532	-	50,614	-
Payment for acquisition of other property, plant and equipment	18	(3,154)	(698)	(10,274)	(2,281)
Payment for investment in joint venture	23	(31,627)	-	(103,050)	-
Proceed from disposal of other properties, plant and equipment	18	-	71	-	239
Payments for plan assets	34	-	(502)	-	(1,635)
Interest received	14	4,702	2,874	15,321	9,388
Net cash (outflows) from investing activities		(192,041)	(18,383)	(625,711)	(60,046)
Cash flows from financing activities					
Repayments of loans	32	(30,691)	(207,532)	(100,000)	(678,000)
Proceeds from loans	32	106,346	163,775	346,500	535,045
Dividends paid	38	(18,019)	(18,036)	(58,708)	(58,888)
Principal repayments on crude oil advance	35	-	(23,193)	-	(75,769)
Interest repayments on crude oil advance	35	-	(530)	-	(1,730)
Payments for other financing charges	32	(2,696)	(1,802)	(8,783)	(5,885)
Interest paid on bank financing	32	(10,364)	(10,890)	(33,770)	(35,471)
Net cash inflow/(outflows) from financing activities		44,576	(98,208)	145,239	(320,698)
Net (decrease)/increase in cash and cash equivalents		(69,853)	34,928	(227,699)	114,124
Cash and cash equivalents at beginning of the year		152,486	117,220	496,698	383,321
Effects of exchange rate changes on cash and cash equivalents		(1,370)	338	(4,299)	(747)
Cash and cash equivalents at end of the year	28	81,263	152,486	264,700	496,698

Notes 1 to 43 on pages 8 to 98 are an integral part of these financial statements.

Notes to the separate financial statements

1. Corporate information and business

Seplat Petroleum Development Company Plc ('Seplat' or the 'Company') was incorporated on 17 June 2009 as a private limited liability company and re-registered as a public company on 3 October 2014, under the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The Company commenced operations on 1 August 2010. The Company is principally engaged in oil and gas exploration.

The Company's registered address is: 16a Temple Road (Olu Holloway), Ikoyi, Lagos, Nigeria.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, Shell Petroleum Development Company, TOTAL and AGIP, a 45% participating interest in the following producing assets:

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was ₦104 billion ($340 million) paid at the completion of the acquisition on 31 July 2010 and a contingent payment of ₦10 billion ($33 million) payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds ₦24,560 ($80) per barrel. ₦110 billion ($358.6 million) was allocated to the producing assets including ₦5.7 billion ($18.6 million) as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of ₦10 billion ($33 million) was paid on 22 October 2012.

2. Significant changes in the current accounting period

The following significant changes occurred during the reporting year ended 31 December 2019:

- During the period, the Company changed it registered office address and relocated its offices to 16a Temple Road (Olu Holloway), Ikoyi, Lagos.
- The Company's interest-bearing borrowings included a four-year revolving loan facility of ₦61 billion ($200m). In October 2018, the Company made principal repayments on the four-year revolving facility for a lump sum of ₦30.7 billion ($100m). In the reporting period, the Company repaid the outstanding principal amount of ₦30.7 billion ($100m) on the revolving loan facility.
- There was a change the ownership structure of the Company's wholly owned subsidiary, ANOH Gas Processing Company Limited on 18 April 2019 to a Joint venture after Nigerian Gas Processing and transportation Company Limited's (NGPTC) equity investment. As a result, the Company has deconsolidated ANOH in its financial statements and its retained interest has been recognised as an investment in joint venture.
- The Company adopted the new leasing standard IFRS 16 Leases (see Note 43).
- The acquisition of Eland Oil and Gas Limited on 31 December 2019 which resulted in an increase in property, plant and equipment, other intangible assets and investment in subsidiaries (Note 22).
- During the year, the Company obtained a four-year revolving loan facility of ₦107 billion ($350m). An upfront fee of $3.5million was deducted from the proceeds of the loan, following the deduction an amount of $346.5 million was credited to the Company on 20 December 2019. The amortised cost of the loan as at year end has been disclosed in Note 32. The loan was primarily obtained to facilitate the acquisition of Eland and settle its shareholders.
- During the year, the Company acquired land and building worth ₦1.2 billion ($4 million).

3. Summary of significant accounting policies

3.1. Introduction to summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These accounting policies have been applied to all the years presented, unless otherwise stated.

3.2. Basis of preparation

i) Compliance with IFRS

The financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial

Notes to the separate financial statements

Continued

statements comply with IFRS as issued by the International Accounting Standards Board (IASB). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

ii) Historical cost convention

11) The financial statements has been prepared under the going concern assumption and historical cost convention, except for contingent liability and consideration, and financial instruments measured at fair value on initial recognition and defined benefit plans – plan assets measured at fair value. The financial statements are presented in Nigerian Naira and United States Dollars, and all values are rounded to the nearest million (₦'million) and thousand ($'000) respectively, except when otherwise indicated.

12)

iii) Going concern

13)

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.

iv) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time in the annual reporting period commencing 1 January 2019.

a. IFRS 16 Leases

14)

IFRS 16: Leases was issued in January 2016 and became effective for reporting periods beginning on or after 1 January 2019. It replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The Company has adopted IFRS 16 from 1 January 2019 using the simplified transitional approach, and thus has not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. There was no impact on the Company's retained earnings at the date of initial application (i.e. 1 January 2019).

The adoption of IFRS 16 resulted in the recognition of right-of-use assets and corresponding lease liabilities for leases that were formerly classified as operating leases under the provisions of IAS 17, with the exception of the Company's short-term leases, as the distinction between operating and finance leases has been removed.

The impact of the adoption of this standard and the related new accounting policy are disclosed in Note 43.

b. Amendments to IAS 19 Employee benefit

15)

These amendments were issued in February 2018. The amendments issued require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. They also require an entity to recognise in profit or loss as part of past service cost or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. These amendments had no impact on the financial statements of the Company as at the reporting date.

c. Amendments to IAS 23 Borrowing costs

16)

These amendments were issued in December 2017. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments had no impact on financial statements of the Company as at the reporting date.

d. Amendments to IAS 12 Income taxes

17)

These amendments were issued in December 2017. These amendments clarify clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

Notes to the separate financial statements
Continued

e. Amendments to IFRS 9 Prepayment features with negative compensation 18)

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company as at the reporting date.

f. Amendments to IAS 28 Investments in associates and joint ventures 19)

These amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

g. IFRIC 23 Uncertainty over income tax treatment

20) This interpretation was issued in June 2017. The interpretation clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. It discusses;

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty.
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored.
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Where there is an uncertainty, an entity shall recognise and measure its current or deferred tax asset or liability by applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined using this Interpretation. This interpretation had no impact on the financial statements of the company as at the reporting date.

3.3. New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. The Company’s assessment of the impact of these new standards and interpretations is set out below.

a. Conceptual framework for financial reporting – Revised 21)

These amendments were issued in March 2018. Included in the revised conceptual framework are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The amendments focused on areas not yet covered and areas that had shortcomings.

These amendments are mandatory for annual periods beginning on or after 1 January 2020. The Company does not intend to adopt the amendment before its effective date and does not expect it to have a material impact on its current or future reporting periods.

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b. Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors

22)

These amendments were issued on 31 October 2018. The amendments clarify the definition of 'material' and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that the definition of what is material is consistent across all IFRS Standards.

These amendments are mandatory for annual periods beginning on or after 1 January 2020. The Company does not intend to adopt the amendments before its effective date and does not expect it to have a material impact on its current or future reporting periods.

c. Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

These amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business (as defined in IFRS 3 Business Combinations).

Where the non-monetary asset constitutes a business, the investor will recognise the full gain or loss on the sale or contribution of the asset. If the asset does not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. These amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

3.4. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'), which is the US dollar. The financial statements are presented in Nigerian Naira and the US Dollars.

The Company has chosen to show both presentation currencies and this is allowable by the regulator.

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss or other comprehensive income depending on where fair value gain or loss is reported.

3.5. Oil and gas accounting

i) Pre-licensing costs

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

ii) Exploration license cost

Exploration license costs are capitalised within intangible assets. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised on a straight-line basis over the life of the permit.

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License costs 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 to establish development plans and timing. If no future activity is planned or the license has been relinquished or has expired, the carrying value of the license is written off through profit or loss.

The exploration licence costs are initially recognised as cost and subsequently amortised on a straight line based on the economic life.

iii) Exploration and evaluation expenditures

Geological and geophysical exploration costs are charged to profit or loss as incurred.

Exploration and evaluation expenditures incurred by the entity are accumulated separately for each area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure, but do not include general overheads or administrative expenditure that is not directly related to a particular area of interest. Each area of interest is limited to a size related to a known or probable hydrocarbon resource capable of supporting an oil operation.

Costs directly associated with an exploration well, exploratory stratigraphic test well and delineation wells are temporarily suspended (capitalised) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons ('proved reserves') are not found, the exploration expenditure is written off as a dry hole and charged to profit or loss. If hydrocarbons are found, the costs continue to be capitalised.

Suspended exploration and evaluation expenditure in relation to each area of interest is carried forward as an asset provided that one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale;
- exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; and
- active and significant operations in, or in relation to, the area of interest.

Exploration and/or evaluation expenditures which fail to meet at least one of the conditions outlined above are written off. In the event that an area is subsequently abandoned, or exploration activities do not lead to the discovery of proved or probable reserves, or if the Directors consider the expenditure to be of no value, any accumulated costs carried forward relating to the specified areas of interest are written off in the year in which the decision is made. While an area of interest is in the development phase, amortisation of development costs is not charged pending the commencement of production. Exploration and evaluation costs are transferred from the exploration and/or evaluation phase to the development phase upon commitment to a commercial development.

iv) Development expenditures

Development expenditure incurred by the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure directly related to the development property. All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment is expected to be derived from the sale of production from the relevant development property.

3.6. Revenue recognition (IFRS 15)

IFRS 15 uses a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

It is the Company's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any.

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Revenue is recognised when control of goods sold has been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset. For crude oil, this occurs when the crude products are lifted by the customer (buyer) Free on Board at the Company's loading facility. Revenue from the sale of oil is recognised at a point in time when performance obligation is satisfied. For gas, revenue is recognised when the product passes through the custody transfer point to the customer. Revenue from the sale of gas is recognised over time using the practical expedient of the right to invoice.

The surplus or deficit of the product sold during the period over the Company's share of production is termed as an overlift or underlift. With regard to underlifts, if the over-lifter does not meet the definition of a customer or the settlement of the transaction is non-monetary, a receivable and other income is recognised. Conversely, when an overlift occurs, cost of sale is debited, and a corresponding liability is accrued. Overlifts and underlifts are initially measured at the market price of oil at the date of lifting, consistent with the measurement of the sale and purchase. Subsequently, they are remeasured at the current market value. The change arising from this remeasurement is included in the profit or loss as other income/expenses-net.

- Definition of a customer

A customer is a party that has contracted with the Company to obtain crude oil or gas products in exchange for a consideration, rather than to share in the risks and benefits that result from sale. The Company has entered into collaborative arrangements with its Joint arrangement partners to share in the production of oil. Collaborative arrangements with its Joint arrangement partners to share in the production of oil are accounted for differently from arrangements with customers as collaborators share in the risks and benefits of the transaction, and therefore, do not meet the definition of customers. Revenue arising from these arrangements are recognised separately in other income.

- Contract enforceability and termination clauses

It is the Company's policy to assess that the defined criteria for establishing contracts that entail enforceable rights and obligations are met. The criteria provide that the contract has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is not recognised for contracts that do not create enforceable rights and obligations to parties in a contract. The Company also does not recognise revenue for contracts that do not meet the revenue recognition criteria. In such cases where consideration is received it recognises a contract liability and only recognises revenue when the contract is terminated.

The Company may also have the unilateral rights to terminate an unperformed contract without compensating the other party. This could occur where the Company has not yet transferred any promised goods or services to the customer and the Company has not yet received, and is not yet entitled to receive, any consideration in exchange for promised goods or services.

- Identification of performance obligation

At inception, The Company assesses the goods or services promised in the contract with a customer to identify as a performance obligation, each promise to transfer to the customer either a distinct good or series of distinct goods. The number of identified performance obligations in a contract will depend on the number of promises made to the customer. The delivery of barrels of crude oil or units of gas are usually the only performance obligation included in oil and gas contract with no additional contractual promises. Additional performance obligations may arise from future contracts with the Company and its customers.

The identification of performance obligations is a crucial part in determining the amount of consideration recognised as revenue. This is due to the fact that revenue is only recognised at the point where the performance obligation is fulfilled, Management has therefore developed adequate measures to ensure that all contractual promises are appropriately considered and accounted for accordingly.

- Transaction price

Transaction price is the amount allocated to the performance obligations identified in the contract. It represents the amount of revenue recognised as those performance obligations are satisfied. Complexities may arise where a contract includes variable consideration, significant financing component or consideration payable to a customer.

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Variable consideration not within the Company's control is estimated at the point of revenue recognition and reassessed periodically. The estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As a practical expedient, where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date, the Company may recognise revenue in the amount to which it has a right to invoice.

Significant financing component (SFC) assessment is carried out (using a discount rate that reflects the amount charged in a separate financing transaction with the customer and also considering the Company's incremental borrowing rate) on contracts that have a repayment period of more than 12 months.

As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when it transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Instances when SFC assessment may be carried out include where the Company receives advance payment for agreed volumes of crude oil or receives take or pay deficiency payment on gas sales. Take or pay gas sales contract ideally provides that the customer must sometimes pay for gas even when not delivered to the customer. The customer, in future contract years, takes delivery of the product without further payment. The portion of advance payments that represents significant financing component will be recognised as interest expense.

Consideration payable to a customer is accounted for as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company. Examples include barging costs incurred, demurrage and freight costs. These do not represent a distinct service transferred and is therefore recognised as a direct deduction from revenue.

- Breakage

The Company enters into take or pay contracts for sale of gas where the buyer may not ultimately exercise all of their rights to the gas. The take or pay quantity not taken is paid for by buyer called take or pay deficiency payment. The Company assesses if there is a reasonable assurance that it will be entitled to a breakage amount. Where it establishes that a reasonable assurance exists, it recognises the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. However, where the Company is not reasonably assured of a breakage amount, it would only recognise the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

- Contract modification and contract combination

Contract modifications relate to a change in the price and/or scope of an approved contract. Where there is a contract modification, the Company assesses if the modification will create a new contract or change the existing enforceable rights and obligations of the parties to the original contract.

Contract modifications are treated as new contracts when the performance obligations are separately identifiable and transaction price reflects the standalone selling price of the crude oil or the gas to be sold. Revenue is adjusted prospectively when the crude oil or gas transferred is separately identifiable and the price does not reflect the standalone selling price. Conversely, if there are remaining performance obligations which are not separately identifiable, revenue will be recognised on a cumulative catch-up basis when crude oil or gas is transferred.

The Company combines contracts entered into at near the same time (less than 12 months) as one contract if they are entered into with the same or related party customer, the performance obligations are the same for the contracts and the price of one contract depends on the other contract.

- Portfolio expedients

As a practical expedient, the Company may apply the requirements of IFRS 15 to a portfolio of contracts (or performance obligations) with similar characteristics if it expects that the effect on the financial statements would not be materially different from applying IFRS to individual contracts within that portfolio.

Notes to the separate financial statements
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- Contract assets and liabilities

The Company recognises contract assets for unbilled amounts from crude oil and gas sales. Contract liability is recognised for consideration received for which performance obligation has not been met.

- Disaggregation of revenue from contract with customers

The Company derives revenue from two types of products, oil and gas. The Company has determined that the disaggregation of revenue based on the criteria of type of products meets the disaggregation of revenue disclosure requirement of IFRS 15. It depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See further details in note 7.

3.7. Property, plant and equipment

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

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 any decommissioning obligation and, for qualifying assets, 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. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on major maintenance refits 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 entity, the expenditure is capitalised. Inspection costs associated with major maintenance programs are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised as incurred as long as these costs increase the efficiency of the unit or extend the useful life of the asset. All other maintenance costs are expensed as incurred.

- Depreciation

23)
Production and field facilities are depreciated on a unit-of-production basis over the estimated proved developed reserves. Assets under construction are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

Plant and machinery	20%
Motor vehicles	25%-30%
Office furniture and IT equipment	10%-33.33%
Building	4%
Land	-
Intangible assets	5%
Leasehold improvements	Over the unexpired portion of the lease

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Gains or losses on disposal of property, plant and equipment are determined as the difference between disposal proceeds and carrying amount of the disposed assets. These gains or losses are included in profit or loss.

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3.8. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. These costs may arise from; specific borrowings used for the purpose of financing the construction of a qualifying asset, and those that arise from general borrowings that would have been avoided if the expenditure on the qualifying asset had not been made. The general borrowing costs attributable to an asset's construction is calculated by reference to the weighted average cost of general borrowings that are outstanding during the period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.9. Finance income and costs

- Finance income

Finance income is recognised in the statement of profit or loss as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the amortised cost of the financial instrument. The determination of finance income takes into account all contractual terms of the financial instrument as well as any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

- Finance cost

Finance costs includes borrowing costs, interest expense calculated using the effective interest rate method, finance charges in respect of lease liabilities, the unwinding of the effect of discounting provisions, and the amortisation of discounts and premiums on debt instruments that are liabilities.

3.10. Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently. Other non–financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

If any such indication of impairment exists or when annual impairment testing for an asset group is required, the entity makes an estimate of its recoverable amount. Such indicators include changes in the Company's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

The recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and value in use ('VIU'). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the asset is tested as part of a larger cash generating unit to which it belongs. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In calculating VIU, 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 FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model

Notes to the separate financial statements
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is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

- Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment once commercial reserves are found before they are transferred to oil and gas assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

- Impairment – proved oil and gas production properties

Proven oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3.11. Cash and bank balances

Cash and bank balances in the statement of cash flows comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.12. Inventories

Inventories represent the value of tubulars, casings and wellheads. These are stated at the lower of cost and net realisable value. Cost is determined using the invoice value and all other directly attributable costs to bringing the inventory to the point of use determined on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

3.13. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Company and makes strategic decisions. The steering committee, which has been identified as the chief operating decision maker, consists of the chief financial officer, the general manager (Finance), the general manager (Gas) and the financial reporting manager. See further details in note 7.

3.14. Financial instruments

IFRS 9 provides guidance on the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

j) Classification and measurement

- Financial assets

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement are dependent on the Company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

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All the Company's financial assets as at 31 December 2019 satisfy the conditions for classification at amortised cost under IFRS 9 except for derivatives which are reclassified at fair value through profit or loss.

The Company's financial assets include trade receivables, NPDC receivables, intercompany receivables, other receivables, cash and bank balances and derivatives. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income/cost.

- Financial liabilities

Financial liabilities of the Company are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs, except for derivatives which are classified and subsequently recognised at fair value through profit or loss.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Company's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Company's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

k) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables and contract assets while the general approach is applied to NPDC receivables, other receivables, Intercompany receivables and cash and bank balances.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) in Nigeria and crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

l) Significant increase in credit risk and default definition

The Company assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Company identifies the assets that require close monitoring.

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Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Company’s credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Company determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

m) Write off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity and;
- where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was ₦14 billion, $48 million (2018: nil) The Company seeks to recover amounts it its legally owed in full but which have been partially written off due to no reasonable expectation of full recovery.

n) Derecognition

- Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as finance income/cost.

- Financial liabilities

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract 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 immediately in the statement of profit or loss.

o) Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost)-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument’s original effective interest rate.

p) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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q) Derivatives

The Company uses derivative financial instruments such as forward exchange contracts to hedge its foreign exchange, risks as well as put options to hedge against its oil price risk. However, such contracts are not accounted for as designated hedges. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. Any gains or losses arising from changes in the fair value of derivatives are recognised within operating profit in profit or loss for the period. An analysis of the fair value of derivatives is provided in Note 6, Financial risk Management.

The Company accounts for financial assets with embedded derivatives (hybrid instruments) in their entirety on the basis of its contractual cash flow features and the business model within which they are held, thereby eliminating the complexity of bifurcation for financial assets. For financial liabilities, hybrid instruments are bifurcated into hosts and embedded features. In these cases, the Company measures the host contract at amortised cost and the embedded features is measured at fair value through profit or loss.

For the purpose of the maturity analysis, embedded derivatives included in hybrid financial instruments are not separated. The hybrid instrument, in its entirety, is included in the maturity analysis for non-derivative financial liabilities.

r) Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm’s length basis.

If a market for a financial instrument is not active, the Company establishes fair value using valuation techniques. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measure the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in the income statement on initial recognition of the instrument. In other cases, the difference is not recognised in the income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

3.15. Share capital

On issue of ordinary shares any consideration received net of any directly attributable transaction costs is included in equity. Issued share capital has been translated at the exchange rate prevailing at the date of the transaction and is not retranslated subsequent to initial recognition.

3.16. Earnings per share and dividends

- Basic EPS

Basic earnings per share is calculated on the Company’s profit or loss after taxation and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

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- Diluted EPS

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

- Dividend

Dividends on ordinary shares are recognised as a liability in the period in which they are approved.

3.17. Post-employment benefits

- Defined contribution scheme

The Company contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Company. The Company's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. The Company operates a defined contribution plan and it is accounted for based on IAS 19 Employee benefits.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

- Defined benefit scheme

The Company operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund. The Company also provides certain additional post-employment benefits to employees. These benefits are unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method and calculated annually by independent actuaries. The liability or asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets (if any). The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds.

Remeasurements gains and losses, arising from changes in financial and demographic assumptions and experience adjustments, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Company recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation and the fair value of the plan assets.

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The Company recognises the following changes in the net defined benefit obligation under employee benefit expenses in general and administrative expenses.

- Service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest cost.

3.18. Provisions

Provisions are recognised when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of economic resources will be required to settle the obligation as a whole; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

In measuring the provision:

- risks and uncertainties are taken into account;
- the provisions are discounted (where the effects of the time value of money is considered to be material) using a pretax rate that is reflective of current market assessments of the time value of money and the risk specific to the liability;
- when discounting is used, the increase of the provision over time is recognised as interest expense;
- future events such as changes in law and technology, are taken into account where there is subjective audit evidence that they will occur; and
- gains from expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.
- Decommissioning

Liabilities for decommissioning costs are recognised as a result of the constructive obligation of past practice in the oil and gas industry, when it is probable that an outflow of economic resources will be required to settle the liability and a reliable estimate can be made. The estimated costs, based on current requirements, technology and price levels, prevailing at the reporting date, are computed based on the latest assumptions as to the scope and method of abandonment.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost. The corresponding amount is capitalised as part of the oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the estimated cost of the restoration and abandonment cost is capitalised, while the charge arising from the accretion of the discount applied to the expected expenditure is treated as a component of finance costs.

If the change in estimate results in an increase in the decommissioning provision and, therefore, an addition to the carrying value of the asset, the Company 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 exceed the recoverable value, that portion of the increase is charged directly to expense

3.19. Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

3.20. Income taxation

i) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated based on the tax laws

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enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates 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, based on amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in 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

iii) New tax regime

In May 2015, in line with Sections of the Companies Income Tax Act which provides incentives to companies that deliver gas utilisation projects, Seplat was granted a tax holiday for three years with a possible extension of two years. In 2018, on review of the performance of the business, the Company provided a notification to the Federal Inland Revenue Service (FIRS) for the extension of claim for the additional two years tax holiday. The request was granted, and the new tax holiday is expected to end in May 2020.

iv) Uncertainty over income tax treatments

The Company examines where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. It considers each uncertain tax treatment separately, depending on which approach better predicts the resolution of the uncertainty. The factors it considers include:

- how it prepares and supports the tax treatment; and
- the approach that it expects the tax authority to take during an examination.

If the Company concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it determines the accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, it reflects the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate).

The Company measures the impact of the uncertainty using methods that best predicts the resolution of the uncertainty. The Company uses the most likely method where there are two possible outcomes, and the expected value method when there are a range of possible outcomes.

The Company assumes that the tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. As a result, it does not consider detection risk in the recognition and measurement of uncertain tax treatments. The Company applies consistent judgements and estimates on current and deferred taxes. Changes in tax laws or the presence of new tax information by the tax authority is treated as a change in estimate in line with IAS 8 - Accounting policies, changes in accounting estimates and errors.

Judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements. New information might include actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment. The absence of any comment from the tax authority is unlikely to be, in isolation, a change in circumstances or new information that would lead to a change in estimate.

3.21. Share based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

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v) Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity (share based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date and for fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Company's historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the historical financial information:

i) OMLs 4, 38 and 41

OMLs 4, 38, 41 are grouped together as a cash generating unit for the purpose of impairment testing. These three OMLs are grouped together because they each cannot independently generate cash flows. They currently operate as a single block sharing resources for the purpose of generating cash flows. Crude oil and gas sold to third parties from these OMLs are invoiced are invoiced when the company has an unconditional right to receive payment.

ii) Deferred tax asset

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. See further details in note 16.

iii) Lease liabilities

24) In 2018, the Company entered into a lease agreement for its new head office building. The lease contract contains an option to purchase and right of first refusal upon an option of sales during the initial non-cancellable lease term of five (5) years.

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25) In determining the lease liability/right-of-use assets, management considered all fact and circumstances that create an economic incentive to exercise the purchase option. Potential future cash outflow of $45 million (Seplat's 45% share of $100 million), which represents the purchase price, has not been included in the lease liability because the Company is not reasonably certain that the purchase option will be exercised. This assessment will be reviewed if a significant event or a significant change in circumstances occurs which affects the initial assessment and that is within the control of the management.

iv) Lease Term

Management assessed that the purchase option in its head office lease's contract would not be exercised. If management had assessed that it will be reasonably certain that the purchase option will be exercised, the lease term used for depreciating the right-of-use-asset will have been fifty (50) years rather than the non-cancellable lease term of five (5) years. For the lease contracts, the Company assessed that it could not reasonably determine if the leases would be renewed at the end of the lease term. As a result, the lease term used in determining the lease liability was the contractual lease term. The sensitivity of the Company's profit and net assets to this purchase option is disclosed in Note 43.

v) Foreign currency translation reserve

The Company has used the CBN rate to translate its Dollar currency to its Naira presentation currency. Management has determined that this rate is available for immediate delivery. If the rate used was 10% higher or lower, revenue in Naira would have increased/decreased by ₦20.1 billion (2018: ₦21.7 billion). See note 31 for the applicable translation rate.

vi) Revenue recognition

- Definition of contracts

The Company has entered into a non-contractual promise with PanOcean where it allows PanOcean to pass crude oil through its pipelines from a field just above Seplat's to the terminal for loading. Management has determined that the non-existence of an enforceable contract with PanOcean means that it may not be viewed as a valid contract with a customer. As a result, income from this activity is recognised as other income when earned.

- Performance obligations

The judgments applied in determining what constitutes a performance obligation will impact when control is likely to pass and therefore when revenue is recognised i.e. over time or at a point in time. The Company has determined that only one performance obligation exists in oil contracts which is the delivery of crude oil to specified ports. Revenue is therefore recognised at a point in time.

For gas contracts, the performance obligation is satisfied through the delivery of a series of distinct goods. Revenue is recognised over time in this situation as the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company has elected to apply the 'right to invoice' practical expedient in determining revenue from its gas contracts. The right to invoice is a measure of progress that allows the Company to recognise revenue based on amounts invoiced to the customer. Judgement has been applied in evaluating that the Company's right to consideration corresponds directly with the value transferred to the customer and is therefore eligible to apply this practical expedient.

- Significant financing component

The Company has entered into an advance payment contract with Mercuria for future crude oil to be delivered. The Company has considered whether the contract contains a financing component and whether that financing component is significant to the contract, including both of the following;

(a) The difference, if any, between the amount of promised consideration and cash selling price and;
(b) The combined effect of both the following:

- The expected length of time between when the Company transfers the crude to Mecuria and when payment for the crude is received and;
- The prevailing interest rate in the relevant market.

The advance period is greater than 12 months. In addition, the interest expense accrued on the advance is based on a comparable market rate. Interest expense has therefore been included as part of finance cost.

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- Transactions with Joint Arrangement (JOA) partners

The treatment of underlift and overlift transactions is judgmental and requires a consideration of all the facts and circumstances including the purpose of the arrangement and transaction. The transaction between the Company and its JOA partners involves sharing in the production of crude oil, and for which the settlement of the transaction is non-monetary. The JOA partners have been assessed to be partners not customers. Therefore, shortfalls or excesses below or above the Company's share of production are recognised in other income/ (expenses) - net.

- Barging costs

The Company refunds to Mercuria barging costs incurred on crude oil barrels delivered. The Company does not enjoy a separate service which it could have paid another party for. The barging costs is therefore determined to be a consideration payable to customer as there is no distinct goods or service being enjoyed by the Company. Since no distinct good or service is transferred, barging costs is accounted for as a direct deduction from revenue i.e. revenue is recognised net of barging costs.

- Exploration and evaluation assets

The accounting for exploration and evaluation ('E&E') assets require management to make certain judgements and assumptions, including whether exploratory wells have discovered economically recoverable quantities of reserves. Designations are sometimes revised as new information becomes available. If an exploratory well encounters hydrocarbon, but further appraisal activity is required in order to conclude whether the hydrocarbons are economically recoverable, the well costs remain capitalised as long as sufficient progress is being made in assessing the economic and operating viability of the well. Criteria used in making this determination include evaluation of the reservoir characteristics and hydrocarbon properties, expected additional development activities, commercial evaluation and regulatory matters. The concept of 'sufficient progress' is an area of judgement, and it is possible to have exploratory costs remain capitalised for several years while additional drilling is performed or the Company seeks government, regulatory or partner approval of development plans.

vii) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Company and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief financial officer, the general manager (Finance), the general manager (Gas) and the financial reporting manager. See further details in note 7.

5. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) Contingencies

A contingent asset or contingent liability is a possible asset or obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events. The assessment of the existence of the contingencies will involve management judgement regarding the outcome of future events.

ii) Defined benefit plans (pension benefits)

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and changes in inflation rates.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

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The rates of mortality assumed for employees are the rates published in 67/70 ultimate tables, published jointly by the Institute and Faculty of Actuaries in the UK.

iii) Oil and gas reserves

Proved oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure for estimating decommissioning liabilities and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

iv) Share-based payment reserve

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share award or appreciation right, volatility and dividend yield and making assumptions about them. The Company measures the fair value of equity-settled transactions with employees at the grant date. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

v) Provision for decommissioning obligations

Provisions for environmental clean-up and remediation costs associated with the Company's drilling operations are based on current constructions, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

vi) Property, plant and equipment

The Company assesses its property, plant and equipment, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date.

If there are low oil prices or natural gas prices during an extended period, the Company may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas.

During the year, the Company carried out an impairment assessment on OML 4, 38 and 48. The Company used the value in use in determining the recoverable amount of the cash-generating unit. In determining the value, the Company used a forecast of the annual net cashflows over the estimated life of proved plus probable reserves, production rates, oil and gas prices, future cost and other relevant assumptions based on 2019 year end CPR report. The pre-tax future cash flows were adjusted for risk specific to the forecast and discounted using a pre-tax discount rate of 10% which reflects both current market assessment of the time value of money and risk specific to the assets. The impairment test did not result in an impairment charge for both 2019 and 2018 reporting periods.

Management has considered whether a reasonable possible change in one of the main assumptions will cause an impairment and believes otherwise.

vii) Useful life of other property, plant and equipment

The Company recognises depreciation on other property, plant and equipment on a straight-line basis in order to write-off the cost of the asset over its expected useful life. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal and other limits on the use of the asset, and obsolescence. If some of these factors were

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to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Company may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

viii) Income taxes

The Company is subject to income taxes by the Nigerian tax authority, which does not require significant judgement in terms of provision for income taxes, but a certain level of judgement is required for recognition of deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will be used to recover all deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. The estimates are based on the future cash flow from operations taking into consideration the oil and gas prices, volumes produced, operational and capital expenditure.

ix) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed note 6.1.3.

6. Financial risk management

6.1 Financial risk factors

The Company's activities expose it to a variety of financial risks such as market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in US dollars.	Cash flow forecasting Sensitivity analysis	Match and settle foreign denominated cash inflows with foreign denominated cash outflows.
Market risk – interest rate	Interest bearing loans and borrowings at variable rate	Sensitivity analysis	Review refinancing opportunities
Market risk – commodity prices	Future sales transactions	Sensitivity analysis	Oil price hedges
Credit risk	Cash and bank balances, trade receivables and derivative financial instruments.	Aging analysis Credit ratings	Diversification of bank deposits and credit limits.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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6.1.1 Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

x) Commodity price risk

The Company is exposed to the risk of fluctuations on crude oil prices. The uncertainty around the rate at which oil prices increase or decline led to the Company's decision to enter into an option contract to insure the Company's revenue against adverse oil price movements.

Crude Hedge

On 28 June and 19 December 2019, the Company entered an economic crude oil hedge contracts with Standard chartered Bank and J.P Morgan Bank respectively. Strike price of ₦13,815 ($45/bbl.) for 3 million barrels at an average premium price of ₦338 ($1.1/bbl.) was agreed at the contract dates.

These contracts, which will commence in 1 January 2020 and 1 July 2020 for the respective Banks, are expected to reduce the volatility attributable to price fluctuations of oil. The Company has pre-paid a premium of ₦838 million, 2018: ₦1.6 billion ($2.73 million; 2018: $5.2 million) and has recognised an unrealised fair value gain of ₦337 million, 2018: ₦2.7 billion ($1.1 million; 2018: $8.8 million) for these hedges. The termination date is 31 March and 30 September 2020 respectively. Hedging the price volatility of forecast oil sales is in accordance with the risk management strategy of the Company.

The maturity of the commodity options the Company holds is shown in the table below:

	Less than 6 months	6 to 9 months	9 to 12 months	Total	Fair value ₦ million	Fair value $'000
As at 31 December 2019						
Crude oil hedges Volume barrels (bbl.)	1,500,000	1,500,000	-	3,000,000	308	1,002

	Less than 6 months	6 to 9 months	9 to 12 months	Total	Fair value ₦ million	Fair value $'000
As at 31 December 2018						
Crude oil hedges Volume barrels (bbl.)	2,500,000	750,000	750,000	4,000,000	2,693	8,772

The following table summarises the impact of the commodity options on the Company's profit before tax due to a 10 % change in market inputs, with all other variables held constant

Increase/decrease in Commodity Price	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+10%	31	-	100	-
-10%	31	-	(100)	-

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Increase/decrease in Commodity Price	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+10%	111	-	363	-
-10%	(136)	-	(443)	-

The Company may be exposed to business risks from fluctuations in the future prices of crude oil and gas. The following table summarises the impact on the Company's profit before tax of a 10 % change in crude oil prices, with all other variables held constant:

Increase/decrease in crude oil prices	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+10%	13,853	-	45,136	-
-10%	(13,853)	-	(45,136)	-

Increase/decrease in crude oil prices	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+10%	16,953	-	55,386	-
-10%	(16,953)	-	(55,386)	-

The following table summarises the impact on the Company's profit before tax of a 10% change in gas prices, with all other variables held constant:

Increase/decrease in Commodity Price	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+10%	4,167	-	13,576	-
-10%	(4,167)	-	(13,576)	-

Increase/decrease in Commodity Price	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+10%	4,764	-	15,564	-
-10%	(4,764)	-	(15,564)	-

xi) Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk relates primarily to interest bearing loans and borrowings. The Company has both variable and fixed borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and short-term fixed deposit held at variable rates. Fixed rate borrowings only give rise to interest rate risk if measured at fair value. The Company's borrowings are not measured at fair value and are denominated in US dollars.

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The Company is exposed to cash flow interest rate risk on short-term deposits to the extent that the significant increases and reductions in market interest rates would result in a decrease in the interest earned by the Company.

The contractual re-pricing date of the interest-bearing loans and borrowings is between 3 – 6 months. The exposure of the Company's variable interest-bearing loans and borrowings at the end of the reporting period is shown below.

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Corporate Loans (Note 32.2)	107,407	29,558	349,888	96,282

The following table demonstrates the sensitivity of the Company's profit before tax to changes in LIBOR rate, with all other variables held constant.

Increase/decrease in interest rate	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million
+1%	(41)	-	(296)	-
-1%	42	-	296	-

Increase/decrease in interest rate	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+1%	(135)	-	(963)	-
-1%	136	-	963	-

26) 6.1.2 Foreign exchange risk

The Company has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currency. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US dollar.

The Company holds the majority of its bank balances equivalents in US dollar. However, the Company does maintain deposits in Naira in order to fund ongoing general and administrative activities and other expenditure incurred in this currency. Other monetary assets and liabilities which give rise to foreign exchange risk include trade and other receivables, trade and other payables.

The following table demonstrates the carrying value of monetary assets and liabilities (denominated in Naira) exposed to foreign exchange risks at the reporting date:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Financial assets				
Cash and bank balances	25,839	56,026	84,165	182,496
Contract assets	6,527	4,327	21,259	14,096
Trade and other recievables	16,835	13,567	54,836	44,191
	49,201	73,920	139,000	240,783
Financial liabilities				
Trade and other payables	(43,666)	(24,647)	(142,233)	(80,284)
Net exposure to foreign exchange risk	5,535	49,273	(3,233)	160,499

Notes to the separate financial statements

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The following table demonstrates the carrying value of monetary assets and liabilities exposed to foreign exchange risks for pound exposures at the reporting date

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Financial assets				
Cash and bank balances	45	36	147	116

Sensitivity to foreign exchange risk is based on the Company's net exposure to foreign exchange risk due to Naira and pound denominated balances. If the Naira strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million
+5%	47	-	(2,346)	-
-5%	(52)	-	2,593	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+5%	154	-	(7,643)	-
-5%	(170)	-	8,447	-

If the Pounds strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million	Effect on profit before tax 2018 ₦ million	Effect on other components of equity before tax 2018 ₦ million
+5%	2	-	2	-
-5%	(2)	-	(2)	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000	Effect on profit before tax 2018 $'000	Effect on other components of equity before tax 2018 $'000
+5%	7	-	6	-
-5%	(7)	-	(6)	-

6.1.3. Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and bank balances, derivative assets, deposits with banks and financial institutions as well as credit exposures to customers (i.e. Mercuria and NGMC receivables), and other parties (i.e. NPDC receivables and other receivables).

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a. Risk management

The Company is exposed to credit risk from its sale of crude oil Mecuria . The off-take agreement with Mercuria also runs for five years until 31 July 2020 with a 30-day payment term. The Company is exposed to further credit risk from outstanding cash calls from Nigerian Petroleum Development Company (NPDC).

In addition, the Company is exposed to credit risk in relation to its sale of gas to Nigerian Gas Marketing Company (NGMC) Limited, a subsidiary of NNPC, and Azura. This risk is managed by the treasury and credit department approved by the Board of Directors through policies that ensure collectability of receivable amounts.

The credit risk on cash and bank balances is managed through the diversification of banks in which cash and bank balances are held. This risk on cash is limited because the majority of deposits are with banks that have an acceptable credit rating assigned by an international credit agency. The Company's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets. The maximum exposure to credit risk as at the reporting date is:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Trade and other receivables (Gross)	409,055	322,020	1,332,497	1,048,785
Contract assets (Note 26)	6,527	4,327	21,259	14,096
Cash and bank balances (Gross)	83,332	153,563	271,441	500,207
Gross amount	498,934	479,910	1,625,197	1,563,088
Impairment of receivables	(2,460)	(4,513)	(8,012)	(14,760)
Impairment of cash and bank balance	(15)	(28)	(51)	(90)
Net amount	496,459	475,369	1,617,134	1,548,238

b. Impairment of financial assets

27) The Company has five types of financial assets that are subject to IFRS 9's expected credit loss model. Contract assets are also subject to the expected credit loss model, even though they are not financial assets, as they have substantially the same credit risk characteristics as trade receivables. The impairment of receivables is disclosed in the table below.

28)

- Nigerian Petroleum Development Company (NPDC) receivables
- Trade receivables
- Contract assets
- Cash and bank balances
- Intercompany receivables

Reconciliation of impairment on financial assets;

	Notes	₦'million	$'000
As at 1 January 2019		4,541	14,848
Increase in provision for Nigerian Petroleum Development Company (NPDC) receivables	(25.7)	12,836	41,811
Decrease in provision for Bank balance (fixed deposit)	(28)	(13)	(39)
Decrease in provision for Intercompany receivables	(25.9)	(322)	(1,053)
Increase in provision for trade receivables	(25.5)	287	933
Exchange difference		(4)	-
Impairment charge to the profit or loss		12,784	41,652
Receivables written off during the year as uncollectible	(25.7)	(14,871)	(48,439)
As at 31 December 2019		2,454	8,061

The parameters used to determine impairment for NPDC receivables, intercompany receivables and short-term fixed deposits are shown below. For all receivables presented in the table, the respective 12-month Probability of Default (PD) equate the Lifetime PD for stage 2 as the maximum contractual period over which the Company is exposed to credit risk arising from the receivables is less than 12 months.

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	Nigerian Petroleum Development Company (NPDC) receivables	Intercompany receivables	Short-term fixed deposits
Probability of Default (PD)	The PD for base case, downturn and upturn is 2.03%, 2.10% and 2.10% respectively.	The 12-month PD and lifetime PD for stage 1 and stage 2 is 0.05%. The PD for stage 3 is 100%.	The 12-month PD and lifetime PD for stage 1 and stage 2 is 0.09%. The PD for stage 3 is 100%.
Loss Given Default (LGD)	The 12-month LGD and lifetime LGD were determined using Moody's recovery rate for senior unsecured corporate bonds for emerging economies.	The 12-month LGD and lifetime LGD were determined using Management's estimate of expected cash recoveries.	The 12-month LGD and lifetime LGD were determined using the average recovery rate for Moody's senior unsecured corporate bonds for emerging economies.
Exposure at default (EAD)	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the short-term fixed deposits to credit risk.
Macroeconomic indicators	The historical inflation, unemployment growth rate in Nigeria and crude oil price were used.	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used.	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used.
Probability weightings	80%, 10% and 10% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	89%, 2% and 9% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	78%, 12% and 10% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.

The Company considers both quantitative and qualitative indicators in classifying its receivables into the relevant stages for impairment calculation.

Impairment of financial assets are recognised in three stages on an individual or collective basis as shown below:

- Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).
- Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as the increase in political risk concerns or other micro-economic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.
- Stage 3: This stage includes financial assets that have been assessed as being in default (i.e. receivables that are more than 90 days past due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

i. Nigerian Petroleum Development Company (NPDC) receivables

NPDC receivables represent the outstanding cash calls due to Seplat from its Joint Arrangement partner, Nigerian Petroleum Development Company. The Company applies the IFRS 9 general model for measuring expected credit losses (ECL). This requires a three-stage approach in recognising the expected loss allowance for NPDC receivables.

The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The ECL was calculated based on actual credit loss experience from 2014, which is the date the Company initially became a party to the contract. The following analysis provides further detail about the calculation of ECLs related to these assets. The Company considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

During the year, the Company wrote off ₦14.9 billion ($48.4 million) which was netted off from NPDC payables in 2018. (See details in Note 25)

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	Stage 1	Stage 2	Stage 3	Total
				31 December 2019
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	52,637	-	-	52,637
Loss allowance	(448)	-	-	(448)
Net Exposure at Default (EAD)	52,189	-	-	52,189

	Stage 1	Stage 2	Stage 3	Total
				31 December 2018
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	-	-	14,871	14,871
Loss allowance	-	-	(2,475)	(2,475)
Net Exposure at Default (EAD)	-	-	12,396	12,396

	Stage 1	Stage 2	Stage 3	Total
				31 December 2019
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	171,457	-	-	171,457
Loss allowance	(1,460)	-	-	(1,460)
Net Exposure at Default (EAD)	169,997	-	-	169,997

	Stage 1	Stage 2	Stage 3	Total
				31 December 2018
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	-	-	48,439	48,439
Loss allowance	-	-	(8,086)	(8,086)
Net Exposure at Default (EAD)	-	-	40,353	40,353

ii. Trade receivables
Nigerian Gas Marketing Company

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The impairment of trade receivables (NGMC) was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2019 and 31 December 2018 are as follows:

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
							31 December 2019
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	2,515	-	1,790	-	-	12,176	16,481
Expected loss rate	0.16%	0.16%	0.17%	0.17%	0.17%	3.0%	
Lifetime ECL (Note 25)	(4)	-	(3)	-	-	(333)	(340)
Total	2,511	-	1,787	-	-	11,843	16,141

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31 December 2018

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	4,639	-	2,392	4,035	-	3,080	14,146
Expected loss rate	0.5%	0.5%	0.5%	0.5%	0.5%	2.2%	
Lifetime ECL	(25)	-	(13)	(21)	-	(63)	(122)
Total	4,614	-	2,379	4,014	-	3,017	14,024

29)
31 December 2019

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	8,192	-	5,831	-	-	39,661	53,684
Expected loss rate	0.16%	0.16%	0.17%	0.17%	0.17%	3.0%	
Lifetime ECL (Note 25)	(12)	-	(8)	-	-	(1,090)	(1,110)
Total	8,180	-	5,823	-	-	38,571	52,574

30) 31 December 2018

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	15,111	-	7,792	13,142	-	10,033	46,078
Expected loss rate	0.53%	-	0.53%	0.53%	-	2.16%	
Lifetime ECL	(80)	-	(41)	(70)	-	(205)	(396)
Total	15,031	-	7,751	13,072	-	9,828	45,682

Mercuria

The impairment of trade receivables (Mercuria) was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2019 are as follows:

31 December 2019

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	15,863	-	-	-	-	-	15,863
Expected loss rate	0.4%	-	-	-	-	-	0.4%
Lifetime ECL (Note 27.4)	(68)	-	-	-	-	-	(68)
Total	15,795	-	-	-	-	-	15,795

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	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	31 December 2019 Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	51,669	-	-	-	-	-	51,669
Expected loss rate	0.4%	-	-	-	-	-	-
Lifetime ECL (Note 27.4)	(219)	-	-	-	-	-	(219)
Total	51,450	-	-	-	-	-	51,450

iii. Cash and cash equivalent

31) Short term fixed deposits

32) The Company applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for cash and bank balances. The ECL was calculated as the probability weighted estimate of the credit losses expected to occur over the contractual period of the facility after considering macroeconomic indicators.

33) 31 December 2019

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	7,304	-	-	7,304
Loss allowance	(15)	-	-	(15)
Net Exposure at Default (EAD)	7,289	-	-	7,289

34) 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	29,658	-	-	29,658
Loss allowance	(28)	-	-	(28)
Net Exposure at Default (EAD)	29,630	-	-	29,630

35) 31 December 2019

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	23,794	-	-	23,794
Loss allowance	(51)	-	-	(51)
Net Exposure at Default (EAD)	23,743	-	-	23,743

36) 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	103,229	-	-	103,229
Loss allowance	(90)	-	-	(90)
Net Exposure at Default (EAD)	103,139	-	-	103,139

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iv. Other cash and bank balances

The company assessed the other cash and bank balances to determine their expected credit losses. Based on this assessment, they identified the expected credit loss to be insignificant as at 31 December 2019 (2018: nil). The assets are assessed to be in stage 1.

Credit quality of cash and bank balances

The credit quality of the Company's cash and bank balances is assessed based on external credit ratings (Fitch national long-term ratings) as shown below:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Non-rated	9	2	17	6
B-	473	-	1,542	-
B	25,399	-	82,735	-
BBB+	-	36	-	115
BBB	-	584	-	1,902
A+	57,213	94,242	186,373	306,979
AA	-	31,658	-	103,123
AA-	-	25,755	-	83,893
AAA	240	1,286	782	4,188
	83,334	153,563	271,449	500,206
Allowance for impairment recognised during the year (Note 28)	(15)	(28)	(51)	(90)
Net cash and cash bank balances	83,319	153,535	271,398	500,116

v. Intercompany receivables

37) 31 December 2019

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	313,508	-	-	313,508
Loss allowance	(1,605)	-	-	(1,605)
Net Exposure at Default (EAD)	311,903	-	-	311,903

38) 31 December 2018

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	258,801	-	-	258,801
Loss allowance	(1,927)	-	-	(1,927)
Net Exposure at Default (EAD)	256,874	-	-	256,874

39)

40)

41)

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42) 31 December 2019

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	1,021,194	-	-	1,021,194
Loss allowance	(5,223)	-	-	(5,223)
Net Exposure at Default (EAD)	1,015,971	-	-	1,015,971

43) 31 December 2018

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	842,999	-	-	842,999
Loss allowance	(6,276)	-	-	(6,276)
Net Exposure at Default (EAD)	836,723	-	-	836,723

c. Maximum exposure to credit risk – financial instruments subject to impairment

44) The Company estimated the expected credit loss on NPDC receivables, Intercompany receivables and fixed deposits by applying the general model. The gross carrying amount of financial assets represents the Company's maximum exposure to credit risks on these assets.

45) All financial assets impaired using the General model (NPDC, Intercompany and Fixed deposits) are graded under the standard monitoring credit grade (rated B under Standard and Poor's unmodified ratings) and are classified under Stage 1.

d. Roll forward movement in loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslation for assets dominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-off of receivables and allowances related to assets.

The following tables explain the changes in the loss allowance between the beginning and end of the annual period due to these factors:

Nigerian Petroleum Development Company (NPDC) receivables

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	₦ million	₦ million	₦ million	₦ million	₦ million
Loss allowance as at 1 January 2019	-	-	2,475	-	2,475
Movements with profit or loss impact					
New financial assets originated or purchased	448	-	-	-	448
Write offs	-	-	12,388	-	12,388
Total net profit or loss charge during the period	448	-	12,388	-	12,836
Other movements with no profit or loss impact;					
Exchange difference	-	-	8	-	8
Write offs	-	-	(14,871)	-	(14,871)
Loss allowance as at 31 December 2019	448	-	-	-	448

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$'000	$'000	$'000	$'000	$'000
Loss allowance as at 1 January 2019	-	-	8,086	-	8,086
Movements with profit or loss impact					
New financial assets originated or purchased	1,460	-	-	-	1,460
Write offs	-	-	40,353	-	40,353
Total net profit or loss charge during the period	1,460	-	40,353	-	41,813
Other movements with no profit or loss impact;					
Write offs	-	-	(48,439)	-	(48,439)
Loss allowance as at 31 December 2019	1,460	-	-	-	1,460

Fixed deposit

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	₦ million	₦ million	₦ million	₦ million	₦ million
Loss allowance as at 1 January 2019	28	-	-	-	28
Movements with profit or loss impact					
New financial assets originated or purchased	15	-	-	-	15
Derecognised financial assets	(28)	-	-	-	(28)
Total net profit or loss charge during the period	(13)	-	-	-	(13)
Loss allowance as at 31 December 2019	15	-	-	-	15

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$'000	$'000	$'000	$'000	$'000
Loss allowance as at 1 January 2019	90	-	-	-	90
Movements with profit or loss impact					
New financial assets originated or purchased	51	-	-	-	51
Derecognised financial assets	(90)	-	-	-	(90)
Total net profit or loss charge during the period	(39)	-	-	-	(39)
Loss allowance as at 31 December 2019	51	-	-	-	51

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Intercompany receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	₦ million	₦ million	₦ million	₦ million	₦ million
Loss allowance as at 1 January 2019	1,927	-	-	-	1,927
Movements with profit or loss impact					
New financial assets originated or purchased	751	-	-	-	751
Derecognised financial assets	(1,082)	-	-	-	(1,082)
Unwind of discount	9	-	-	-	9
Total net profit or loss charge during the period	(322)	-	-	-	(322)
Loss allowance as at 31 December 2019	1,605	-	-	-	1,605

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	$'000	$'000	$'000	$'000	$'000
Loss allowance as at 1 January 2019	6,276	-	-	-	6,276
Movements with profit or loss impact					
New financial assets originated or purchased	2,443	-	-	-	2,443
Derecognised financial assets	(3,525)	-	-	-	(3,525)
Unwind of discount	29	-	-	-	29
Total net profit or loss charge during the period	(1,053)	-	-	-	(1,053)
Loss allowance as at 31 December 2019	5,223	-	-	-	5,223

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e. Estimation uncertainty in measuring impairment loss

The table below shows information on the sensitivity of the carrying amounts of the Company's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Company's financial assets.

i. Expected cashflow recoverable

The table below demonstrates the sensitivity of the Company's profit before tax to a 20% change in the expected cashflows from financial assets, with all other variables held constant:

	Effect on profit before tax 2019	Effect on other components of profit before tax 2019	Effect on profit before tax 2019	Effect on other components of profit before tax 2019
	₦ million	₦ million	$'000	$'000
Increase/decrease in estimated cash flows				
+20%	94	-	305	-
-20%	(94)	-	(305)	-

	Effect on profit before tax 2018	Effect on other components of profit before tax 2018	Effect on profit before tax 2018	Effect on other components of profit before tax 2018
	₦ million	₦ million	$'000	$'000
Increase/decrease in estimated cash flows				
+20%	24	-	79	-
-20%	(24)	-	(79)	-

ii. Significant unobservable inputs

The table below demonstrates the sensitivity of the Company's profit before tax to movements in the probability of default (PD) and loss given default (LGD) for financial assets, with all other variables held constant:

	Effect on profit before tax 2019	Effect on other components of equity before tax 2019	Effect on profit before tax 2019	Effect on other components of equity before tax 2019
	₦ million	₦ million	$'000	$'000
Increase/decrease in loss given default				
+10%	(46)	-	(145)	-
-10%	46	-	145	-

	Effect on profit before tax 2018	Effect on other components of equity before tax 2018	Effect on profit before tax 2018	Effect on other components of equity before tax 2018
	₦ million	₦ million	$'000	$'000
Increase/decrease in loss given default				
+10%	(222)	-	(725)	-
-10%	222	-	725	-

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The table below demonstrates the sensitivity of the Company's profit before tax to movements in probabilities of default, with all other variables held constant:

	Effect on profit before tax 2019	Effect on other components of equity before tax 2019	Effect on profit before tax 2019	Effect on other components of equity before tax 2019
	₦ million	₦ million	$'000	$'000
Increase/decrease in probability of default				
+10%	(49)	-	(159)	-
-10%	49	-	159	-

	Effect on profit before tax 2018	Effect on other components of equity before tax 2018	Effect on profit before tax 2018	Effect on other components of equity before tax 2018
	₦ million	₦ million	$'000	$'000
Increase/decrease in probability of default				
+10%	(279)	-	(908)	-
-10%	279	-	908	-

The table below demonstrates the sensitivity of the Company's profit before tax to movements in the forward-looking macroeconomic indicators, with all other variables held constant:

	Effect on profit before tax 2019	Effect on other components of equity before tax 2019	Effect on profit before tax 2019	Effect on other components of equity before tax 2019
	₦ million	₦ million	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators				
+10%	(46)	-	(145)	-
-10%	46	-	145	-

	Effect on profit before tax 2018	Effect on other components of profit before tax 2018	Effect on profit before tax 2018	Effect on other components of profit before tax 2018
	₦ million	₦ million	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators				
+10%	16	-	52	-
-10%	(15)	-	(52)	-

6.1.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Company uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the

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Company's debt financing plans and covenant compliance. Surplus cash held is transferred to the treasury department which invests in interest bearing current accounts, time deposits and money market deposits.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	10,105	10,077	10,077	112,475	142,734
Variable interest rate borrowings						
Citibank, N.A., London Branch	6.0% +LIBOR	1,020	5,078	4,750	4,421	15,269
Nedbank Limited London	6.0% +LIBOR	1,020	5,078	4,750	4,421	15,269
Stanbic IBTC Bank Plc	6.0% +LIBOR	510	2,539	2,375	2,211	7,635
The Standard Bank of South Africa Limited	6.0% +LIBOR	510	2,539	2,375	2,211	7,635
RMB International (Mauritius) Limited	6.0% +LIBOR	1,020	5,078	4,750	4,421	15,269
The Mauritius Commercial Bank Ltd	6.0% +LIBOR	1,020	5,078	4,750	4,421	15,269
JPMorgan Chase Bank, N.A., London Branch	6.0% +LIBOR	764	3,808	3,562	3,316	11,450
Standard Chartered Bank	6.0% +LIBOR	764	3,808	3,562	3,316	11,450
Natixis	6.0% +LIBOR	764	3,808	3,562	3,316	11,450
Société Générale, London Branch	6.0% +LIBOR	383	1,904	1,781	1,658	5,726
Zenith Bank Plc	6.0% +LIBOR	383	1,904	1,781	1,658	5,726
United Bank for Africa Plc	6.0% +LIBOR	383	1,904	1,781	1,658	5,726
First City Monument Bank Limited	6.0% +LIBOR	383	1,904	1,781	1,658	5,726
Total variable interest borrowings		8,924	44,430	41,560	38,686	133,600
Other non - derivatives						
Trade and other payables**		105,632	-	-	-	105,632
Lease liabilities		247	155	1,059	2,036	3,496
		105,879	155	1,059	2,036	109,128
Total		124,908	54,662	52,696	153,197	385,462

** Trade and other payables (excludes non-financial liabilities such as provisions, taxes, pension and other non-contractual payables).

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	Effective interest rate %	Less than 1 year ₦ million	1 - 2 year ₦ million	2 - 3 years ₦ million	3 - 5 years ₦ million	Total ₦ million
31 December 2018						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	10,130	10,075	10,048	122,220	152,473
Variable interest rate borrowings						
Stanbic IBTC Bank Plc	6.0% +LIBOR	312	313	312	3,789	4,726
The Standard Bank of South Africa L	6.0% +LIBOR	208	209	208	2,526	3,151
Nedbank Limited, London Branch	6.0% +LIBOR	434	434	434	5,263	6,565
Standard Chartered Bank	6.0% +LIBOR	390	391	390	4,736	5,907
Natixis	6.0% +LIBOR	304	304	304	3,684	4,596
FirstRand Bank Limited Acting	6.0% +LIBOR	304	304	304	3,684	4,596
Citibank N.A. London	6.0% +LIBOR	260	261	260	3,158	3,939
The Mauritius Commercial Bank Plc	6.0% +LIBOR	260	261	260	3,158	3,939
Nomura International Plc	6.0% +LIBOR	130	130	130	1,579	1,969
Other non - derivatives						
Trade and other payables**		109,902	-	-	-	109,902
		122,634	12,682	12,650	153,797	301,763

*Nomura and The Mauritius Commercial Bank replace JP Morgan and Bank of America
** Trade and other payables (excludes non-financial liabilities such as provisions, taxes, pension and other non-contractual payables).

	Effective interest rate %	Less than 1 year $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
31 December 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	32,915	32,825	32,825	366,367	464,932
Variable interest rate borrowings						
Citibank, N.A., London Branch	6.0% +LIBOR	3,321	16,540	15,471	14,402	49,734
Nedbank Limited London	6.0% +LIBOR	3,321	16,540	15,471	14,402	49,734
Stanbic IBTC Bank Plc	6.0% +LIBOR	1,661	8,270	7,736	7,201	24,868
The Standard Bank of South Africa Limited	6.0% +LIBOR	1,661	8,270	7,736	7,201	24,868
RMB International (Mauritius) Limited	6.0% +LIBOR	3,321	16,540	15,471	14,402	49,733
The Mauritius Commercial Bank Ltd	6.0% +LIBOR	3,321	16,540	15,471	14,402	49,733
JPMorgan Chase Bank, N.A., London Branch	6.0% +LIBOR	2,491	12,405	11,604	10,802	37,302
Standard Chartered Bank	6.0% +LIBOR	2,491	12,405	11,604	10,802	37,302
Natixis	6.0% +LIBOR	2,491	12,405	11,604	10,802	37,302
Société Générale, London Branch	6.0% +LIBOR	1,246	6,203	5,802	5,401	18,652
Zenith Bank Plc	6.0% +LIBOR	1,246	6,203	5,802	5,401	18,652
United Bank for Africa Plc	6.0% +LIBOR	1,246	6,203	5,802	5,401	18,652
First City Monument Bank Limited	6.0% +LIBOR	1,246	6,203	5,802	5,401	18,652
Total variable interest borrowings		29,063	144,727	135,376	126,020	435,184
Other non - derivatives						
Trade and other payables**		344,078	-	-	-	344,078
Lease liability		803	505	3,449	6,632	11,389
		344,881	505	3,449	6,632	355,467
Total		406,859	178,057	171,650	499,019	1,255,583

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**Trade and other payables (exclude non-financial liabilities such as provisions, taxes, pension and other non-contractual payables).

	Effective interest rate %	Less than 1 year $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
31 December 2018						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	33,094	32,915	32,825	399,282	498,116
Variable interest rate borrowings						
Stanbic IBTC Bank Plc	6.0% +LIBOR	1,020	1,023	1,020	12,378	15,441
The Standard Bank of South Africa L	6.0% +LIBOR	680	682	680	8,252	10,294
Nedbank Limited, London Branch	6.0% +LIBOR	1,417	1,421	1,417	17,192	21,447
Standard Chartered Bank	6.0% +LIBOR	1,275	1,279	1,275	15,473	19,302
Natixis	6.0% +LIBOR	992	995	992	12,035	15,014
FirstRand Bank Limited Acting	6.0% +LIBOR	992	995	992	12,035	15,014
Citibank N.A. London	6.0% +LIBOR	850	853	850	10,315	12,868
The Mauritius Commercial Bank Plc	6.0% +LIBOR	850	853	850	10,315	12,868
Nomura International Plc	6.0% +LIBOR	425	426	425	5,158	6,434
Other non - derivatives						
Trade and other payables**		357,988	-	-	-	357,988
		399,583	41,442	41,326	502,435	984,786

*Nomura and The Mauritius Commercial Bank replace JP Morgan and Bank of America
*Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables).

6.1.5 Fair value measurements

Set out below is a comparison by category of carrying amounts and fair value of all financial instruments:

	Carrying amount		Fair value	
	2019 ₦ million	2018 ₦ million	2019 ₦ million	2018 ₦ million
Financial assets at amortised cost				
Trade and other receivables*	345,007	317,507	345,007	317,507
Contract assets	6,527	4,327	6,527	4,327
Cash and bank balances	83,319	153,535	83,319	153,535
	434,853	475,369	434,853	475,369
Financial assets at fair value				
Derivative financial instruments	308	2,693	308	2,693
	308	2,693	308	2,693
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	214,644	136,830	202,101	143,158
Trade and other payables	189,701	109,902	189,701	109,902
	404,345	246,732	391,802	253,060

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	Carrying amount		Fair value	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets at amortised cost				
Trade and other receivables	1,123,802	1,034,226	1,123,802	1,034,226
Contract assets	21,259	14,096	21,259	14,096
Cash and bank balances	271,398	500,116	271,398	500,116
	1,416,459	1,548,438	1,416,459	1,548,438
Financial assets at fair value				
Derivative financial instruments	1,002	8,772	1,002	8,772
	1,002	8,772	1,002	8,772
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	699,166	445,699	658,309	466,314
Trade and other payables	617,919	357,988	617,919	357,988
	1,317,085	803,687	1,276,228	824,302

* Trade and other receivables exclude NGMC VAT receivables, cash advances and advance payments.

In determining the fair value of the interest-bearing loans and borrowings, non-performance risks of the company as at year-end were assessed to be insignificant.

Trade and other payables (exclude non-financial liabilities such as provisions, taxes, pension and other non-contractual payables), trade and other receivables and contract assets (excluding prepayments) and cash and bank balances are financial instruments whose carrying amounts as per the financial statements approximate their fair values. This is mainly due to their short-term nature.

6.1.6 Fair Value Hierarchy

As at the reporting period, the Company had classified its financial instruments into the three levels prescribed under the accounting standards. These are all recurring fair value measurements. There were no transfers of financial instruments between fair value hierarchy levels during the year.

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Assets

31 Dec 2019	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets:						
Derivative financial instruments	308	-	-	1,002	-	-
31 Dec 2018						
Financial assets:						
Derivative financial instruments	2,693	-	-	8,772	-	-

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The fair value of the Company's derivative financial instruments has been determined using a proprietary pricing model that uses marked to market valuation. The valuation represents the mid-market value and the actual close-out costs of trades involved. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

Financial liabilities

31 Dec 2019	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial liabilities:						
Interest bearing loans and borrowings	-	202,101	-	-	658,309	-
	-	202,101	-	-	658,309	-
31 Dec 2018						
Financial liabilities:						
Interest bearing loans and borrowings	-	143,158	-	-	466,314	-
	-	143,158	-	-	466,314	-

The fair value of the Company's interest-bearing loans and borrowings is determined by using discounted cash flow models that use market interest rates as at the end of the period. The interest-bearing loans and borrowings are in level 2.

The carrying amounts of the other financial instruments are the same as their fair values.

6.2 Capital management

6.2.1 Risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain optimal capital structure and reduce cost of capital. Consistent with others in the industry, the Company monitors capital based on the following gearing ratio, net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances.

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Interest bearing loans and borrowings	214,644	136,830	699,166	445,699
Less: cash and bank balances	(83,319)	(153,535)	(271,398)	(500,116)
Net debt	131,325	(16,705)	427,768	(54,417)
Total equity	577,223	526,296	1,880,210	1,714,316
Total capital	708,548	509,591	2,307,978	1,659,899
Net debt (net debt/total capital) ratio	19%	(3%)	19%	(3%)

During the year, the Company's strategy which was unchanged from 2018, was to maintain a gearing ratio of 20% to 40%. Capital includes share capital, share premium, treasury shares, capital contribution and all other equity reserves.

*Interest bearing loans and borrowings includes current and non-current lease liabilities.

The net debt to equity ratio increased by 0.27% following the adoption of IFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019.

As the Company continuously reviews its funding and maturity profile, it continues to monitor the market in ensuring that its well positioned for any refinancing and or buy back opportunities for the current debt facilities – including potentially the US$350 million 9.25% 144A/Reg S bond maturing in 2023.

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6.2.2 Loan covenant

Under the terms of the major borrowing facilities, the Company is required to comply with the following financial covenants:

- Total net financial indebtedness to annualised EBITDA is not to be greater than 3:1.
- The sources of funds exceed the relevant expenditures in each semi-annual period within the 18 months shown in the Company's liquidity plan.
- The minimum production levels stipulated for each 6-month period must be achieved.
  The Cash Adjusted Debt Service Cover Ratio should equal to or greater than 1.20 to 1 for each Calculation Period through to the applicable Termination Date.

The Company has complied with these covenants throughout the reporting periods presented.

7. Segment reporting

Business segments are based on Seplat's internal organisation and management reporting structure. Seplat's business segments are the two core businesses: Oil and Gas. The oil segment deals with the exploration, development and production of crude oil while the Gas segment deals with the production and processing of gas. These two reportable segments make up the total operations of the Company.

For the year ended 31 December 2019, revenue from the gas segment of the business constituted 31% (2018: 21%) of the Company's revenue. Management believes that the gas segment of the business will continue to generate higher profits in the foreseeable future. It also decided that more investments will be made toward building the gas arm of the business. This investment will be used in establishing more offices, creating a separate operational management and procuring the required infrastructure for this segment of the business. The gas business is positioned separately within the Company and reports directly to the ('chief operating decision maker'). As this business segment's revenues and results, and its cash flows, will be largely independent of other business units within Seplat, it is regarded as a separate segment.

The result is two reporting segments, Oil and Gas. There were no intersegment sales during the reporting periods under consideration, therefore all revenue was from external customers.

Amounts relating to the gas segment are determined using the gas cost centres, except for depreciation. Depreciation relating to the gas segment is determined by applying a percentage which reflects the proportion of the Net Book Value of oil and gas properties that relates to gas investment costs (i.e. cost for the gas processing facilities).The Company accounting policies are also applied in the segment reports.

7.1 Segment profit disclosure

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Oil	11,782	13,251	38,396	43,291
Gas	54,347	36,430	177,081	119,014
Total profit for the year	66,129	49,681	215,477	162,305

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				Oil
	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Revenue from contracts with customers				
Crude oil sales (Note 8)	138,530	169,534	451,364	553,856
Operating profit before depreciation, amortisation and impairment	64,586	87,523	221,755	300,092
Depreciation and amortisation	(21,328)	(26,195)	(80,806)	(99,724)
Impairment	(12,565)	(415)	(40,940)	(1,366)
Operating profit	30,693	60,913	100,010	199,002
Finance income (Note 14)	4,702	2,874	15,321	9,388
Finance cost (Note 14)	(10,129)	(14,788)	(33,001)	(48,311)
Profit before taxation	25,266	48,999	82,330	160,079
Taxation (Noote 15)	(13,484)	(35,748)	(43,934)	(116,788)
Profit for the year	11,782	13,251	38,396	43,291

				Gas
	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Revenue from contracts with customers				
Gas Sales (Note 8)	41,668	47,640	135,761	155,637
Gas tolling (Note 8)	20,535	-	66,912	-
	62,203	47,640	202,673	155,637
Operating profit before depreciation, amortisation and impairment	59,614	40,762	189,895	138,161
Depreciation and amortisation	(5,043)	(4,678)	(12,085)	(20,285)
(Impairment loss)/reversal of impairment loss	(219)	346	(712)	1,138
Operating profit	54,352	36,430	177,099	119,014
Finance income	-	-	-	-
Finance cost	-	-	-	-
Loss on disposal of Anoh	(5)	-	(17)	-
Profit before taxation	54,347	36,430	177,082	119,014
Taxation	-	-	-	-
Profit for the year	54,347	36,430	177,082	119,014

During the reporting period, impairment losses recognised in the gas segment relates to NGMC. Impairment losses recognised in the oil segment relate to receivables from trade receivables; Mercuria NPDC and other receivables. See Note 12 for further details.

7.1.1 Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of commodities at a point in time or over time and from different geographical regions.

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	2019	2019	2019	2019	2019	2019
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	$'000	$'000	$'000
Geographical markets						
Nigeria	-	62,203	62,203	-	202,673	202,673
Switzerland	138,530	-	138,530	451,364	-	451,364
Revenue from contract with customers	138,530	62,203	200,733	451,364	202,673	654,037
Timing of revenue recognition						
At a point in time	138,530	-	138,530	451,364	-	451,364
Over time	-	62,203	62,203	-	202,673	202,673
Revenue from contract with customers	138,530	62,203	200,733	451,364	202,673	654,037

	2018	2018	2018	2018	2018	2018
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	$'000	$'000	$'000
Geographical markets						
Nigeria	-	47,640	47,640	-	155,637	155,637
Switzerland	169,534		169,534	553,856	-	553,856
Revenue from contract with customers	169,534	47,640	217,174	553,856	155,637	709,493
Timing of revenue recognition						
At a point in time	169,534	-	169,534	553,856	-	553,856
Over time	-	47,640	47,640	-	155,637	155,637
Revenue from contract with customers	169,534	47,640	217,174	553,856	155,637	709,493

The Company's transactions with its major customer, Mercuria, constitutes more than 69% (₦139 billion, $451 million in 2018; ₦169 billion, $554 million) of the total revenue of the Company. Also, the Company's transactions with NGMC (₦62 billion, $203 million in 2018; ₦48 billion, $156 million) accounted for more than 31% of the total revenue of the Company.

7.1.2 Impairment/ (reversal of) losses by reportable segments

	2019	2019	2019	2018	2018	2018
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Impairment losses recognised during the period	64	219	283	775	-	775
Receivables written off during the year as uncollectible	14,871	-	14,871	-	-	-
Reversal of previously recognised impairment losses	(2,373)	-	(2,373)	(356)	(347)	(703)
Exchange differences	3	-	3	(4)	1	(3)
Total	12,565	219	12,784	415	(346)	69

	2019	2019	2019	2018	2018	2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Impairment losses recognised during the period	221	712	933	2,533	-	2,533
Receivables written off during the year as uncollectible	48,439	-	48,439	-	-	-
Reversal of previously recognised impairment losses	(7,720)	-	(7,720)	(1,167)	(1,137)	(2,304)
Total	40,940	712	41,652	1,366	(1,137)	227

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7.2 Segment assets

Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the reporting segment and the physical location of the asset. The Company had no non-current assets domiciled outside Nigeria.

	Oil	Gas	Total	Oil	Gas	Total
Total segment assets	₦'million	₦'million	₦'million	$'000	$'000	$'000
31 December 2019	816,878	240,911	1,057,789	2,737,610	707,963	3,445,573
31 December 2018	690,362	152,639	843,001	2,248,736	497,191	2,745,927

7.3 Segment liabilities

Segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

	Oil	Gas	Total	Oil	Gas	Total
Total segment liabilities	₦'million	₦'million	₦'million	$'000	$'000	$'000
31 December 2019	464,475	16,091	480,566	1,496,654	68,709	1,565,363
31 December 2018	290,085	26,620	316,705	944,902	86,709	1,031,611

8. Revenue from contracts with customers

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Crude oil sales	138,530	169,534	451,364	553,856
Gas sales	41,668	47,640	135,761	155,637
Gas processing	20,535	-	66,912	-
	200,733	217,174	654,037	709,493

The major off-taker for crude oil is Mercuria. The major off-taker for gas is the Nigerian Gas Marketing Company.

Gas processing is revenue received from Nigerian Petroleum Development Company (NPDC) for processing its share of the gas extracted from OML 4, 38 and 41 from 2015 to 2018. In prior periods, the Company had not recognised the related income or receivable for the service because the basis for determining the fees was yet to be concluded with NPDC.

9. Cost of sales

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Royalties	28,072	36,691	91,465	119,867
Depletion, depreciation and amortisation (Note 18.6)	26,964	35,851	87,856	117,126
Crude handling fees	15,382	19,331	50,121	63,154
Nigeria Export Supervision Scheme (NESS) fee	170	217	553	708
Niger Delta Development Commission Levy	2,126	1,364	6,925	4,456
Rig related costs	1,871	12	6,094	39
Operational & maintenance expenses	11,402	9,620	37,148	31,427
	85,987	103,086	280,162	336,777

Rig related costs for 2019 mostly relate to workovers which form part of expenses for the relevant reporting period. During the year ended 2019, substantial repair and maintenance (work-over) were carried out to ensure adequate running of the wells.

Notes to the separate financial statements

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Operational & maintenance expenses mainly relates to maintenance costs, warehouse operations expenses, security expenses, community expenses, clean-up costs, fuel supplies and catering services.

10. Other income

	2019	2018	2019	2018
	₦ million	₦'million	$'000	$'000
(Overlifts)/underlifts	(7,028)	1,462	(22,898)	4,776
Exchange gain	588	295	1,916	963
Gain on disposal of oil and gas assets (Note 18.2)	9,462		30,830	-
Tariffs	1,074	-	3,498	-
	4,096	1,757	13,346	5,739

Overlifts are excess crude lifted above the share of production. It may exist when the crude oil lifted by the Company during the period is above the its ownership share of production. Overlifts are initially measured at the market price of oil at the date of lifting and recognised as other expenses. At each reporting period, overlifts is remeasured at the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss.

Underlifts are shortfalls of crude lifted below the share of production. It may exist when the crude oil lifted by the Company during the period is less than its ownership share of production. The shortfall is initially measured at the market price of oil at the date of lifting and recognised as other income. At each reporting period, the shortfall is remeasured at the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss as other income.

Gains on foreign exchange are principally as a result of translation of naira denominated monetary assets and liabilities. Tariffs which is a form of crude handling fee, relate to income generated from the use of the Company's pipeline.

11. General and administrative expenses

	2019	2018	2019	2018
	₦ million	₦'million	$'000	$'000
Depreciation (Note 18.6)	857	883	2,791	2,884
Depreciation of right of use assets	907	-	2,955	-
Auditor's remuneration	120	141	389	458
Professional and consulting fees	3,157	2,661	10,285	8,693
Directors' emoluments (executive)	735	617	2,393	2,014
Directors' emoluments (non-executive)	1,048	1,053	3,416	3,439
Donations	68	118	221	386
Employee benefits (Note 11.1)	7,347	8,618	23,941	28,154
Flights and other travel costs	2,607	2,101	8,495	6,863
Rentals	198	532	645	1,738
Other general expenses	-	3,028	-	9,891
	17,044	19,752	55,531	64,520

Directors' emoluments have been split between executive & non-executive directors. There were no non-audit services rendered by the Company's auditors during the year.

Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others. Share based payment expenses are included in employee benefits expense.

Notes to the separate financial statements

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11.1 Salaries and employee related costs include the following:

	2019 ₦ million	2018 ₦'million	2019 $'000	2018 $'000
Short term employee benefits:				
Basic salary	2,712	4,001	8,839	13,071
Housing allowances	500	14	1,630	45
Other allowances	462	855	1,614	2,794
Post-employment benefits:				
Defined contribution expenses	500	439	1,630	1,435
Defined benefit expenses (Note 34.2)	309	340	1,005	1,111
Other employee benefit:				
Share-based payment expenses (Note 29.4)	2,864	2,969	9,223	9,698
	7,347	8,618	23,941	28,154

Other allowances relate to staff bonus, car allowances and relocation expenses.

12. Impairment/(reversal) of losses on financial assets

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Impairment loss on NPDC receivables	-	775	-	2,533
Impairment loss on trade receivables (Mercuria)	68	-	221	-
Impairment loss on trade receivables (NGMC)	219	-	712	-
	287	775	933	2,533
Receivables written off during the year as uncollectible	14,871	-	48,439	-
	15,158	775	49,372	2,533
Reversal of impairment on NPDC receivables	(2,036)	-	(6,628)	-
Reversal of impairment loss on intercompany receivables	(322)	(303)	(1,053)	(1,014)
Reversal of impairment loss on trade receivables (NGMC)	-	(347)	-	(1,139)
Reversal of impairment loss on cash and bank balances (fixed deposits)	(13)	(47)	(39)	(153)
	(2,371)	(697)	(7,720)	(2,306)
Exchange difference	(3)	(9)	-	-
Total impairment loss allowance	12,784	69	41,652	227

During the year, the Company wrote off some of the receivables due from NPDC. These receivables relate to interest accrued on cash calls. The Company assessed these interest receivables to be uncollectible. (See details in 25.6 and 25.7)

13. Fair value (loss)/gain

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Realised fair value losses on crude oil hedges	(1,584)	(1,374)	(5,160)	(4,464)
Unrealised fair value gain	(2,385)	2,693	(7,770)	8,772
	(3,969)	1,319	(12,930)	4,308

Fair value gain/(loss) on derivatives represents changes in the fair value of hedging receivables charged to profit or loss.

Notes to the separate financial statements
Continued

14. Finance income/(cost)

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Finance income				
Interest income	4,702	2,874	15,321	9,388
Finance cost				
Interest on advance payments for crude oil sales	-	530	-	1,730
Interest on bank loans	8,890	13,415	28,966	43,828
Interest on lease liabilities (Note 43)	164	-	534	-
Unwinding of discount on provision for decommissioning (Note 33)	1,075	843	3,501	2,753
	10,129	14,788	33,001	48,311
Finance income/(cost) – net	(5,427)	(11,914)	(17,680)	(38,923)

Finance income represents interest on short-term fixed deposits.

15. Taxation

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

15.1 Income tax expense

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Current tax:				
Petroleum profit tax	5,741	6,651	18,704	21,726
Education tax	900	1,042	2,933	3,408
Total current tax	6,641	7,693	21,637	25,134
Deferred tax:				
Deferred tax expense in profit or loss	6,843	28,055	22,296	91,654
Total tax expense in statement of profit or loss	13,484	35,748	43,934	116,788
Deferred tax recognised in other comprehensive income	(171)	80	(558)	261
Total tax charge for the period	13,313	35,828	43,376	117,049
Effective tax rate	17%	42%	17%	42%

15.2 Reconciliation of effective tax rate

The estimated applicable average annual tax rates used for the year ended 31 December 2019 were 85% and 65.75% for crude oil activities and 30% for gas activities; 2018 were 85% and 65.75% for crude oil activities and 30% for gas activities.

In May 2015, in line with Sections of the Companies Income Tax Act which provides incentives to companies that deliver gas utilisation projects, Seplat was granted a tax holiday for three years with a possible extension of two years. In 2018, on review of the performance of the business, the Company provided a notification to the Federal Inland Revenue Service (FIRS) for the extension of claim for the additional two years tax holiday. The request was granted, and the new tax holiday is expected to end in May 2020.

The financial statements have been prepared taking into consideration the impact of the additional tax holiday relating to gas sales and this forms the basis for the Company's current income taxation and deferred taxation for the year ended 31 December 2019. A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

Notes to the separate financial statements
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	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Profit before taxation	79,613	85,429	259,411	279,093
Tax rate of 85%, 65.75% and 30%	67,671	72,615	220,499	237,229
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Income not subject to tax	(18,684)	(24,827)	(60,877)	(81,108)
Expenses not deductible for tax purposes	36,374	-	118,517	-
Recognition of previously unrecognised deductible temporary difference	(32,529)	-	(105,989)	-
Impact of unrecognised deferred tax on temporary differences	6,847	-	22,297	-
Effect of permanent differences	(765)	-	(2,494)	-
Impact of tax incentive	(46,330)	(13,083)	(150,953)	(42,741)
Education tax	900	1,042	2,933	3,408
Total tax credit in statement of profit or loss	13,484	35,747	43,934	116,788

15.3 Current tax liabilities/(assets)

The movement in the current tax liabilities is as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
As at 1 January	(723)	1,264	(2,356)	4,133
Tax charge	6,641	7,693	21,637	25,134
Utilisation of prepaid tax	-	(9,680)	-	(31,623)
Tax paid	(1,036)	-	(3,380)	-
Exchange difference	-	-	-	-
As 31 December	4,882	(723)	15,901	(2,356)

16. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Deferred tax asset to be recovered in less than 12 months	-	-	-	-
Deferred tax asset to be recovered after more than 12 months	147,513	132,275	481,634	431,984
	147,513	132,275	481,634	431,984

Deferred tax liabilities	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Deferred tax liabilities to be recovered in less than 12 months	(109,904)	(87,991)	(359,126)	(287,738)
Deferred tax liabilities to be recovered after more than 12 months	(109,904)	(87,991)	(359,126)	(287,738)
Net deferred tax assets	37,609	44,284	122,508	144,246

Notes to the separate financial statements
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16.1 Deferred tax assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

	Balance at 1 January 2019	(Charged)/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2019
	₦ million	₦ million	₦ million	₦ million
Tax losses	-	-	-	-
Other cumulative timing differences:			-	-
Unutilised capital allowance	116,068	6,579	-	122,647
Provision for decommissioning obligation	818	(821)	-	(3)
Provision for defined benefit plan	1,540	1,014	171	2,725
Share based payment reserve	3,294	2,376	-	5,670
Unrealised foreign exchange (gain)/loss on trade and other receivables	1,258	(212)	-	1,046
Overlift/(underlift)	5,246	5,973	-	11,219
Impairment provision on trade and other receivables	3,863	158	-	4021
	132,087	15,067	171	147,325
Effect of Exchange differences	188	-		188
	132,275	15,067	171	147,513

	Balance at 1 January 2018	Impact on initial application of IFRS 9	Restated as at 1 January 2018	(Charged)/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2018
	₦ million			₦ million	₦ million	₦ million
Tax losses	12,392	-	12,392	(12,404)	-	(12)
Other cumulative timing differences:						
Unutilised capital allowance	127,499	-	127,499	(11,431)	-	116,068
Provision for decommissioning obligation	102	-	102	716	-	818
Defined benefit plan	1,250	-	1,250	370	(80)	1,540
Share based payment	4,629	-	4,629	(1,335)	-	3,294
Unrealised foreign exchange (gain)/loss on trade and other receivables	4,209	-	4,209	(2,951)	-	1,258
Overlift/(underlift)	6,489	-	6,489	(1,243)	-	5,246
Impairment provision on trade and other receivables	1,811	3,805	5,616	(1,753)	-	3,863
	158,381	3,805	162,086	(30,031)	(80)	132,075
Exchange difference	-	11	11	177	-	188
	158,381	3,816	162,197	(29,854)	(80)	132,263

Notes to the separate financial statements
Continued

	Balance at 1 January 2019	(Charged)/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2019
	$'000	$'000	$'000	$'000
Tax losses	-	-	-	-
Other cumulative timing differences:				
Unutilised capital allowance	379,592	21,435	-	401,027
Provision for decommissioning obligation	2,674	(2,674)	-	-
Defined benefit plan	5,035	3,303	558	8,896
Share based payment	10,778	7,741		18,519
Unrealised foreign exchange (gain)/loss on trade and other receivables	4,123	(690)	-	3,433
Overlift/(underlift)	17,159	19,463	-	36,622
Impairment provision on trade and other receivables	12,623	514	-	13,137
Total charged to profit or loss	431,984	49,092	558	481,634

	Balance at 1 January 2018	Initial impact on application of IFRS 9	Restated as at 1 January 2018	(Charged)/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2018
	$'000			$'000	$'000	$'000
Tax losses	40,523	-	40,523	(40,523)	-	-
Other cumulative timing differences:						
Unutilised capital allowance	416,935	-	416,935	(37,343)	-	379,592
Provision for decommissioning obligation	334	-	334	2,340	-	2,674
Defined benefit plan	4,087	-	4,087	1,209	(261)	5,035
Share based payment	15,138	-	15,138	(4,360)	-	10,778
Unrealised foreign exchange (gain)/loss on trade and other receivables	13,765	-	13,765	(9,642)	-	4,123
Overlift/(underlift)	21,219	-	21,219	(4,060)	-	17,159
Impairment provision on trade and other receivables	5,923	12,430	18,353	(5,730)	-	12,623
	517,924	12,430	530,354	(98,109)	(261)	431,984

16.2 Deferred tax liabilities

Deferred tax liabilities are recognised for amounts of income taxes payable in future periods in respect of taxable temporary differences.

Notes to the separate financial statements
Continued

	Balance at 1 January 2019	(Charged)/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2019
	₦ million	₦ million	₦ million	₦ million
Tax losses	-	-	-	-
Other cumulative timing differences:				
Fixed assets	85,706	27,840	-	113,546
Derivative financial instruments	2,282	(2,282)	-	-
	87,988	25,558	-	113,546
Effect of exchange difference	(9)	3	-	(6)
	87,979	25,561	-	113,540

	Balance at 1 January 2018	Impact on initial application of IFRS 9	(Charged)/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2018
	₦ million		₦ million	₦ million	₦ million
Other cumulative timing differences:					
Tax losses	12		-		12
Fixed assets	85,706	-	21,910	-	107,616
Derivative financial instruments	2,282	-	-	-	2,282
	88,000	-	21,910	-	109,910
Effect of exchange difference	(9)	-	3	-	(6)
	87,991	-	21,913	-	109,904

	Balance at 1 January 2019	Charged/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2019
	$'000	$'000	$'000	$'000
Tax loss	-	-	-	-
Other cumulative timing differences:				
Fixed assets	280,282	90,711	-	370,993
Derivative financial instruments	7,456	(7,456)	-	-
	287,738	83,255	-	370,993

	Balance at 1 January 2018	Impact on initial application of IFRS 9	(Charged)/credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2018
	$'000	$'000	$'000	$'000	$'000
Other cumulative timing differences:					
Fixed assets	280,282	-	71,388	-	351,670
Derivative financial instruments	7,456	-	-	-	7,456
	287,738	-	71,388	-	359,126

Notes to the separate financial statements
Continued

16.3 Deferred tax recognised in profit or loss

	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
	₦'million	₦'million	$'000	$'000
Credited to profit or loss;				
Unutilised capital allowance	6,579	(11,431)	21,435	(37,343)
Provision for defined benefit	1,014	370	3,303	1,209
Share based payment plan	2,376	(1,335)	7,741	(4,360)
Overlift/(underlift)	5,973	(1,243)	19,463	(4,060)
Derivative financial instruments	-	(2,282)	-	(7,456)
Tax losses	-	(12,404)	-	(40,523)
Charged to Profit or loss;				
Provision for decommissioning obligation	(821)	716	(2,674)	2,340
Unrealised foreign exchange loss/(gain) on trade and other receivables	(212)	(2,951)	(690)	(9,642)
Fixed assets	(21,910)	4,258	(71,388)	13,911
Impairment provision on trade and other receivables	158	(1,753)	514	(5,730)
Exchange difference	-	-	-	-
	(6,843)	(28,055)	(22,296)	(91,654)
Charged to other comprehensive income				
Deferred tax credit/(expense) on remeasurement	171	(80)	558	(261)
	171	(80)	558	(261)

17. Computation of cash generated from operations

	Notes	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Profit before tax		79,613	85,429	259,411	279,093
Adjusted for:					
Depletion, depreciation and amortization	18	27,821	36,734	90,647	120,010
Depreciation of Right-of-use assets	43	907	-	2,955	-
Impairment of losses on financial assets	12	12,784	69	41,652	227
Interest income	14	(4,702)	(2,874)	(15,321)	(9,388)
Interest on advance payments for crude oil sales	14	-	530	-	1,730
Interest expense on bank loans	14	8,890	13,415	28,966	43,828
Interest on lease liabilities	14	164	-	534	-
Unwinding of discount on provision for decommissioning	14	1,075	843	3,501	2,753
Fair value loss/(gain) on derivative financial instruments	13	2,385	(2,693)	7,770	(8,772)
Unrealised foreign exchange (gain)	10	(588)	(295)	(1,916)	(963)
Share based payment expenses	29.4	2,864	2,969	9,223	9,698
Defined benefit expenses	11.1	309	340	1,005	1,111
Gain on disposal of oil and gas properties	18	(9,462)	-	(30,830)	-

Notes to the separate financial statements
Continued

	Notes	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Changes in working capital: (excluding the effects of exchange differences)					
Trade and other receivables		(113,396)	6,689	(369,472)	21,787
Prepayments		(11,478)	(10,521)	(37,396)	(34,271)
Contract assets		(2,199)	(4,327)	(7,163)	(14,096)
Trade and other payables		73,668	27,030	240,029	88,048
Contract liabilities		5,003	-	16,301	-
Restricted cash		(1,007)	(1,049)	(3,280)	(3,418)
Inventories		6,083	(707)	19,817	(2,303)
Net cash from operating activities		78,734	151,582	256,433	495,074

17.1 Non-cash investing activities

v. Reconciliation of additional investment in joint venture (Note 23.2)
vi. Proceeds from disposal of oil and gas properties (Note 18.2)
vii. Reclassification of oil and gas properties to intangible asset (Note 18.4)
viii. Payment for acquisition of subsidiary, net of cash acquired (Note 22.3)

17.2 Non-cash financing activity

i. Net debt reconciliation of interest bearing loans and borrowings (Note 32.1)
ii. Net debt reconciliation of crude oil advance (Note 35.1)

18. Property, plant and equipment

18.1. Oil and gas properties

	Production and field facilities	Assets under construction	Total	Production and field facilities	Assets under construction	Total
Cost	₦ million	₦ million	₦ million	$'000	$'000	$'000
At 1 January 2018	360,814	28,952	389,766	1,179,903	94,677	1,274,580
Additions	3,505	16,623	20,128	11,451	54,306	65,757
Reclassification to Intangible assets (Note 18.4)	-	(9,070)	(9,070)	-	(29,543)	(29,543)
Changes in decommissioning (Note 33)	6,099	-	6,099	19,466	-	19,466
Interest capitalised	-	4,929	4,929	-	16,104	16,104
Exchange differences	1,304	178	1,482	-	-	-
At 31 December 2018	371,722	41,612	413,334	1,210,820	135,544	1,346,364
Depreciation						
At 1 January 2018	110,925	-	110,925	362,741	-	362,741
Charge for the year	35,775	-	35,775	116,880	-	116,880
Exchange differences	543	-	543	-	-	-
At 31 December 2018	147,243	-	147,243	479,621	-	479,621
NBV						
At 31 December 2018	224,479	41,612	266,091	731,199	135,544	866,743

Notes to the separate financial statements

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	Production and field facilities	Assets under construction	Total	Production and field facilities	Assets under construction	Total
Cost	₦ million	₦ million	₦ million	$'000	$'000	$'000
At 1 January 2019	371,722	41,612	413,334	1,210,820	135,544	1,346,364
Additions	28,406	961	29,367	92,553	3,132	95,685
Transfers	19,567	(19,567)	-	63,755	(63,755)	-
Disposal of producing assets	(28,126)	-	(28,126)	(91,643)	-	(91,643)
Changes in decommissioning	(3,745)		(3,745)	(12,199)	-	(12,199)
Interest capitalised	-	6,308	6,308	-	20,554	20,554
Exchange differences	5	(3)	2	-	-	-
At 31 December 2019	387,829	29,311	417,140	1,263,286	95,475	1,358,761
Depreciation						
At 1 January 2019	147,243	-	147,243	479,621	-	479,621
Charge for the year	26,523	-	26,523	86,417	-	86,417
Disposal of producing assets	(6,522)		(6,522)	(21,244)	-	(21,244)
Exchange differences	8	-	8		-	
At 31 December 2019	167,252	-	167,252	544,794	-	544,794
NBV						
At 31 December 2019	220,577	29,311	249,888	718,492	95,475	813,967

18.2. Disposal of oil and gas properties

	As at 30 Dec 2019		As at 31 Dec 2019	
	₦'million	₦'million	$'000	$'000
Purchase consideration for disposal of oil and gas assets (Note 18.3)		31,066		101,229
Net book value of Production and Field Facilities (Note 18.1);				
Cost	28,126		91,643	
Depreciation	(6,522)		(21,244)	
		(21,604)		(70,399)
Gain on disposal of oil and gas properties		9,462		30,830

During the year, the Company disposed 55% of Oben gas plant.

18.3. Purchase consideration

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Cash received	15,532	-	50,614	-
Purchase consideration outstanding	15,534	-	50,615	-
	31,066	-	101,229	-

*Approximately 50% of the proceeds expected from the disposal of oil and gas assets have been paid, the other 50% is recognised within the receivables.Assets under construction represent costs capitalised in connection with the development of the Company's oil fields and other property, plant and equipment not yet ready for their intended use. Some of which are qualifying assets which take a substantial period of time to get ready for their intended use The capitalisation rate used to

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determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Company's general borrowings denominated in dollars during the year, in this case 12.3% (2018: 13.1%).

Borrowing costs capitalised during the year amounted to ₦8 billion, 2018: ₦6 billion ($26 million, 2018: $16 million). There was no oil and gas property pledged as security during the reporting period.

18.4. Reconciliation of investment in oil and gas properties

During the year, the Company reclassed an existing licence renewed in 2018 for ₦9 billion ($29.5 million) and the related amortisation from oil and gas properties to intangible assets (See Note 19). For the purpose of the statement of cashflows, the reconciliation of the oil and gas properties and intangible asset is shown below:

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Additions	29,367	20,128	95,685	65,757
Reclassified to intangible assets	-	(9,070)	-	(29,543)
	29,367	11,058	95,685	36,214

18.5. Other property, plant and equipment

	Plant & machinery	Motor vehicle	Office Furniture & IT equipment	Leasehold improvements	Land	Buildings	Total
Cost	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
At 1 January 2018	1,588	2,213	4,254	880	-	-	8,935
Additions	-	469	199	30	-	-	698
Disposals	(104)	(82)	-	-	-	-	(186)
Exchange differences	6	10	17	3	-	-	36
At 31 December 2018	1,490	2,610	4,470	913	-	-	9,483
Depreciation					-	-	
At 1 January 2018	1,046	1,695	3,936	721	-	-	7,398
Disposals	(31)	(82)	-	-	-	-	(113)
Charge for the year	223	331	268	61	-	-	883
Exchange differences	5	6	16	3	-	-	30
At 31 December 2018	1,243	1,950	4,220	785	-	-	8,198
NBV					-	-	
At 31 December 2018	247	660	250	128	-	-	1,285
Cost					-	-	
At 1 January 2019	1,490	2,610	4,470	913			9,483
Addition	29	369	1,254	287	21	1,194	3,154
Disposal	-	-	-	-	-	-	-
Exchange differences	(1)	-	1	-	-	-	-
At 31 December 2019	1,518	2,979	5,725	1,200	21	1,194	12,637
Depreciation							
At 1 January 2019	1,243	1,950	4,220	785	-	-	8,198
Disposals					-	-	-
Charge for the year	149	236	342	110	-	20	857
Exchange differences	(1)	1	-	-		-	-
Balance as at 31 December 2019	1,391	2,187	4,562	895	-	20	9,055
Net Book Value							
Balance as at 31 December 2019	127	792	1,163	305	21	1,174	3,582

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Cost	Plant & machinery $'000	Motor vehicle $'000	Office Furniture & IT equipment $'000	Leasehold improvements $'000	Land	Buildings $'000	Total $'000
At 1 January 2018	5,192	7,238	13,909	2,876	-	-	29,215
Additions	-	1,533	651	97	-	-	2,281
Disposals	(340)	(268)	-	-	-	-	(608)
At 31 December 2018	4,852	8,503	14,560	2,973	-	-	30,888
Depreciation					-	-	
At 1 January 2018	3,422	5,542	12,870	2,356	-	-	24,190
Charge for the year	727	1,082	875	200	-	-	2,884
Disposal	(101)	(268)	-	-	-	-	(369)
At 31 December 2018	4,048	6,356	13,745	2,556	-	-	26,705
NBV					-	-	
At 31 December 2018	804	2,147	815	417	-	-	4,183
Cost					-	-	
At 1 January 2019	4,852	8,503	14,560	2,973	-	-	30,888
Addition	93	1,201	4,087	935	68	3,890	10,274
Disposal		-	-	-	-	-	-
At 31 December 2019	4,945	9,704	18,647	3,908	68	3,890	41,162
Depreciation							
At 1 January 2019	4,048	6,356	13,745	2,556	-	-	26,705
Charge for the year	484	768	1,113	360	-	66	2,791
Disposal	-	-	-	-	-	-	-
At 31 December 2019	4,532	7,124	14,858	2,916	-	66	29,496
NBV							
At 31 December 2019	413	2,580	3,789	992	68	3,824	11,666

18.6. Depletion, depreciation and amortisation

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Oil and gas properties	26,523	35,775	86,417	116,880
Amortisation of intangible asset	441	76	1,439	246
Charged to cost of sales	26,964	35,851	87,856	117,126
Charged to general and administrative expense	857	883	2,791	2,884
Total depletion, depreciation and amortisation	27,821	36,734	90,647	120,010

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18.7. Gain/(loss) on disposal of other property, plant and equipment

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Proceeds from disposal of assets	-	71	-	239
Less net book value of disposed assets	-	(71)	-	(239)
	-	-	-	-

19. Intangible assets

Cost	₦ million	$'000
At 1 January 2018		
Additions	9,070	29,543
At 31 December 2018	9,070	29,543
Amortisation Charge		
At 1 January 2018		
Charge for the year	76	246
At 31 December 2018	76	246
NBV		
At 31 December 2018	8,994	29,297
Cost		
At 1 January 2019	9,070	29,543
Additions	-	-
At 31 December 2019	9,070	29,543
Amortisation Charge		
At 1 January 2019	76	246
Charge for the year	441	1,439
At 31 December 2019	517	1,685
NBV		
At 31 December 2019	8,553	27,858

License relates to costs paid in connection with the renewal of a right for exploration of an oil mining lease field. The additions in 2018 were licence costs reclasified from oil and gas properties.

20. Tax paid in advance

In 2013 and 2014, Petroleum Profit Tax payments (2013: ₦9 billion and 2014: ₦0.9 billion) (2013: $28.7 million and 2014: $2.9 million) were made by the Company prior to obtaining a pioneer status. This was accounted for as a tax paid in advance pending when it will be is utilized towards offsetting tax liabilities. During the year, the Company netted off the tax credit with current tax liability because there is a legal right to offset with the current tax liability and the tax relates to the same tax authority.

Tax paid in advance has been reclassified to current tax liability/(asset) in the current period (comparatives were also reclassified). See Note 15.3 for details.

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21. Prepayments

Non-current	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Rent	301	196	979	635
Advances to suppliers	18,927	7,675	61,654	25,000
	19,228	7,871	62,633	25,635
Current				
Rent	283	1,182	921	3,850
Crude oil hedge	839	1,584	2,730	5,160
Other prepayments	357	690	1,163	2,248
	1,479	3,456	4,814	11,258
	20,707	11,327	67,447	36,893

21.1. Rent

In 2014, the Company entered into three new commercial leases in relation to three buildings that it occupies with two in Lagos state and one in Delta state. The non-cancellable leases which relate to buildings in Lagos expire in 2018 and 2019 respectively. The rent on the expired lease agreement was not renewed. The building in Delta state which previously rented has been acquired by the Company (See Note 18).

In 2018, the Company entered into a lease agreement for an office building in Lagos. The non-cancellable period of the lease is 5 years commencing on 1 January 2019 and ending on 31 December 2023. However, the Company has an option of either extending the lease period on terms to be mutually agreed by parties to the lease on the expiration of the current term or purchase the property. (see note 43 for details)

21.2. Advances to suppliers

Advances to suppliers relate to a milestone payment made to finance the construction of the Amukpe Escravos Pipeline Project and other related facilities. At the end of the reporting period, the total prepaid amount in ₦18.9 billion ($61.6 million), 2018: ₦7.7 billion ($25 million).

21.3. Other prepayments

Included in other prepayment are prepaid service charge expenses for office buildings, health insurance, software license maintenance, motor insurance premium and crude oil handling fees.

21.4. Crude oil hedge

In 2019, the Company commenced a crude oil hedge of ₦13,815 ($45/bbl.) 2018: ₦15,350 ($50/bbl.) for 3 million barrels (2018: 4 million barrels at a cost of ₦0.8 billion ($2.7 million) 2018: ₦1.6 billion ($5.2 million).

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22. Investment in subsidiaries

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Newton Energy Limited	290	290	950	950
Seplat Petroleum Development Company UK Limited	15	15	50	50
Seplat East Onshore Limited	10	10	32	32
Seplat East Swamp Company Limited	10	10	32	32
Seplat Gas Company Limited	10	10	32	32
ANOH Gas Processing Company Limited	-	10	-	33
Eland Oil and Gas Limited	149,719	-	487,683	-
	150,054	345	488,779	1,129

22.1 Interest in other entities

Name of entity	Country of incorporation and place of business	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 30 Dec 2018
		Percentage of ownership interest		Carrying amount			
		%	%	₦'million	₦'million	$'000	$'000
Newton Energy Limited	Nigeria	100	100	290	290	950	950
Seplat Petroleum Development Company UK Limited	United Kingdom	100	100	15	15	50	50
Seplat East Onshore Limited	Nigeria	100	100	10	10	32	32
Seplat East Swamp Company Limited	Nigeria	100	100	10	10	32	32
Seplat Gas Company Limited	Nigeria	100	100	10	10	32	32
Eland Oil and Gas Limited	United Kingdom	100	-	149,719	-	487,683	-

22.2 Reconciliation of investment in subsidiary

	₦ million	$'000
At 1 January 2019	345	1,129
Acquisition of subsidiary (Eland Oil and Gas Limited)	149,719	487,683
Deconsolidation of subsidiary (Anoh Gas Limited)	(10)	(33)
At 31 December 2019	150,054	488,779

Notes to the separate financial statements
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22.3 Purchase consideration – cash outflow

	2019 ₦ million	2019 $'000
Purchase consideration	149,719	487,683
Less: Liabilities assumed		
Fair value of outstanding payment	(1,549)	(5,046)
Exchange difference	(43)	-
Net outflow of cash – investing activities	148,127	482,637

23. Investment in Joint ventures

	31 December 2019 ₦ million	31 December 2018 ₦ million	31 December 2019 $'000	31 December 2018 $'000
Cost	46,055	-	150,016	-

23.1 Reconciliation of investment in joint venture

	₦ million	$'000
At 1 January 2019	-	-
Reclassified from investment in subsidiary (Anoh Gas Limited)	10	33
Loss on disposal of investment in subsidiary (Anoh)	(5)	(17)
Additional investment in joint venture (Anoh) (23.2)	46,051	150,000
Exchange difference	(1)	-
At 31 December 2019	46,055	150,016

23.2 Reconciliation of additional investment in joint venture

	As at 31 Dec 2019 ₦'million	As at 31 Dec 2019 $'000
Cash paid in the current period	31,627	103,050
Amount reclassified from other receivables	14,424	46,950
	46,051	150,000

For the purpose of cash flow; payment for the investment in joint venture is ₦31 billion ($103 million).

		Percentage of ownership interest		Carrying amount			
Name of entity	Country of incorporation and place of business	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 30 Dec 2018
		%	%	₦'million	₦'million	$'000	$'000
ANOH Gas Processing Company Limited	Nigeria	50	100	46,055	10	150,016	33

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24. Inventories

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Tubulars, casings and wellheads	24,315	30,400	79,205	99,022

Inventory represents the value of tubulars, casings and wellheads. The inventory is carried at the lower of cost and net realisable value. Inventory charged to profit or loss and included in cost of sales during the year ₦0.9 billion, $3 million (2018: nil). There was no write down or reversal of previously recognised write down of inventory for the year ended 31 December 2019.

25. Trade and other receivables

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Trade receivables	32,555	27,203	106,043	88,608
Nigerian Petroleum Development Company (NPDC) receivables	52,189	-	169,997	-
Intercompany receivables	311,903	256,874	1,015,971	836,723
Advances on investments	12,512	20	40,757	65
Advances to related parties	-	33,086	-	107,773
Advances to suppliers	4,347	1,689	14,160	5,499
Receivables from Joint Venture (Anoh)	3,848	-	12,536	-
Other receivables	6,121	125	19,940	406
	423,475	318,997	1,379,404	1,039,074

25.1 Trade receivables
Included in trade receivables is an amount due from Nigerian Gas Marketing Company (NGMC) totaling ₦17 billion ($54 million), 2018: ₦14 billion ($46 million) with respect to the sale of gas, for the company.The NGMC balance includes amount assumed and expected to be settled by Central Bank of Nigeria (CBN). Also included in trade receivables is an amount of ₦15 billion ($50 million), 2018: N13 billion $43 million due from Mecuria for sale of crude and other receivables of ₦1 billion ($2 million), 2018 : nill.

25.2 NPDC receivables
The outstanding cash calls due to Seplat from its JOA partner, NPDC is ₦52 billion, $170 million (2018: $ nil). The outstanding NPDC receivables at the end of the reporting period has been netted against the gas receipts payable to NPDC as Seplat has a legally enforceable right to settle outstanding amounts on a net basis.

25.3 Other receivables
Other receivables are transactions outside the usual operating activities of the company. This amounted to ₦6 billion ($18.9 million) 2018: nil. Also included is advance payment of ₦0.1billion ($1 million) 2018: nil. The balance relates to other receivables.

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25.4 Reconciliation of trade receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Balance as at 1 January	27,203	30,890	88,608	101,011
Additions during the year	8,787	192,567	28,620	629,098
Receipts for the year	(3,025)	(196,242)	(9,856)	(641,105)
Exchange differences	(2)	110	-	-
Gross carrying amount	32,963	27,325	107,372	89,004
Less: impairment allowance	(408)	(122)	(1,329)	(396)
Balance as at 31 December	32,555	27,203	106,043	88,608

25.5 Reconciliation of impairment allowance trade receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Loss allowance as at 1 January	122	468	396	1,535
Increase/(decrease) in loss allowance during the period	287	(347)	933	(1,139)
Exchange difference	(1)	1	-	-
Loss allowance as at 31 December	408	122	1,329	396

Increase in expected credit loss on trade receivables to due to increase in the receivable balance at the end of the period

25.6 Reconciliation of NPDC receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Balance as at 1 January	-	-	-	-
Additions during the year	339,930	-	1,107,587	-
Receipts for the year	(287,308)	-	(936,130)	-
Exchange difference	15	-	-	-
Gross carrying amount	52,637	-	171,457	-
Less: impairment allowance	(448)	-	(1,460)	-
Balance as at 31 December	52,189	-	169,997	-

During the year, a receivable of ₦14.8 billion ($48.4 million) which was netted against the payable to NPDC in 2018, was written off by the Company. The amount relates to interest which is accrued on cash calls. This was written off because the company assessed that the amount is incollectible;

				31 December 2018
	Gross amounts	Loss allowance	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet
	₦'million	₦'million	₦'million	₦'million
Financial asset				
Trade receivables	14,871	(2,475)	12,396	-
Financial liabilities				
Payable to NPDC	(22,418)	-	(12,396)	(10,022)

Notes to the separate financial statements

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	31 December 2018			
	Gross amounts	Loss allowance	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet
	$'000	$'000	$'000	$'000
Financial asset				
Trade receivables	48,439	(8,086)	40,353	-
Financial liabilities				
Payable to NPDC	(72,996)	-	(40,353)	(32,643)

During the year, the NPDC receivables netted against trade payables in 2018 of ₦14.8 billion ($48.4 million) was fully provided for and eventually written off by the Company as shown in the reconciliation of impairment on NPDC receivables. It relates to the interest accrued on NPDC cash call which is assessed to be uncollectible by the Company.

25.7 Reconciliation of impairment allowance NPDC receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Loss allowance as at 1 January	2,475	-	8,086	-
Increase in loss allowance during the period	12,836	2,475	41,813	8,086
Receivables written off during the year as uncollectible	(14,871)	-	(48,439)	-
Exchange difference	8	-	-	-
Loss allowance as at 31 December	448	2,475	1,460	8,086

During the year, the NPDC receivables netted against trade payables in 2018 was fully provided for and eventually written off by the Company. It relates to the interest accrued on NPDC cash call which is assessed to be uncollectible by the Company.

25.8 Reconciliation of intercompany receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Balance as at 1 January	256,874	231,348	836,723	756,532
Additions during the year	350,120	178,231	1,140,782	579,246
Receipts for the year	(293,501)	(150,781)	(956,311)	(492,779)
Exchange difference	15	3	-	-
Gross carrying amount	313,508	258,801	1,021,194	842,999
Less: impairment allowance	(1,605)	(1,927)	(5,223)	(6,276)
Balance as at 31 December	311,903	256,874	1,015,971	836,723

25.9 Reconciliation of impairment allowance intercompany receivables

	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Loss allowance as at 1 January	1,927	2,230	6,276	7,292
Increase/(decrease) in loss allowance during the period	(322)	(303)	(1,053)	(1,016)
Loss allowance as at 31 December	1,605	1,927	5,223	6,276

Notes to the separate financial statements

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26. Contract assets

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Revenue on gas sales (Note 26.1)	6,527	4,327	21,259	14,096

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. The Company has recognised an asset in relation to a contract with NGMC for the delivery of Gas supplies which NGMC has received but which has not been invoiced as at the end of the reporting period.

The terms of payments relating to the contract is between 30 - 45 days from the invoice date. However, invoices are raised after delivery between 14-21 days when the receivable amount has been established and the right to the receivables crytallises. The right to the unbilled receivables is recognised as a contract asset. At the point where the final billing certificate is obtained from NGMC authorising the quantities, this will be reclassified from contract assets to trade receivables.

26.1 Reconciliation of contract assets

The movement in the Company's contract assets is as detailed below:

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Impact on initial application of IFRS 15	4,327	4,217	14,096	13,790
Additions during the year	52,275	39,120	170,327	127,803
Receipts for the year	(50,077)	(39,027)	(163,164)	(127,497)
Exchange difference	2	17	-	-
Gross carrying amount	6,527	4,327	21,259	14,096

There were no significant changes in the contract assets for the reporting period. There were no impairment allowances recognised on contract assets as it was immaterial. 2018: Nil

27. Derivative financial instruments

The Company uses its derivatives for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are accounted for at fair value through profit or loss. They are presented as current assets to the extent they are expected to be settled within 12 months after the reporting period.

The fair value of the derivative financial instruments as at 31 December 2019 is as a result of a fair value gain on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Crude oil hedges	308	2,693	1,002	8,772

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28. Cash and bank balances

Cash and bank balances in the statement of financial position comprise of cash at bank and on hand, short-term deposits with a maturity of three months or less and restricted cash balances.

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Cash on hand	2	2	8	6
Short term fixed deposits	7,304	29,658	23,794	103,229
Cash at bank	73,972	122,854	240,949	393,553
Gross cash and cash equivalent	81,278	152,514	264,751	496,788
Loss allowance	(15)	(28)	(51)	(90)
Net cash and cash equivalents per statement of cash flow	81,263	152,486	264,700	496,698
Restricted cash	2,056	1,049	6,698	3,418
Cash and bank balance	83,319	153,535	271,398	500,116

The restricted cash balance above is an amount set aside in the Stamping Reserve account for the revolving credit facility (RCF). The amount is to be used for the settlement of all fees and costs payable for the purposes of stamping and registering the Security Documents at the stamp duties office and at the Corporate Affairs Commission (CAC). The amounts are restricted for a period four (4) years, which is the contractual period of the RCF.

These amounts are subject to legal restrictions and are therefore not available for general use by the Company. These amounts have therefore been excluded from cash and bank balances for the purposes of cash flow.

28.1 Reconciliation of impairment allowance on cash and bank balance

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Loss allowance as at 1 January	28	-	90	-
(Decrease)/increase in loss allowance during the period	(13)	28	(39)	90
Loss allowance as at 31 December	15	28	51	90

29. Share capital

29.1. Authorised and issued share capital

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500	3,335	3,335
Issued and fully paid				
575,321,598 (2018: 568,497,025) issued shares denominated in Naira of 50 kobo per share	289	286	1,845	1,834

Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Company's share capital.

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29.2. Movement in share capital and other reserves

	Number of shares	Issued share capital	Share premium	Share based payment reserve	Total
	Shares	₦'million	₦'million	₦'million	₦'million
Opening balance as at 1 January 2019	568,497,025	286	82,080	7,298	89,664
Share based payments (Note 29.4)	-	-	-	2,864	2,864
Vested Shares	6,824,573	3	1,965	(1,968)	-
Closing balance as at 31 December 2019	575,321,598	289	84,045	8,194	92,528

	Number of shares	Issued share capital	Share premium	Share based payment reserve	Total
	Shares	$'000	$'000	$'000	$'000
Opening balance as at 1 January 2019	568,497,025	1,834	497,457	27,499	526,790
Share based payments (Note 29.4)	-	-	-	9,223	9,233
Vested shares (Note 29.4)	6,824,573	11	6,285	(6,296)	-
Closing balance as at 31 December 2019	575,321,598	1,845	503,742	30,426	536,013

29.3. Share Premium

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Share premium	84,045	82,080	503,742	497,457

Section 120.2 of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 requires that where a Company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

During the year, an additional 6,824,573 shares vested with a fair value of $6.41 million. The excess of $6.29 million above the nominal value of ordinary shares have been recognised in share premium.

29.4. Employee share based payment scheme

As at 31 December 2019, the Company had awarded 48,400,563 shares (2018: 40,410,644 shares) to certain employees and senior executives in line with its share-based incentive scheme. Included in the share-based incentive schemes are two additional schemes (2018 Deferred Bonus and 2019 LTIP Scheme) awarded during the reporting period. During the reporting period,10,802,067 shares had vested out of which 1,853,465 shares were forfeited in relation to participants whose employment was terminated during the vesting period. The reserves growth underpins (non-market performance condition) which was partially achieved (at 75% vesting) resulting in a further reduction in the number of shares vested by 2,088,283, this brings the total number of shares forfeited during the period to 3,941,748. The number of shares that vested during the year after the forfeiture and conditions above is 6,824,573 (Dec 2018: 5,052,464 shares were vested).

i. Description of the awards valued

The Company has made a number of share-based awards under incentive plans since its IPO in 2014: IPO-related grants to Executive and Non-Executive Directors, 2014/2015/2016/2017 deferred bonus awards and 2014/2015/2016/2017/2018/2019 Long-term Incentive plan ('LTIP') awards. Shares under these incentive plans were awarded at the IPO in April 2014, 2015, 2016, 2017, 2018 and 2019 conditional on the Nigerian Stock Exchange ('NSE') approving the share delivery mechanism proposed by the Company. A number of these awards have fully vested.

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Seplat Deferred Bonus Award

25% of each Executive Director's 2014, 2015, 2016,2017 and 2018 bonus (paid in 2015, 2016, 2017, 2018 and 2019) has been deferred into shares and released on 1 June 2017, 1 June 2018, 20 April 2019 and 31 December 2020 respectively subject to continued employment over the vesting period. No performance criteria are attached to this award. As a result, the fair value of these awards is calculated using a Black Scholes model.

Long Term Incentive Plan (LTIP) awards

Under the LTIP Plan, shares are granted to management staff of the organisation at the end of every year. The shares were granted to the employees at no cost. The shares vest (after 3 years) based on the following conditions.

- 25% vesting for median relative TSR performance rising to 100% for upper quartile performance on a straight-line basis.
- Relative TSR vesting reduced by 75% if 60% and below of operational and technical bonus metrics are achieved, with 35% reduction if 70% of operational and technical bonus metrics are achieved and no reduction for 80% or above achievement.
- If the Company outperforms the median TSR performance level with the LTIP exploration and production comparator group.

The LTIP awards have been approved by the NSE.

ii. Share based payment expenses

The expense recognised for employee services received during the year is shown in the following table:

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Expense arising from equity-settled share-based payment transactions	2,864	2,969	9,223	9,698

There were no cancellations to the awards in 2019 or 2018. The share awards granted to Executive Directors and confirmed employees are summarised below:

Scheme	Deemed grant date	Start of Service Period	End of service period	Vesting status	Number of awards
Global Bonus Offer	4 November 2015	9 April 2014	9 April 2015	Fully	6,472,138
Non- Executive Shares	4 November 2015	9 April 2014	9 April 2015	Fully	793,650
2014 Deferred Bonus	14 December 2015	14 December 2015	21 April 2017	Fully	212,701
2014 Long term incentive Plan	14 December 2015	14 December 2015	09 April 2017	Fully	2,173,259
2015 Long term incentive Plan	31 December 2015	14 December 2015	21 April 2018	Fully	5,287,354
2015 Deferred Bonus	21 April 2016	21 April 2016	20 April 2018	Fully	247,610
2016 Long term incentive Plan	22 December 2016	22 December 2016	21 December 2019	Fully	10,294,300
2016 Deferred Bonus	24 November 2017	24 November 2017	20 April 2019	Fully	278,191
2017 Long term incentive Plan	24 November 2017	24 November 2017	20 April 2020	Partially	7,938,589
2017 Deferred Bonus	29 December 2017	29 December 2017	31 December 2019	Fully	193,830
2018 Long term incentive Plan	2 May 2018	2 May 2018	1 May 2021	Partially	6,519,022
2018 Deferred Bonus	2 May 2019	2 May 2019	31 December 2020	Partially	341,069
2019 Long term incentive Plan	2 May 2019	2 May 2019	2 May 2022	Partially	7,648,850
					48,400,563

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ii. Determination of Share awards outstanding

Share awards used in the calculation of diluted earnings per shares are based on the outstanding shares as at 31 December 2018.

Share award scheme (all awards)	2019 Number	2019 WAEP ₦	2018 Number	2018 WAEP ₦
Outstanding at 1 January	12,350,871	310	8,205,773	251.64
Granted during the year	10,802,067	387	9,197,562	362.26
Forfeited during the year	(6,824,573)	-	(5,052,464)	-
Exercised during the year	(3,941,748)	-	-	-
Outstanding at 31 December	12,386,617	346	12,350,871	310
Exercisable at 31 December	-	-	-	-

Share award scheme (all awards)	2019 Number	2019 WAEP $	2018 Number	2018 WAEP $
Outstanding at 1 January	12,350,871	1.01	8,205,773	0.82
Granted during the year	10,802,067	1.26	9,197,562	1.18
Forfeited during the year	(6,824,573)	-	(5,052,464)	-
Exercised during the year	(3,941,748)	-	-	-
Outstanding at 31 December	12,386,617	1.13	12,350,871	1.01
Exercisable at 31 December	-	-	-	-

iii. Movements during the year

The following table illustrates the number and weighted average exercise prices ('WAEP') of and movements in deferred bonus scheme and long-term incentive plan during the year for each available scheme.

Deferred Bonus Scheme	2019 Number	2019 WAEP ₦	2018 Number	2018 WAEP ₦
Outstanding at 1 January	315,603	518	230,351	412
Granted during the year	292,509	522	332,862	589
Exercised during the year	(472,021)	-	(247,610)	-
Outstanding at 31 December	136,091	520	315,603	518
Exercisable at 31 December	-	-	-	-

Deferred Bonus Scheme	2019 Number	2019 WAEP $	2018 Number	2018 WAEP $
Outstanding at 1 January	315,603	1.47	230,351	1.35
Granted during the year	292,509	1.70	332,862	1.92
Exercised during the year	(472,021)	-	(247,610)	-
Outstanding at 31 December	136,091	1.69	315,603	1.69
Exercisable at 31 December	-	-	-	-

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The fair value of the modified options was determined using the same models and principles as described in the table below on the inputs to the models used for the scheme.

Long term incentive Plan (LTIP)	2019 Number	2019 WAEP ₦	2018 Number	2018 WAEP ₦
Outstanding at 1 January	12,035,268	361	8,457,922	292
Granted during the year	10,509,557	362	8,864,700	593
Exercised during the year	(6,352,552)	-	(5,287,354)	-
Forfeited during the year	(3,941,748)	-	-	-
Outstanding at 31 December	12,250,525	407	12,035,268	447
Exercisable at 31 December	-	-	-	-

Long term incentive Plan (LTIP)	2019 Number	2019 WAEP $	2018 Number	2018 WAEP $
Outstanding at 1 January	12,035,268	1.18	8,457,922	0.96
Granted during the year	10,509,557	1.18	8,864,700	1.93
Exercised during the year	(6,352,552)	-	(5,287,354)	-
Forfeited during the year	(3,941,748)	-	-	-
Outstanding at 31 December	12,250,525	1.33	12,035,268	1.46
Exercisable at 31 December	-	-	-	-

The shares are granted to the employees at no cost. The weighted average remaining contractual life for the share awards outstanding as at 31 December 2019 range from 0.3 to 2.3 years (2018: 0.3 to 1.3 years).

The weighted average fair value of awards granted during the year range from ₦362.26 to ₦521.9, 2018: ₦451.29 to ₦540.32. $1.18 to $1.70 (2018: $1.47 to $1.76).

The fair value at grant date is independently determined using the Monte Carlo Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

iv. Inputs to the models

The following table lists the inputs to the models used for the share awards outstanding in the respective plans for the year ended 31 December 2019:

	2017 LTIP	2018 LTIP	2018 Deferred bonus	2019 LTIP
Weighted average fair values at the measurement date				
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	43%	41%	33%	35%
Risk-free interest rate (%)	0.44%	0.83%	0.74%	0.76%
Expected life of share options	2.40	3.00	1.67	3.00
Weighted average share price ($)	1.4	1.93	1.7	1.7
Weighted average share price (₦)	428.4	589.90	521.9	521.9
Model used	Monte Carlo	Monte Carlo	Black Scholes	Monte Carlo

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30. Capital contribution

This represents M&P additional cash contribution to the Company. In accordance with the Shareholders' Agreement, the amount was used by the Company for working capital as was required at the commencement of operations.

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Capital contribution	5,932	5,932	40,000	40,000

31. Foreign currency translation reserve

Cumulative exchange difference arising from translation of the Company's results and financial position into the presentation currency and from translation of foreign subsidiary is taken to foreign currency translation reserve through other comprehensive income.

32. Interest bearing loans and borrowings

32.1. Net debt reconciliation

Below is the net debt reconciliation on non-current and current interest-bearing loans and borrowings:

	Borrowings due within 1 year ₦ million	Borrowings due above 1 year ₦ million	Total ₦ million	Borrowings due within 1 year $'000	Borrowings due above 1 year $'000	Total $'000
Balance as at 1 January 2019	3,031	133,799	136,830	9,872	435,827	445,699
Principal repayment	(3,029)	(27,662)	(30,691)	(9,872)	(90,128)	(100,000)
Interest repayment	(10,364)	-	(10,364)	(33,770)	-	(33,770)
Interest accrued	15,198	-	15,198	49,520	-	49,520
Other financing charges	(2,696)	-	(2,696)	(8,783)	-	(8,783)
Proceeds from loan financing	19,151	87,195	106,346	62,399	284,101	346,500
Exchange difference	4	17	21	-	-	-
Carrying amount as at 31 December 2019	21,295	193,349	214,644	69,366	629,800	699,166

	Borrowings due within 1 year ₦ million	Borrowings due above 1 year ₦ million	Total ₦ million	Borrowings due within 1 year $'000	Borrowings due above 1 year $'000	Total $'000
Balance as at 1 January 2018	81,159	93,170	174,329	265,400	304,677	570,077
Principal repayment	(81,237)	(126,295)	(207,532)	(265,400)	(412,600)	(678,000)
Interest repayment	(10,890)	-	(10,890)	(35,471)		(35,471)
Interest accrued	15,680	239	15,919	51,228	782	52,010
Effect of loan restructuring	-	2,425	2,425	-	7,923	7,923
Other financing charges	(1,802)	-	(1,802)	(5,885)		(5,885)
Proceeds from loan financing	-	163,775	163,775	-	535,045	535,045
Exchange differences	121	485	606	-	-	-
Carrying amount as at 31 December 2018	3,031	133,799	136,830	9,872	435,827	445,699

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32.2. Amortised cost of borrowings

	2019 ₦'million	2018 ₦'million	2019 $'000	2018 $'000
Senior loan notes	107,237	107,272	349,278	349,417
Revolving loan facilities	107,407	29,558	349,888	96,282
	214,644	136,830	699,166	445,699

$350 million Senior notes – March 2018

Interest bearing loans and borrowings include a revolving loan facility and senior notes. In March 2018 the Company issued ₦107 billion, $350 million, senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes are expected to mature in April 2023. The interest accrued up at the reporting date is ₦10.56 billion, $34.4 million using an effective interest rate of 10.4%. Transaction costs of ₦2.1 billion, $6.86 million have been included in the amortised cost balance at the end of the reporting period. The amortised cost for the senior notes at the reporting period is ₦107.76 billion, $351.5 million (December 2018: ₦106.95 billion, $349.4 million).

$200 million Revolving credit facility – March 2018

The Company entered into a four-year revolving loan agreement with interest payable semi-annually and principal repayable on 31 December of each year. The revolving loan has an initial contractual interest rate of 6% +Libor (7.7%) and a settlement date of June 2022.

The interest rate of the facility is variable. The Company made a drawdown of ₦61 billion, $199 million in March 2018. The interest accrued at the reporting period is ₦0.2 billion (Sept 2018: ₦2.89 billion) using an effective interest rate of 9.8% (Sept 2018: 9.4%). The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period.

In October 2018, the Company made principal repayments on the four-year revolving facility for a lump sum of ₦30.7 billion, $100 million. The repayment was accounted for as a prepayment of the outstanding loan facility. The gross carrying amount of the facility was recalculated as the present value of the estimated future contractual cash flows that are discounted using the effective interest rate at the last reporting period. Gain or loss on modifications are recognised immediately as part of interest accrued on the facility. Transaction costs of ₦1.4 billion, $4.58 million have been included in the amortised cost balance at the end of the reporting period. In the reporting period, the Company repaid the outstanding principal amount of ₦30.7 billion, $100 million on the revolving loan facility.

$350 million Revolving credit facility – December 2019

The Company on 20 December 2019 also entered into a four-year revolving loan agreement with interest payable semi-annually. There is a two-year moratorium on the principal which ends on 31 December 2021. The revolving loan has an initial contractual interest rate of 6% +Libor (7.9%) and a settlement date of 31 December 2023.

The interest rate of the facility is variable. The Company made a drawdown of ₦107.45 billion, $350 million as at year end. The interest accrued at the reporting period is ₦3.58 billion, $1.1 million using an effective interest rate of 10.2%. The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period.

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32.3. Outstanding principal exposures

The following is the analysis of the principal outstanding showing the lenders of the facility as at the year-end:

31 December 2019	Interest	Current ₦ million	Non-Current ₦ million	Total ₦ million	Current $'000	Non-Current $'000	Total $'000
Fixed interest rate							
Senior notes:	9.25		107,450	107,450		350,000	350,000
Variable interest rate							
Corporate loan:							
Citibank, N.A., London Branch	6.0% +LIBOR	-	12,280	12,280	-	40,000	40,000
Nedbank Limited London	6.0% +LIBOR	-	12,280	12,280	-	40,000	40,000
Stanbic IBTC Bank Plc	6.0% +LIBOR	-	6,140	6,140	-	20,000	20,000
The Standard Bank of South Africa Limited	6.0% +LIBOR	-	6,140	6,140	-	20,000	20,000
RMB International (Mauritius) Limited	6.0% +LIBOR	-	12,280	12,280	-	40,000	40,000
The Mauritius Commercial Bank Ltd	6.0% +LIBOR	-	12,280	12,280	-	40,000	40,000
JPMorgan Chase Bank, N.A., London Branch	6.0% +LIBOR	-	9,210	9,210	-	30,000	30,000
Standard Chartered Bank	6.0% +LIBOR	-	9,210	9,210	-	30,000	30,000
Natixis	6.0% +LIBOR	-	9,210	9,210	-	30,000	30,000
Société Générale, London Branch	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
Zenith Bank Plc	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
United Bank for Africa Plc	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
First City Monument Bank Limited	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
Total Variable cost			107,450	107,450	-	350,000	350,000
			214,900	214,900	-	700,000	700,000

31 December 2018	Interest	Current ₦ million	Non-Current ₦ million	Total ₦ million	Current $'000	Non-Current $'000	Total $'000
Senior notes	9.25%	-	107,450	107,450	-	350,000	350,000
Corporate loan:							
Stanbic IBTC Bank Plc	6.0% +LIBOR	-	3,070	3,070	-	10,000	10,000
The Standard Bank of South Africa	6.0% +LIBOR	-	1,535	1,535	-	5,000	5,000
Nedbank Limited, London Branch	6.0% +LIBOR	-	4,605	4,605	-	15,000	15,000
Standard Chartered Bank	6.0% +LIBOR	-	3,582	3,582	-	11,667	11,667
Natixis	6.0% +LIBOR	-	3,070	3,070	-	10,000	10,000
FirstRand Bank Limited Acting	6.0% +LIBOR	-	2,456	2,456	-	8,000	8,000
Citibank N.A. London	6.0% +LIBOR	-	3,684	3,684	-	12,000	12,000
The Mauritius Commercial Bank Plc	6.0% +LIBOR	-	3,582	3,582	-	11,667	11,667
Nomura International Plc	6.0% +LIBOR	-	5,117	5,117	-	16,667	16,667
Total Variable cost		-	30,701	30,701	-	100,001	100,001
		-	138,151	138,151	-	450,001	450,001

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33. Provision for decommissioning obligation

	₦ million	$ '000
At 1 January 2018	30,716	100,447
Unwinding of discount due to passage of time	843	2,753
Change in estimate	6,099	19,466
At 31 December 2018	37,658	122,666
At 1 January 2019	37,658	122,666
Unwinding of discount due to passage of time	1,075	3,501
Change in estimate	(3,745)	(12,199)
At 31 December 2019	34,988	113,968

The Company makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. This relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a "probable future sacrifice of economic benefits arising from a present obligation", and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred as highlighted in the table below which is the current expectation as to when the producing facilities are expected to cease operations. Management engaged a third party to assist with an estimate of the expenditure to be incurred. These provisions were based on estimations carried out by Ryder Scott based on current assumptions on the economic environment which management believes to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to considers any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for necessary decommissioning works required that 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.

	Current estimated life span of reserves	
	2019	2018
	In years	In years
Seplat Petroleum Development Company:	2037	2027
OML 4	2027 – 2037	2034
OML 38	2027 – 2034	2027 - 2034
OML 41	2037	2034
Newton Energy Limited (OPL 283)	2037 - 2044	2027 - 2047
Seplat East Onshore Ltd (OML 53)	2028 – 2054	2041 - 2043

34. Employee benefit obligation

34.1 Defined contribution plan

The Company contributes to a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Company pays fixed contributions to an approved Pension Fund Administrator ('PFA') – a separate entity. The assets of the scheme are managed by various Pension Fund Administrators patronised by employees of the Company. The Company's contributions are charged to the profit and loss account in the year to which they relate.

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34.2 Defined benefit plan

i) Investment management strategy and policy

The Company operates a funded defined benefit pension plan in Nigeria under the regulation of National Pension Commission. The plan provides benefits to all the employees (excluding Directors holding salaried employment in the Company) who have been employed by the Company for a continuous period of five years and whose employment have been confirmed. The employee's entitlement to the accrued benefits occurs on retirement from the Company. The level of benefits provided on severance depends on members' length of service and salary at retirement age.

The overall investment philosophy of the defined benefit plan fund is to ensure safety, optimum returns and liquidity in line with the regulation and guidelines of the Pension Reform Act 2014 or guidelines that may be issued from time to time by National Pension Commission.

Plan assets are held in trust. Responsibility for supervision of the plan assets (including investment decisions and contributions schedules) lies jointly with the trustees and the pension fund managers. The trustees are made up of members of the Company's senior management appointed by the Chief Executive Officer. The Company does not have an investment strategy of matching match plan assets with the defined obligations as they fall due, however, the Company has an obligation to settle shortfalls in the plan asset upon annual actuarial valuations.

The provision for the defined benefit plan is based on an independent actuarial valuation performed by Logic Professional Services ("LPS") using the projected unit credit method. The provision is adjusted for inflation, interest rate risks, changes in salary and changes in the life expectancy for the beneficiaries.

The amount payable as at 31 December 2019 was ₦3 billion, 2018: ₦1.8 billion ($9.8 billion, 2018: $5.9 billion).

The following tables summaries the components of net defined benefit expense recognized in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

ix. Liability recognised in the financial position

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Defined benefit obligation	3,594	2,324	11,707	7,568
Fair value of plan assets	(583)	(505)	(1,899)	(1,645)
	3,011	1,819	9,808	5,923

x. Amount recognised in profit or loss

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Current service cost	602	500	1,961	1,633
Interest cost on defined benefit obligation	364	285	1,186	931
	966	785	3,147	2,564
Return on plan assets	(129)	(3)	(420)	(10)
	837	782	2,727	2,554

The Company recognises a part of its defined benefit expenses in profit or loss and recharges the other part to its joint operations partners, this is recognised as a receivable from the partners. Below is the breakdown:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Charged to profit or loss	309	340	1,005	1,111
Charged to receivables	528	442	1,722	1,443
Balance as at 31 December	837	782	2,727	2,554

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xi. Re-measurement (gains)/losses in other comprehensive income

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Remeasurement losses due to changes in financial and demographic assumptions	(508)	408	(1,655)	1,332
Remeasurement gains due to experience adjustment	111	(14)	362	(46)
Remeasurement gain on plan assets	(51)	-	(166)	-
	(448)	394	(1,459)	1,286
Deferred tax credit/(expense) on remeasurement losses	381	(335)	1,240	(1,093)
	67	59	219	193

The Company recognises a part of the remeasurement losses in other comprehensive income and recharges the other part to its joint operations partners. Below is the breakdown:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Recharged to receivables	(247)	216	(803)	706
(Charged)/credited to other comprehensive income	(201)	178	(656)	579
Remeasurement (losses)/gain due to changes in financial and demographic assumptions	(448)	394	(1,459)	1,285

xii. Deferred tax (expense)/credit on re- measurement (gains)/losses

The Company recognises deferred tax (credit on a part of the remeasurement (gain)/ losses in other comprehensive income/(loss). Below is the breakdown:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Credited/(charged) to other comprehensive income	171	(80)	558	(261)
Charged to receivables	210	(255)	682	(833)
Deferred tax on remeasurement losses	381	(335)	1,240	(1,094)

xiii. Changes in the present value of the defined benefit obligation are as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Defined benefit obligation as at 1 January	2,324	1,994	7,568	6,518
Current service cost	602	500	1,961	1,633
Interest cost on benefit obligation	364	285	1,186	931
Remeasurement losses due to changes in financial and demographic assumptions	508	(408)	1,655	(1,331)
Remeasurement gains due to experience adjustment	(111)	14	(362)	46
Benefits paid by the employer	(86)	(63)	(280)	(206)
Exchange differences	(7)	2	(21)	(23)
Defined benefit obligation at 31 December	3,594	2,324	11,707	7,568

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xiv. The changes in the fair value of plan assets is as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Balance as at 1 January	(505)	-	(1,645)	-
Employer contributions	-	(502)	-	(1,635)
Return on plan assets	(129)	(3)	(420)	(10)
Remeasurement loss on plan assets	51	-	166	-
Balance as at 31 December	(583)	(505)	(1,899)	(1,645)

The net liability disclosed above relates to funded plans as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Present value of funded obligations	3,594	2,324	11,707	7,568
Fair value of plan assets	(583)	(505)	(1,899)	(1,645)
Deficit of funded plans	3,011	1,819	9,808	5,923

The fair value of the plan asset of the Company at the end of the reporting period was determined using the market values of the comprising assets as shown below:

	Quoted ₦ million	Not quoted ₦ million	2019 Total ₦ million	Quoted $'000	Not quoted $'000	2019 Total $'000
Money market	-	136	136	-	442	442
Equity Instrument	12		12	40		40
Treasury bills	50	-	50	163	-	163
Bonds	386		386	1,258		1,258
Cash at bank	-	2	2	-	6	6
Other current asset	-	(3)	(3)	-	(10)	(10)
Total plan asset as at 31 December	448	135	583	1,461	438	1,899

	Quoted ₦ million	Not quoted ₦ million	2018 Total ₦ million	Quoted $'000	Not quoted $'000	2018 Total $'000
Money market	-	125	125	-	407	407
Treasury bills	379	-	379	1,234	-	1,234
Cash at bank	-	1	1	-	4	4
Total plan asset as at 31 December	379	126	505	1,234	411	1,645

xv. The principal assumptions used in determining defined benefit obligations for the Company's plans are shown below:

	2019 %	2018 %
Discount rate	14.00	15.50
Average future pay increase	12.00	12.00
Average future rate of inflation	12.00	10.00

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e) Mortality in service

Sample age	Number of deaths in year out of 10,000 lives 2019	2018
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

f) Withdrawal from service

Age band	Rates 2019	2018
Less than or equal to 30	1.0%	1.0%
31 – 39	1.5%	1.5%
40 – 44	1.5%	1.5%
45 – 55	1.0%	1.0%
56 – 60	0.0%	0.0%

A quantitative sensitivity analysis for significant assumption is as shown below:

		Discount Rate		Salary increases		Mortality	
Assumptions	Base	1% increase ₦ million	1% decrease ₦ million	1% increase ₦ million	1% decrease ₦ million	1% increase ₦ million	1% decrease ₦ million
Sensitivity Level: Impact on the net defined benefit obligation							
31 December 2019	3,595	(225)	262	280	(243)	3	(3)
31 December 2018	2,324	(225)	262	280	(243)	3	(3)

		Discount Rate		Salary increases		Mortality	
Assumptions	Base	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000
Sensitivity Level: Impact on the net defined benefit obligation							
31 December 2019	11,707	(733)	854	912	(792)	10	(10)
31 December 2018	7,568	(735)	856	915	(794)	10	(10)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The methods and assumptions used in preparing the sensitivity analysis did not change compared to prior period.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

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The expected maturity analysis of the undiscounted defined benefit plan obligation is as follows:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Within the next 12 months (next annual reporting period)	198	57	646	186
Between 2 and 5 years	1,403	1,335	4,569	4,361
Between 5 and 10 years	5,421	131,806	17,658	430,604
Beyond 10 years	127,029	-	413,775	-
	134,051	133,198	436,648	435,151

The weighted average liability duration for the Plan is 11.35 years. The longest weighted duration for Nigerian Government bond as at 31 December 2018 was about 7.26 years with a gross redemption yield of about 13.31%.

a) Risk exposure

Through its defined benefit pension plans, the Company is exposed to a number of risks. The most significant of which are detailed below:

i) Liquidity risk

The plan liabilities are not fully funded and as a result, there is a risk of the Company not having the required cash flow to fund future defined benefit obligations as they fall due.

ii) Inflation risk

This is the risk of an unexpected significant rise/fall of market interest rates. A rise leads to a fall in long term asset values and a rise in liability values.

iii) Asset volatility

The Company hold significant proportion of its plan assets in equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

iv) Life expectancy

Most of the the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

35. Trade and other payables

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Trade payable	16,282	11,058	53,034	36,021
Accruals and other payables	61,242	44,884	199,490	146,202
Nigerian Petroleum Development Company (NPDC)	-	10,022	-	32,643
Pension payable	(14)	106	(48)	345
NDDC levy	6	7	21	22
Royalties	5,813	7,402	18,936	24,111
Overlift	13,227	-	43,085	-
Intercompany payable	119,113	66,919	387,992	217,979
	215,669	140,398	702,510	457,323

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Included in accruals and other payables are field accruals of ₦ 36 billion, 2018: ₦21 billion ($119 million, 2018: $67 million), accruals for services received with invoices uncleared of ₦6 billion, 2018:nil ($21 million, 2018: nil), payables to Eland's (newly acquired subsidiary) employees of ₦1.5 billion ($5 million) and other payables to creditors, employees and contractors of ₦17.5 billion, 2018: ₦23 billion ($54 million, 2018: $79 million).

35.1. Net debt reconciliation
Included in accruals and other payables is advance payment on crude oil sales. Below is the net debt reconciliation on this amount.

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Balance as at 1 January	-	23,723	-	77,499
Principal repayment	-	(23,193)	-	(75,769)
Interest repayment	-	(530)	-	(1,730)
Carrying amount as at 31 December		-	-	-

36. Contract liabilities

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Contract liabilities	5,005	-	16,301	-

36.1 Reconciliation of contract liabilities

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Opening balance	-	-	-	-
Addition during the year	5,005	-	16,301	-
	5,005	-	16,301	-

Contract liabilities represents take or pay volumes contracted with Azura for 2018 which is yet to be utilized. In line with contract, Azura can make a demand on the makeup gas but only after they have taken and paid for the take or pay quantity for the current year. The contract liability is accrued for two years after which the ability to take the makeup gas expires and any outstanding balances are recognised as revenue

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37. Earnings per share (EPS)

Basic EPS

Basic EPS is calculated on the Company's profit after taxation attributable to the company and based on weighted average number of issued and fully paid ordinary shares at the end of the year.

Diluted EPS

Diluted EPS is calculated by dividing the profit after taxation attributable to the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (arising from outstanding share awards in the share based payment scheme) into ordinary shares.

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Profit for the year	66,129	49,681	215,477	162,305
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	569,228	568,497	569,228	568,497
Outstanding share-based payment (shares)	12,387	8,206	12,387	8,206
Weighted average number of ordinary shares adjusted for the effect of dilution	581,615	576,703	581,615	576,703
	₦	₦	$	$
Basic earnings per share	116.17	87.39	0.38	0.29
Diluted earnings per share	113.70	86.15	0.37	0.28

The shares were weighted for the proportion of the number of months they were in issue during the reporting period.

38. Dividends paid and proposed

As at 31 December 2019, the final proposed dividend for the Company is ₦15.35 ($0.05), 2018: is ₦15.35 ($0.05).

	2019	2018	2019	2018
	₦ million	₦ million	$'000	$'000
Cash dividends on ordinary shares declared and paid:				
Interim dividend for 2019: ₦30.7 ($0.10) per share, 588,444,561 shares in issue (2017: ₦ Nil, $ Nil per share, 563,444,561 shares in issue)	18,019	18,036	58,708	58,888
Proposed dividend on ordinary shares:				
Final proposed dividend for the year: ₦15.35 ($0.05) per share	8,831	9,033	28,766	29,422

As at 31 December 2019, ₦9 billion ($29.4 million) of interim dividend was paid at ₦15.35 ($0.05) per share as at 30 June 2019 and the remaining dividend ₦9 billion ($29.3 million) was paid at ₦15.35 ($0.05) per share as at 30 November 2019. (2018: ₦9 billion ($29.4 million) of the interim dividend was paid at ₦15.35 ($0.05) per share as at 31 March 2018 and the remaining dividend ($29.4 million, ₦9 billion) was paid at ₦15.35 ($0.05) as at 31 December 2018. Final Naira dividend payments will be based on the Naira/Dollar rates on the date for determining the exchange rate. The payment subject to shareholders' approval at the 2020 Annual General Meeting.

39. Related party relationships and transactions

The 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.

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39.1 Related party relationships

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.

vi) Shareholders of the parent company

Shebah Petroleum Development Company Limited SPDCL ('BVI'): The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The company provided consulting services to Seplat. Services provided to the Group during the year amounted to N322million, $1.05million (2018: N333million, $1.09million)

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

Nerine Support Services Limited: Is owned by common shareholders with the parent company. In 2019, Seplat purchased the warehouse building and land which was being leased in 2018 from Nerine. The cost of acquisition of the land was N21million, $68,000 and warehouse building of N1.19billion, $3.89million. The total cost of land and building amounted to N1.4billion, $4.57million. The company provides agency and contract workers to Seplat. Nerine on average charges a mark-up of 7.5% on agency and contract workers assigned to Seplat.Total costs for agency and contracts during 2019 are ₦5 billion, $17 million (2018: ₦2 billion, $8million). These amounts are gross i.e. it includes salaries and Nerine's mark-up. All other transactions were made on normal commercial terms and conditions, and at market rates.

Montego Upstream Services Limited: The chairman's nephew is shareholder and director. The company provides drilling and engineering services to Seplat. The transactions during the year amounted to N783million, $2.55million (2018: N24million, $79thousand). Receivables were nil in the current period (2018: N8million, $26thousand).

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 N2.89billion, $9.44million (N621million, $2.03million). Receivables were nil in the current period (2018: N1.49billion, $4.87million)

Stage leasing (Ndosumili Ventures Limited): is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat.This amounted to N445million, $1.45million (2018: N434million, $1.42million). Payables were nil in the current period (2018: N13million, $43thousand)

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

Abbeycourt Trading Company Limited: The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations. This amounted to N286million, $0.93million during the year (2018: N334million, $1.09million). Payables were nil in the current period (2018: N9million, $28thousand)

Charismond Nigeria Limited: The sister to the Chief Executive Officer (CEO) works as a General Manager. The company provides administrative services including stationary and other general supplies to the field locations. This amounted to N11million, $36thousand (2018: N23million, $74thousand).

Keco Nigeria Enterprises: The Chief Executive Officer's sister is shareholder and director. The company provides diesel supplies to Seplat in respect of its rig operations. This amounted to N221million, $0.72million (2018: N78million, $0.25million). Payables were nil in the current period (2018: N19million, $61thousand)

Oriental Catering Services Limited: The spouse of the CEO is a shareholder and director. The company provides catering services to Seplat at the staff canteen. This amounted to N47million, $0.15million (2018: N199million, $0.65million). Payables were nil in the current period (2018: N14million, $47thousand)

ResourcePro Inter Solutions Limited: The in-law of Seplat's CEO is its UK representative. The company supplies furniture to Seplat. Receivables were nil in the current period (2018: N2million, $6thousand).

i) Entitites controlled by the Company – Investment in newly acquired subsidiairy

Eland Oil and Gas Limited: During the year, the Company acquired the total issued share capital of Eland Oil and Gas for ₦149 billion ($487 million) at 166 pence per share. This has been accounted for as an investment in subsidiary. Upon acquisition, the Company paid 156 pence/share to the employees of Eland rather than the exercise price 166 pence/share. The balance of ₦1.5 billion ($5 million) has been recognised as payable to Eland Oil and Gas.

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ii) Jointly controlled entities

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

40. Information relating to employees

40.1 Key management compensation

Key management includes executive and members of the leadership team. The compensation paid or payable to key management for employee services is shown below:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Salaries and other short-term employee benefits	728	793	2,373	2,590
Post-employment benefits	95	86	308	281
Share based payment expenses	166	146	540	476
	989	1,025	3,221	3,347

40.2 Chairman and Directors' emoluments

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Chairman (Non-executive)	354	342	1,155	1,118
Chief Executive Officer	763	445	2,486	1,453
Executive Directors	800	699	2,606	2,283
Non-Executive Directors	702	494	2,287	1,614
Total	2,619	1,980	8,535	6,468

2019 Executive Director emoluments includes 2018 bonus paid in 2019.

40.3 Highest paid Director

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Highest paid Director	440	484	1,434	1,577

Emoluments are inclusive of income taxes.

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40.4 Number of directors

The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2019 Number	2018 Number
Zero - ₦19,896,500	-	-
₦19,896,501 - ₦115,705,800	-	-
₦115,705,801 - ₦157,947,600	-	-
Above ₦157,947,600	3	3
	3	3

	2019 Number	2018 Number
Zero - $65,000	-	-
$65,001 - $378,000	-	-
$378,001 - $516,000	-	-
Above $516,000	3	3
	3	3

40.5 Employees

The number of employees (other than the Directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over ₦1,989,650 ($6,500), received remuneration (excluding pension contributions) in the following ranges:

	2019 Number	2018 Number
₦1,989,650 - ₦4,897,600	9	71
₦4,897,601- ₦9,795,200	142	177
₦9,795,201 - ₦14,692,800	132	77
Above ₦14,692,800	180	139
	463	464

	2019 Number	2018 Number
$6,500 - $16,000	9	71
$16,001 - $32,000	142	177
$32,001 - $48,000	132	77
Above $48,000	180	139
	463	464

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40.6 Number of persons employed during the year

The average number of persons (excluding Directors) in employment during the year was as follows:

	2019 Number	2018 Number
Senior management	19	16
Managers	100	93
Senior staff	200	193
Junior staff	144	162
	463	464

40.7 Employee cost

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to the following:

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Salaries & wages	7,015	6,039	22,851	19,670
	7,015	6,039	22,851	19,670

41. Commitments and contingencies

41.1 Contingent liabilities

The Company is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the year ended 31 December 2019 is ₦11 billion, 2018: ₦0.7 billion ($35.5 million, 2018: $2.4 million). The contingent liability for the year is determined based on possible occurrences, though unlikely to occur. No provision has been made for this potential liability in these financial statements. Management and the Company's solicitors are of the opinion that the Company will suffer no loss from these claims.

41.2 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	31 Dec 2019 ₦ million	31 Dec 2018 ₦ million	31 Dec 2019 $'000	31 Dec 2018 $'000
Property, plant and equipment	31,022	-	101,050	-

Anoh Joint Venture: The above commitments include capital expenditure commitments of ₦18.4 billion ($60 million) 2018 – nil. relating to the Anoh Joint Venture.

42. Events after the reporting period

On 9 March 2020, oil prices fell by around 20% and the forward curve for 2020 and 2021 fell to approximately $38/bbl and $43/bbl respectively. These recent events will continue to have an impact on oil price volatility. Seplat prudently manages its commodity risk and is well hedged with 60% of 2020 production hedged at a floor price of $45/bbl up to Q3 2020. Realised oil prices for January and February 2020 averaged over $62.8/bbl. Seplat will continue to monitor the oil prices and take adequate steps to manage our business and any financial impact of same.

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43. Changes in accounting policies

This note explains the impact of adoption of IFRS 16: Leases on the Company's financial statements.

Leases

The Company's leased assets include buildings and land. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension options. The lease terms are between 1 and 5 years. On renewal of a lease, the terms are renegotiated. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognised as rentals in the statement of profit or loss and other comprehensive income on a straight-line basis and disclosed within general and administrative expenses over the period of the lease.

From 1 January 2019, on adoption of IFRS 16, leased assets are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Company is also recognised. The Company elected to use the transition practical expedient which allows the standard to be applied to contracts that were previously identified as leases under IAS 17 (Leases) and IFRIC 4 (Determining whether an arrangement contains a lease) at the date of initial application.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'). The Company had no low value leases on adoption of the new standard. Lease liabilities for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 7.56% as at that date.

Lease liabilities

At the commencement date of a lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the weighted average interest rate applicable to the Company's general borrowings denominated in dollars during the period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The lease term refers to the contractual period of a lease.

The Company has elected to exclude non-lease components in calculating lease liabilities and instead treat the related costs as an expense in profit or loss.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of a lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognized, initial direct costs incurred, decommissioning costs (if any), and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Short-term leases and leases of low value

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. low value assets). Low-value assets are assets with lease amount of less than $5,000 when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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a. Impact of adoption

The new Leases standard, IFRS 16 replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. As discussed in Note 3, the Company has elected to apply the new standard using the simplified method. Accordingly, the information presented for the year ended, 31 December 2018 has not been restated but is presented, as previously reported, under IAS 17.

On adoption of IFRS 16, the lease liabilities as at 1 January 2019 for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at that date. The Company's weighted average incremental borrowing rates as at 1 January 2019 and 30 December 2019 was 7.56%.

On adoption of the new accounting standard, the Company elected to apply the following practical expedients:

- The Company relied on previous assessment of existing lease contracts
- Leases with a remaining lease term of one year with no extension commitments as at 1 January 2019 were treated as short-term leases.
- The Company excluded initial direct costs in determining the cost of right-of-use assets
- The same discount rate was applied for a portfolio of leases with reasonably similar characteristics.

b. Impact on statement of financial position

The following table summarises the impact of transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. There was no impact of adoption of IFRS 16 on retained earnings as at 1 January 2019.

	Amounts without impact of IFRS 16 ₦'million	Impact of IFRS 16 ₦'million	At as 1 January 2019 ₦'million
ASSETS			
Non-current assets			
Right-of-use assets	-	4,216	4,216
Prepayments	7,871	(274)	7,597
Total non-current assets	328,870	3,942	332,812
Current assets			
Prepayments	3,456	(1,783)	1,673
Total current assets	514,131	(1,783)	512,348
Total assets	843,001	2,159	845,160
EQUITY AND LIABILITIES			
Lease liabilities	-	1,902	1,902
Total non-current liabilities	173,276	1,902	175,178
Current liabilities			
Lease liabilities	-	238	238
Total current liabilities	143,429	238	143,667
Total liabilities	316,705	2,140	318,845

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	Amounts without impact of IFRS 16	Impact of IFRS 16	At as 1 January 2019
	$'000	$'000	$'000
ASSETS			
Non-current assets			
Right-of-use assets	-	13,734	13,734
Prepayments	25,635	(893)	24,742
Total non-current assets	1,071,233	12,841	1,084,074
Current assets			
Prepayments	11,258	(5,809)	5,449
Total current assets	1,674,694	(5,809)	1,668,885
Total assets	2,745,927	7,032	2,752,959
EQUITY AND LIABILITIES			
Lease liabilities	-	6,196	6,196
Total non-current liabilities	564,416	6,196	570,612
Current liabilities			
Lease liabilities		776	776
Total current liabilities	467,195	776	467,971
Total liabilities	1,031,611	6,972	1,038,583

i. Right-of-use assets

All the Company's right-of-use assets are non-current assets. A reconciliation of the Company's right-of-use assets as at 1 January 2019 and 31 December 2019 is shown below:

	₦'million	$'000
Opening balance as at 1 January 2019	-	-
Effect of initial application of IFRS 16	4,216	13,734
Adjusted opening balance as at 1 January 2019	4,216	13,734
Additions during the year	88	285
Less: depreciation for the period	(907)	(2,955)
Closing balance as at 31 December 2019	3,397	11,064

The right-of-use assets recognised as at 1 January 2019 and 31 December 2019 comprised of the following asset:

	As at 31 Dec 2019	As at 1 Jan 2019
	$'000	$'000
Office buildings	11,064	13,734
Right-of-use assets	11,064	13,734

	As at 31 Dec 2019	As at 1 Jan 2019
	₦'million	₦'million
Office buildings	3,397	4,216
Right-of-use assets	3,397	4,216

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ii. Lease liabilities

A reconciliation of the Company's remaining operating lease payments as at 31 December 2018 and the lease liabilities as at 1 January 2019 and 31 December 2019 is shown below:

	₦'million	$'000
Total undiscounted operating lease commitment as at 31 December 2018	2,860	9,316
Lease liability as at 1 January 2019	2,140	6,972
Additions during the year	63	203
Add: interest on lease liabilities (Note 14)	164	534
Closing balance as at 31 December 2019	2,367	7,709

The lease liability as at 1 January 2019 is the total operating lease commitment as at 31 December 2018 discounted using the incremental borrowing rate as at that date.

Short term leases relate to leases of residential buildings, car parks and office building with contractual lease term of less than or equal to 12 months at the date of initial application of IFRS 16. At the end of the reporting period, rental expense of ₦351 million ($1.1 million) was recognised within general and administrative expenses for these leases. The Company's future cash outflows from short term lease commitments at the end of the reporting period is ₦14.8 billion ($48 million).

The Company's lease payments for drilling rigs are classified as variable lease payments. The variability arises because the lease payments are linked to the use of the underlying assets. These variable lease payments are therefore excluded from the measurement of the lease liabilities. At the end of the reporting period, there was no rental expense recognised within cost of sales for these leases. The expected future cash outflows arising from variable lease payments is estimated at ₦14.8 billion ($48 million).

The Company's lease liability as at 1 January 2019 and 31 December 2019 is split into current and non-current portions as follows:

	As at 31 Dec 2019	As at 1 Jan 2019
	₦'million	₦'million
Non-current	2,367	1,902
Current	-	238
Lease liability	2,367	2,140

	As at 31 Dec 2019	As at 1 Jan 2019
	$'000	$'000
Non-current	7,709	6,196
Current	-	776
Lease liability	7,709	6,972

c. Impact on the statement of profit or loss (decrease)

	31 December 2019	31 December 2019
	₦'million	$'000
Depreciation expense	(907)	(2,955)
Operating profit	(907)	(2,955)
Finance cost	(164)	(534)
Profit for the period	(1,071)	(3,489)

Notes to the separate financial statements

Continued

d. Impact on the statement of cashflows (increase)

	31 December 2019	31 December 2019
	₦'million	$'000
Depreciation of right-of-use assets	907	2,955
Net cash flows from operating activities	907	2,955
Interest on lease liabilities	-	-
Net cash flows from financing activities	-	-

No interest was paid on lease during the period. The lease payments for the first two years of the lease contract was prepaid, which has been reclassified to right of use asset in 2019.

These are non-cash impact on transition to IFRS 16.

e. Sensitivity to purchase options

In 2018, the Company entered into a lease agreement for its new head office building. The lease contract contains an option to purchase and right of first refusal upon an option of sales during the initial non-cancellable lease term of five (5) years. Management has determined that it is not reasonably certain that the Company will exercise the purchase option. Thus, the purchase price was not included in calculating the lease liability or right-of-use asset. The following tables summaries the impact that exercising the purchase option would have had on the profit before tax and net assets of the Company:

	Effect on profit before tax	Effect on profit before tax
	31 December 2019	31 December 2019
Impact of purchase option	₦'million	$'000
Depreciation	556	1,810
Interest payment	(725)	(2,363)
	(169)	(553)

	31 December 2019	31 December 2019
	Effect on net assets	Effect on net assets
Impact of purchase option	₦'million	$'000
Right-of-use assets	9,594	31,251
Lease liability	(10,322)	(33,621)
	(728)	(2,370)

f. Impact on segment assets and liabilities

The Company's assets are allocated to segments based on the operations and the geographical location of the assets. All non-current assets of the Company are domiciled in Nigeria. The changes in segment assets and liabilities for each segment as at 31 December 2019 is shown below:

Notes to the separate financial statements

Continued

	Amount under IAS 17 ₦'million	Impact of IFRS 16 ₦'million	Amount under IFRS 16 ₦'million
Segment assets:			
Oil	813,180	3,397	816,577
Gas	240,911	-	240,911
	1,054,091	3,397	1,057,488
Segment liabilities:			
Oil	461,807	2,367	464,174
Gas	16,091	-	16,091
	477,898	2,367	480,265

	Amount under IAS 17 $'000	Impact of IFRS 16 $'000	Amount under IFRS 16 $'000
Segment assets:			
Oil	2,725,567	11,064	2,736,631
Gas	707,963	-	707,963
	3,433,530	11,064	3,444,594
Segment liabilities:			
Oil	1,487,966	7,709	1,495,675
Gas	68,709	-	68,709
	1,556,675	7,709	1,564,384

g. Impact on earnings per share

As a result of adoption of IFRS 16, the earnings per share of the Company for the year ended 31 December 2019 decreased as shown in the table below:

	31 December 2019	31 December 2019	31 December 2019
	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	₦'million	₦'million	₦'million
Profit for the period	64,649	(1,071)	63,578
Earnings per share for profit attributable to the equity shareholders:			
Basic earnings per share (₦)	113.57	(1.88)	111.69
Diluted earnings per share (₦)	111.15	(1.84)	109.31

	31 December 2019	31 December 2019	31 December 2019
	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	$'000	$'000	$'000
Profit for the period	210,464	(3,489)	207,164
Earnings per share for profit attributable to the equity shareholders:			
Basic earnings per share ($)	0.37	(0.01)	0.36
Diluted earnings per share ($)	0.37	(0.01)	0.36

h. Impact on deferred taxes

As a result of adoption of IFRS 16, there were no impact on deferred taxes as interest expense on lease liabilities and depreciation of right-of-use assets give rise to permanent differences for tax purposes.

Statement of value added

For the year ended 31 December 2019

	2019		2018		2019		2018	
	₦ million	%	₦ million	%	$'000	%	$'000	%
Revenue from contracts with customers	200,733		217,174		654,037		09,493	
Other income - net	4,096		1,757		13,346		5,739	
Finance income	4,702		2,874		15,321		9,388	
Cost of goods and other services:								
Local	(50,773)		(45,742)		(165,422)		(149,431)	
Foreign	(33,848)		(30,494)		(110,282)		(99,621)	
Valued added	124,910	100%	145,569	100%	407,000	100%	475,568	100%

Applied as follows:

	2019		2018		2019		2018	
	₦ million	%	₦ million	%	$'000	%	$'000	%
To employees: - as salaries and labour related expenses	7,347	6%	8,618	6%	23,941	6%	28,154	6%
To external providers of capital: - as interest	10,129	8%	14,788	10%	33,001	8%	48,311	10%
To Government: – as Company taxes	6,641	5%	7,693	5%	21,637	5%	25,134	5%
Retained for the Company's future: - For asset replacement, depreciation, depletion & amortisation	27,821	22%	36,734	25%	90,647	22%	120,010	25%
Deferred tax (charges)/credit	6,843	5%	28,055	19%	22,297	5%	91,654	19%
Profit for the year	66,129	53%	49,681	34%	215,477	53%	162,305	34%
Valued added	124,910	100%	145,569	100%	407,000	100%	475,568	100%

The value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for the creation of future wealth.

Five-year financial summary
As at 31 December 2019

	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million	2015 ₦ million
Revenue from contracts with customers	200,733	217,174	51,995	98,593	121,246
Profit/(loss) before taxation	79,613	85,429	(29,261)	15,159	43,529
Income tax (expense)/credit	(13,484)	(35,748)	4,421	(3,245)	-
Profit/(loss) for the year	66,129	49,681	(24,840)	11,914	43,529

	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million	2015 ₦ million
Capital employed:					
Issued share capital	289	286	283	282	277
Share premium	84,045	82,080	82,080	82,080	82,080
Share based payment reserve	8,194	7,298	2,597	1,729	-
Capital contribution	5,932	5,932	5,932	5,932	5,932
Retained earnings	282,228	234,148	193,499	45,618	36,086
Foreign translation reserve	196,535	196,552	106,670	136,456	138,768
Total equity	577,223	526,296	391,061	272,097	263,143
Represented by:					
Non-current assets	518,366	328,870	277,618	167,517	152,396
Current assets	539,423	514,131	404,274	348,199	293,558
Non-current liabilities	(233,715)	(173,276)	(137,722)	(115,850)	(45,994)
Current liabilities	(246,851)	(143,429)	(153,109)	(127,769)	(136,817)
Net assets	577,223	526,296	391,061	272,097	263,143

Five-year financial summary

As at 31 December 2019

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Revenue from contracts with customers	654,037	709,493	417,428	202,446	497,867
Profit/(loss) before taxation	259,411	279,093	94,056	(138,911)	76,549
Income tax (expense)/credit	(43,934)	(116,788)	221,233	14,499	(16,384)
Profit/(loss) for the year	215,477	162,305	315,289	(124,412)	60,165

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Capital employed:					
Issued share capital	1,845	1,834	1,826	1,826	1,821
Share premium	503,742	497,457	497,457	497,457	497,457
Share based payment reserve	30,426	27,499	17,809	12,135	8,734.00
Capital contribution	40,000	40,000	40,000	40,000	40,000
Retained earnings	1,304,197	1,147,526	1,045,985	730,740	877,123
Total equity	1,880,210	1,714,316	1,603,077	1,282,158	1,425,135
Represented by:					
Non-current assets	1,688,491	1,071,233	1,174,286	910,221	899,186
Current assets	1,757,082	1,674,694	1,552,758	1,325,488	1,751,151
Non-current liabilities	(761,285)	(564,416)	(411,642)	(451,549)	(642,575)
Current liabilities	(804,078)	(467,195)	(712,325)	(502,002)	(582,627)
Net assets	1,880,210	1,714,316	1,603,077	1,282,158	1,425,135

Supplementary financial information (unaudited)
For the year ended 31 December 2019

44. Estimated quantities of proved plus probable reserves

	Oil & NGLs MMbbls	Natural Gas Bscf	Oil Equivalent MMboe
At 31 December 2018	226.6	1,473	(480.6)
Revisions	(1.6)	68.2	10.2
Discoveries and extensions	-	-	-
Acquisitions	-	-	-
Production	(8.7)	(47.7)	(16.9)
At 31 December 2019	216.3	1,493.5	487.3

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Reserves are those quantities of crude oil, natural gas and natural gas liquid that, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions.

As additional information becomes available or conditions change, estimates are revised.

45. Capitalised costs related to oil producing activities

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Capitalised costs:				
Unproved properties	-	-	-	-
Proved properties	417,140	413,334	1,358,761	1,346,364
Total capitalised costs	417,140	413,334	1,358,761	1,346,364
Accumulated depreciation	(167,252)	(147,243)	(544,794)	(479,621)
Net capitalised costs	249,888	266,091	813,967	866,743

Capitalised costs include the cost of equipment and facilities for oil producing activities. Unproved properties include capitalised costs for oil leaseholds under exploration, and uncompleted exploratory well costs, including exploratory wells under evaluation. Proved properties include capitalised costs for oil leaseholds holding proved reserves, development wells and related equipment and facilities (including uncompleted development well costs) and support equipment.

46. Concessions

The original, expired and unexpired terms of concessions granted to the Company as at 31 December 2019 are:

		Original	Term in years expired	Unexpired
Seplat	OML 4, 38 & 41	10	9	1

Supplementary financial information (unaudited)

For the year ended 31 December 2019 - continued

47. Results of operations for oil producing activities

	2019 ₦ million	2018 ₦ million	2019 $'000	2018 $'000
Revenue from contracts with customers	138,530	169,534	451,364	553,856
Other income - net	4,096	1,757	13,346	5,739
Production and administrative expenses	(96,032)	(95,682)	(301,574)	(298,426)
Depreciation & amortisation	(21,328)	(26,610)	(80,806)	(101,090)
Profit before taxation	25,266	48,999	82,330	160,079
Taxation	(13,484)	(35,748)	(43,934)	(116,788)
Profit after taxation	11,782	13,251	38,396	43,291

48. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

49. Exchange rates used in translating the accounts to Naira

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

	Basis	31 December 2019	31 December 2018
		₦/$	₦/$
Fixed assets – opening balances	Historical rate	Historical	Historical
Fixed assets - additions	Average rate	306.91	306.10
Fixed assets - closing balances	Closing rate	307	307.00
Current assets	Closing rate	307	307.00
Current liabilities	Closing rate	307	307.00
Equity	Historical rate	Historical	Historical
Income and Expenses:	Overall Average rate	306.91	306.10