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LEADING NIGERIA'S ENERGY TRANSITION

SEPLAT PETROLEUM DEVELOPMENT COMPANY PLC

AUDITED RESULTS FOR YEAR ENDED 31 DECEMBER 2020

1 MARCH 2021

www.seplatpetroleum.com

Seplat Petroleum Development Company Plc

For the year ended 31 December 2020

Lagos and London, 1 March 2021: Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), a leading Nigerian independent energy company listed on both the Nigerian Stock Exchange and the London Stock Exchange, announces its audited results for the financial year ended 31 December 2020.

Operational highlights

- Working-interest production within guidance at 51,183 boepd, despite demand fall and OPEC+ quotas
- Liquids production of 33,714 bopd, gas production of 101 MMscfd
- Eland OML40/Ubima assets produced 8,855 bopd, 26.3% of Group liquid volumes
- Low unit cost of production at $8.90/boe, with cost-cutting initiatives ongoing, particularly at OML40/Ubima
- Drilled/completed nine wells and brought eight onstream in 2020
- ANOH project now budgeted under original $700 million FID estimate, but COVID-19 related delays to H1 2022

Financial highlights

- Final dividend of $0.05 per share recommended ($0.10/share for full year)
- EBITDA of $266 million, operating profit of $121 million (before non-cash impairments and unrealised fair value losses)
- Strong cash position of $259 million after $100 million RCF repayment, $58 million dividends paid in the year, and $150 million capex; net debt at $440 million with most maturities after 2021
- IAS 36 COVID-19 impact assessment and IFRS 9 non-cash impairment provision of $144.3 million, majority booked in Q2 2020

Corporate updates

- Creation of New Energy unit to manage gas processing and future low carbon to zero carbon initiatives
- AGPC financing signed in February 2021, $260 million raised, with commitments for $450 million
- Advanced stage to extend maturities for existing Eland RBL, raise additional funding via offtaker financing for Elcrest capex
- $5.0 million funding of share purchase programme, by Trustee, for Seplat LTIP, starting immediately
- Board directive to eliminate Related-Party Transactions by end of 2021

Outlook for 2021

- Full-year production guidance of 48-55 kboepd, subject to market conditions
- Full-year capex expected to be around $150 million with a focus on gas projects and an exploration well to meet reserves replacement targets

Roger Brown, Chief Executive Officer, said:

"2020 was a challenging year for the Company but Seplat has once again shown its resilience and ability to overcome challenges and deliver production in line with guidance, operating with minimal incidences of COVID-19 cases.

From the $330 million of cash generated from operations, we have increased our capital investment, invested in ANOH and voluntarily paid down $100 million of debt, further deleveraging the balance sheet. Despite seeing the lowest oil prices in our 10-year history, we have continued to honour our commitment to shareholders of a regular income stream on their investment, by maintaining a total dividend of $0.10 per share for the year."

"Gas is the lower-carbon feedstock for affordable electricity for Nigeria's young and rapidly-growing population. Seplat is leading Nigeria's transition away from spending scarce foreign currency on imported, expensive, high-emission diesel-generated electricity and we believe this will provide the necessary baseload for a functioning electricity grid that will allow renewable energy to take its place, as we see in the developed world, which in large parts is still fuelled by coal. The energy transition in Nigeria must balance both the environmental and the social agenda."

"Our flagship ANOH project, with the Nigerian Gas Company, is now fully funded and we have made excellent progress in difficult times, with major gas processing units expected to arrive in Nigeria in Q3 2021, installation to commence before the end of the year, mechanical completion and pre-commissioning in Q1 2022 and first gas flowing to customers before the end of H1 2022, at a lower expected cost of up to $650 million."

"We remain committed to providing shared value for all of our stakeholders. During the year, with our Government partners, we provided medical beds and other palliatives to our communities and have started construction on a 200-bed infectious diseases hospital. Seplat continues to focus on employment opportunities for communities, education, healthcare and knowledge transfer and local capacity development."

Seplat Petroleum Development Company Plc

For the year ended 31 December 2020

Summary of performance

	$ million			₦ billion	
	FY 2020	FY 2019	% change	FY 2020	FY 2019
Revenue	530.5	697.8	(24.0%)	190.9	214.2
Gross profit	124.6	395.7	(68.5%)	44.8	121.5
Impairment of assets *	(144.3)	(48.6)	197%	(51.9)	(14.9)
EBITDA **	265.8	480.4	(44.7%)	95.7	147.4
Operating profit (loss)	(31.7)	312.0	(110%)	(11.4)	95.7
Profit (loss) before tax	(80.2)	293.0	(127%)	(28.9)	89.9
Cash flow from operations	329.4	341.6	(3.6%)	118.6	104.7
Working-interest production (boepd)	51,183	46,498	10.1%		
Average realised oil price ($/bbl)	39.95	64.36	(37.9%)		
Average realised gas price ($/Mscf)	2.87	2.84	1.1%		

*Includes impairments of $114.4 million on revaluation of assets and $29.9 million on financial assets
**Adjusted for non-cash items including impairments, fair value adjustments, abandonment, and exchange loss

Outlook for 2021

For 2021 we expect to produce an average of 48,000 – 55,000 boepd, taking into account the impact of OPEC+ quotas. We continue to hedge against oil price volatility and expect a higher proportion of revenues to come from long-term gas contracts at stable prices.

We have significant cash resources and will continue to manage our finances prudently in 2021, expecting to invest $150 million of capital expenditure across the full year. We remain confident that our ongoing cost-cutting initiatives and prudent management of cash will enable further reductions in debt, whilst supporting dividend payments and investment for growth.

Following its successful funding, the completion of the ANOH project remains a major priority. Although we expect some COVID-19 related delays to push completion into early 2022, following a cost optimisation programme we now expect the project to cost no more than $650 million, substantially below the $700 million budget previously stated at Final Investment Decision (FID).

Seplat Petroleum Development Company Plc
For the year ended 31 December 2020

Enquiries:

Seplat Petroleum Development Company Plc Roger Brown, Chief Executive Officer Emeka Onwuka, Chief Financial Officer Carl Franklin, Head of Investor Relations Ayeesha Aliyu, Investor Relations Chioma Nwachuku, General Manager, External Affairs & Communications	+234 1 277 0400 +44 203 725 6500
FTI Consulting Ben Brewerton / Sara Powell	+44 203 727 1000 seplat@fticonsulting.com
Citigroup Global Markets Limited Tom Reid / Luke Spells	+44 207 986 4000
Investec Bank plc Chris Sim / Rahul Sharma	+44 207 597 4000

Results call

At 09:00 GMT / 10.00 WAT on Monday 1 March 2021, the Executive Management team will host a conference call and webcast to present the Company's results.

The presentation can be accessed remotely via a live webcast link and pre-registering details are below. After the meeting, the webcast recording will be made available and access details of this recording are also set out below.

A copy of the presentation will be made available on the day of results on the Company's website at https://seplatpetroleum.com/.

Event Title:	Seplat plc: Full Year Results
Event Date:	9:00am (London) 10:00am (Lagos) Monday 01 March 2021
Webcast Live Event Link:	https://secure.emincote.com/client/seplat/seplat007
Conference call and pre-register Link:	https://secure.emincote.com/client/seplat/seplat007/vip_connect
Archive Link:	https://secure.emincote.com/client/seplat/seplat007

The Company requests that participants dial in 10 minutes ahead of the call. When dialling in, please follow the instructions that will be emailed to you following your registration.

Notes to editors

Seplat Petroleum Development Company Plc is Nigeria's leading indigenous energy 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. The Company is also a leading supplier of gas to the domestic power generation market. 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 Market Abuse Regulations. Upon the publication of this announcement via Regulatory Information Services, 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 of which not all 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

For the year ended 31 December 2020

Reserves

Seplat's portfolio comprises direct interests in seven oil and gas blocks and a revenue interest in one other block. This portfolio provides the Company with a robust platform of oil and gas reserves and production capacity, together with material upside opportunities through future development.

Working-interest reserves for the 2020 financial year

	Working-interest 2P reserves at 1/1/21				Working-interest 2P reserves at 1/1/20			
		Liquids	Gas	Oil equivalent		Liquids	Gas	Oil equivalent
	Seplat %	MMbbls	Bscf	MMboe	Seplat %	MMbbls	Bscf	MMboe
OMLs 4, 38 & 41	45%	156	693	275	45%	164	687	282
OPL 283	40%	5	66	17	40%	5	69	17
OML 53	40%	44	742	172	40%	45	738	172
OML 55	Fin. interest	5	0	5	Fin. interest	2	0	2
OML 40	45%	27	0	27	35%	29	0	29
Ubima	88%	4	0	4	74%	7	0	7
Total		**241**	**1,501**	**499**		**252**	**1,494**	**509**

(1) Eland has a 45% working interest in OML40 until the Westport loan is fully repaid in accordance with the loan agreement ($417 million loan balance as at 31 December 2020), reverting to 20.25%.

(2) Eland has an 88% Working Interest in the Ubima marginal field until the carry has been reached, reverting to 40%.

(3) Ryder Scott has assessed that due to lower oil price forecasts from 2020, more oil will be required to recover the loan amount resulting in an increased reserves allocation to Eland

Total working-interest 2P reserves, as assessed independently by Ryder Scott Company, L.P., at 1 January 2021, stood at 499.4 MMboe, comprising 240.5 MMbbls of oil and condensate and 1,501.3 Bscf of natural gas. The change represents an organic decrease in overall 2P reserves of 1.9% year-on-year, due to production of 12.3 MMbbls but mitigated by revisions of previous estimates. Working-interest 2C resources stood at 94.8 MMboe, comprising 59.7 MMbbls of oil and condensate and 203.3 Bscf of natural gas.

Consequently, the Group's working-interest 2P reserves and 2C resources stood at 594.1 MMboe at 1 January 2021, comprising 300.2 MMbbls oil and condensate and 1,704.7 Bscf of natural gas.

Production

Our oil and gas assets are located in the onshore land and swamp areas of the prolific Niger Delta in Nigeria. Principal areas of production are Edo, Delta, Imo and Rivers States.

Working-interest production for the 2020 financial year

		2020			2019		
		Liquids(1)	Gas	Oil equivalent	Liquids	Gas	Oil equivalent
	Seplat %	bopd	MMscfd	boepd	bopd	MMscfd	boepd
OMLs 4, 38 & 41	45%	21,249	101	38,718	21,031	131	43,593
OPL 283	40%	970	-	970	1,157	-	1,157
OML 53	40%	2,639	-	2,639	1,747	-	1,747
OML 40	45%	7,884	-	7,884	-	-	-
Ubima	88%	971	-	971			
Total		**33,714**	**101**	**51,183**	**23,935**	**131**	**46,498**

(1) Liquid production volumes as measured at the LACT unit for OMLs 4, 38 and 41; 40 and OPL 283 flow station. Volumes stated are subject to reconciliation and will differ from sales volumes within the period.

Operating Review

For the year ended 31 December 2020

Full-year total working-interest production for 2020 was within guidance and averaged 51,183 boepd. Within this, liquids production was up 40.9% year-on-year, reflecting the first-time contribution of the acquired Eland assets whilst gas production was down 22.9% year-on-year, because of Q1 maintenance and the impact of the COVID-19 pandemic on the economy. Production decline rates are at levels typical of the region at 10-15% per annum.

This represents an overall production increase of 10.1% compared with 2019 despite constrained production levels in Nigeria following cuts in OPEC+ production quotas and tank-top issues experienced at the terminal arising from the pandemic and the general impact of COVID-19 on operations.

There was 83% uptime for the Trans Forcados Pipeline during the period and the produced liquid volumes from OMLs 4, 38 and 41 were subject to 9.4% reconciliation losses.

Oil business performance

The Group's oil operations continued despite the COVID-19 crisis and produced an average 33,714 bopd on a working-interest basis during 2020, up 40.9% on 2019.

This increase reflects a maiden contribution of 8,855 bopd (26.3% of Group liquid volumes) from the OML 40 and Ubima assets, as well as higher production from OML 53 compared to 2019. Exports from the Group's operations were constrained by approximately 410,000 bbls on a gross basis as a result of the OPEC+ production cuts implemented in the third quarter of 2020. Production output increased as a result of wells drilled earlier in the year, which has necessitated discussions with the DPR and NNPC for increased quotas to reflect this uptick.

During the period, six oil wells were drilled/completed (Sapele-35, Ovhor-6ST, Ovhor-20, Ohaji South-5, Ohaji South-6 and Gbetiokun-5), while the Extended Well Test for Ubima continued with production up to 1,200 bopd. The wells flowed at a combined initial rate of approximately 18,700 bopd. Production improvement through Well, Reservoir and Facilities Management (WRFM) interventions included rigless restoration and optimisation activities that resulted in optimised well head production and LTF performance.

The average price realised per barrel in 2020 was $39.95 (2019: $64.40).

OMLs 4, 38 & 41

Seplat holds a 45% working interest in OMLs 4, 38 and 41, with the Nigerian Petroleum Development Company (NPDC) holding the remaining 55% interest.

In OML 4, the partners drilled two new gas production wells in the second half of the year. Oben-49 was completed in the period with an initial gross production rate of 35 MMscfd of gas and 600 bopd of condensate. Oben-50 came onstream in the first quarter of 2021.

In OML 38, further to the earlier commissioning of the liquid treatment facility ('LTF') at Amukpe, we undertook a crude quality upgrade project aimed at achieving an export-grade specification of 0.5% BS&W. By doing this, we have eliminated the cost component of crude handling charges that have historically been incurred for evacuating wet crude to the Forcados terminal and freed up additional ullage on the export pipeline for dry crude. The upgrade ensures the ability to produce more than 40,000 bopd of dry crude. Further optimisation of the LTF, with additional automation to achieve less than 0.5% dry crude and 60,000 bopd dry crude, is expected to be completed in the first half of 2021.

The two wells completed in the period, Ovhor-6ST and Ovhor-20, came onstream at a combined average gross rate of 5,200 bopd. In a bid to realise the full potential of the wells in this area, additional bulk lines were laid and we expect will be commissioned in first quarter of 2021.

In 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 2020, one well, Sapele-35, was completed with a potential initial gross rate of approximately 1,000 bopd.

OPL 283

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

Following the conclusion of the Anagba-1 appraisal well, Pillar-Newton JV and other Partners have executed the Pre-Unitisation Agreement, Crude Handling Agreement and Facility Services Agreement for the Ashaka/Anagba fields. Production allocation to Newton commenced in September.

The Igbuku 3D seismic data acquired by Pillar-Newton JV was interpreted and formed the basis for the Integrated Petroleum Engineering Studies, which along with the Field Development Plan will underpin the Igbuku gas development. The planned Igbuku re-entry was temporarily put on hold due to cuts in capital expenditure, given the challenging year. However, the team ensured that the Interim Crude Supply and Associated Gas for power swap agreements were executed in the period.

OML 53

Seplat holds a 40% working interest in OML 53, with the National Petroleum Investment Management Services (NAPIMS) holding the remaining 60% interest.

Seplat completed two wells at the Ohaji South (OHS) oil field, OHS-5 and OHS-6. The two wells came onstream in the third quarter of 2020 at a combined average production rate of 5,000 bopd, thus ramping up production from the acreage from c. 6,500 bopd to achieve an exit rate of c. 11,500 bopd.

Infrastructure projects completed during the year were focused on supporting production growth from Ohaji South field, which included the upgrade of existing 10,000 bopd Early Production Facility (EPF) to 15,000 bopd capacity, construction of 4”x10km flowlines, 8”x12 km bulkline and capacity expansion of remote manifold at Ohaji South field.

In December, Seplat signed a Crude Purchase Agreement (CPA) with Waltersmith Petroman Oil Limited. The CPA is for the supply of between 2,000 and 4,000 bopd from existing working-interest production from the Ohaji South Field within OML 53, for Waltersmith's new 5,000 bopd modular refinery at Ibigwe Field, in Imo State.

Previously, Seplat's share of Ohaji South crude was primarily evacuated to the export terminal via a third-party Crude Handling Agreement with Waltersmith. This new agreement benefits Seplat by selling its crude oil directly to Waltersmith for refining, thereby eliminating crude losses and downtime experienced along the evacuation and export route. The transaction will also boost the capacity of Waltersmith in providing its products particularly to the immediate region of our operations thereby supporting Seplat's commitment to national energy security.

Apart from its oil, OML 53 has substantial gas reserves that can provide feedstock for the ANOH Gas Processing Plant that Seplat is building in partnership with the National Gas Company (NGC). A portion of dry gas production (70 MMscfd) from the plant has been earmarked to meet the domestic supply obligations associated with the OML 53 reserves.

At the upstream supplying ANOH, four wells are planned to be delivered by the upstream operator, Shell Petroleum Development Company (SPDC) in 2021. SPDC has commenced the drilling for the first set of two wells scheduled to be completed in Q2 2021, which will be followed by another set of two wells scheduled to be completed in Q4 2021.

OML 55

In accordance with the revised commercial arrangement that was agreed in July 2016, which provides for a discharge sum of $330 million to be paid to Seplat over a six-year period through allocation of crude oil volumes produced from OML 55, Seplat received payments amounting to $4.8 million in 2020. Total payments received from inception to the end of 2020 stood at $124.8 million and the outstanding discharge sum to be paid to Seplat is $205.2 million. Recovery during the year was impacted by OPEC+ production cuts and low oil prices.

In a bid to sustain production from this block, Seplat’s Asset Management Team has received the field data for technical evaluation to resolve production challenges that have delayed target recovery of the investment.

In 2021, Seplat will continue to monetise liftings towards full recovery of the $330 million discharge sum.

OML 40

Seplat completed the acquisition in the United Kingdom of the entire issued share capital of Eland in December 2019. Eland has a 45% interest in Elcrest, which in turn owns a 45% working interest in OML 40. Elcrest is a joint venture between Starcrest (55%) and Eland (45%). OML 40 is operated by the Nigerian Petroleum Development Company (NPDC) on behalf of the NPDC/Elcrest Joint Venture. Since inception, Eland has arranged the funding of Elcrest’s share in OML 40. The current aggregate loan balance owed by Elcrest at the end of 2020 was $520 million and until this is repaid, Seplat will continue to consolidate Elcrest into its results.

In 2020, Gbetiokun-5 was completed, with initial well production capacity of c.5,000 bopd. While the possibility of a permanent export pipeline solution is being explored, evacuation of processed crude via shuttle tankers from Gbetiokun to the injection point on the main OML 40 export pipeline has been enhanced with the mooring facilities rehabilitation and crude injection system upgrade. This allowed the successful streamlining of the Gbetiokun barging operations with the use of a self-propelled, 28 kbbl capacity vessel to evacuate liquids and has driven barging costs down from $14/bbl to $5/bbl. Facility projects progressed during the year included Gbetiokun-Adagbasa pipeline, Opuama flow station upgrade, BRVS and Gbetiokun EPF upgrades.

The Opuama focus was on deferment management, reservoir management ranging from incorporation of recently drilled well results into subsurface models, production monitoring, reduction of Mean Time-to-Repair, well optimisation and the identification of further opportunities to increase overall recovery.

Preparatory activities for drilling of the high-impact, near-field Sibiri (formerly Amobe) exploration prospect continued during the year with the evaluation of possible acceleration of first oil in the event of exploration success. Sibiri carries a risked best estimate gross prospective oil resource of 78 MMbbls.

Following the tragic BRVS accident in July, operations at Gbetiokun were suspended for several weeks but exports were able to recommence at the end of August. The three investigation teams deployed identified failure of the Permit to Work system as the root cause of the incident and recommended improvement actions. Sixteen of the recommendations, including all high-urgency items, have been closed out and the final two items will be concluded shortly.

Operations were further impacted by the incident on the MT Harcourt, a 180,000 bbls storage vessel used at Gbetiokun that occurred in November. A JV led investigation team identified poor contractor practices as the root cause of the incident which led to a rupture of the vessel's ballast tank hull. MT Harcourt is a self-contained vessel operated by Union Maritime leased under the Project Management Team arrangement between NPDC and Elcrest for the development of OML 40 Gbetiokun field. Three of the six actions recommended have been closed out, including a marine audit of all OML 40 vessels and spill clean-up completed.

Elcrest's management has prioritised building a robust HSE culture across the organisation and aims to finalise implementation of the enhanced standards across its locations.

Ubima

Seplat's Eland subsidiary, through Wester Ord, owns a 40% working interest in the Ubima marginal field, with All Grace Energy Limited (AGEL) owning 60%. Wester Ord is the Technical and Financial partner to AGEL in the Ubima development.

The Extended Well Test for Ubima continued through the year with a production of c.1,200 bopd. The Field Development Plan for Ubima has been finalised.

Development of Eland

The acquisition of the entire issued share capital of Eland Oil & Gas PLC completed in the United Kingdom at the end of 2019 and was Seplat's first corporate acquisition. Seplat acquired the jointly operated OML 40 through its indigenous joint-venture subsidiary Elcrest, the share of Ubima, and the Aberdeen-based technical and service support of the Eland organisation.

Between them, OML40 and Ubima produced 26.3% of the Group's liquids in 2020.

Eland provides Seplat with increased production and reserves and further exposure to exploration potential, as well as furthering Seplat's access to international technical expertise and services in Aberdeen to augment our staff in Nigeria.

From December 2019, we have been focused on identifying ways in which the Seplat and Elcrest organisations could work effectively together, and ways in which the joint venture company Elcrest could leverage the Seplat corporate organisation to enhance its capabilities and improve operations at OML40.

From the start of 2020, despite the challenging environment of the COVID-19 pandemic and suppressed oil prices, Aberdeen-based staff continued to support OML 40 operations and, as the year progressed the inherent value of the Aberdeen office emerged and in December 2020 it was reorganised to become a Centre of Excellence for the Seplat group. It will allow Seplat greater access to the global energy hub of Aberdeen for traditional oil and gas expertise, together with expertise in power, renewables and carbon capture. This will include access to vendors, technology development and industry networks, and importantly to build university links between Nigeria and Scottish universities and enable knowledge transfer to Nigeria through training of Seplat staff, government partners and communities.

The Seplat Aberdeen office will also host teams for exploration, technical support for business development and new energy, subsurface, engineering and finance. All of these teams report into the Seplat corporate organisation.

Within Nigeria, Seplat has supported Elcrest in areas such as corporate social responsibility (CSR), drawing upon the experience and expertise of Seplat to develop improved policies and procedures, community engagement structures and sustainability strategy.

Diversifying export routes

Our strategy is to reduce over-reliance on any operated asset or associated third-party export route by diversifying our production base and exploring or creating new export routes over which we have more control.

At OMLs 4, 38 and 41, we have 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 us to activate this alternative export route in 2020. Security initiatives undertaken by the Nigerian government, as well as our own continuity strategies, minimised downtime experienced because of the TFP.

The Amukpe-Escravos Pipeline (AEP) is set to provide a third and more secure underground evacuation option for liquids production from OMLs 4, 38 and 41. Once completed, we believe it will significantly improve the assets' production uptime (83% in 2020) and reduce losses from crude theft and reconciliation (9.4% in 2020).

The minor completion works on the 160,000 bopd pipeline are not within Seplat's control and have been slower than anticipated due to a combination of challenges associated with access to the Escravos terminal owing to COVID-19 and issues relating to ownership of the pipeline. Our partner NPDC now owns a direct stake in the pipeline and we understand they are working with the other pipeline owner and their banks to enable the completion of the project. We have consequently adjusted our plan and budgets to expect commencement of export of the initial permitted volume of 40,000 bopd through the Escravos terminal in the second half of 2021.

OML 40's production is evacuated through the Trans Escravos Pipeline (TEP), which has lower reconciliation losses and better uptime than the Trans Forcados Pipeline (TFP). There is an option being explored to connect the AEP line to the

TEP through a short 8km spur providing an additional route for OML 4, 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 average an aggregate of 30% per annum. A dedicated team is developing these export options and we will communicate the details in due course.

At OML 53, Seplat plans to construct a crude export line to convey production from Ohaji South field into Ebocha-Brass Trunkline via Ebocha manifold. This will provide an alternate evacuation route to Brass Terminal and thereby help alleviate production deferment from the field.

Gas business performance

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

Seplat's working-interest production for the year was 101 MMscfd at an average selling price of $2.87/Mscf (2019: 131 MMscfd, $2.84/Mscf). Gas contributed $112.5 million of Group revenues, or 21.2%. This was lower than planned as a result of the indirect impact of COVID-19 on Nigerian businesses for most of the year, which affected bulk offtake from Oben. Delays in production from Oben-50 gas well further exacerbated the effect, following a restoration in demand in the later part of the year.

An electricity tariff increase, that saw prices to consumers rise by an average of 75%, became effective in November 2020. This cost-reflective tariff has improved the collection system recently implemented by the Government and is expected to improve cashflow to the power sector and therefore future invoice settlements.

Oben Gas Plant

We successfully completed a 15-day turnaround maintenance (TAM) for the Oben Gas Plant in March and lessons learned were successfully embedded. Gas production was affected during the maintenance period and this impact was amplified by third-party infrastructure downtime of 17% due to associated condensate handling challenges.

The Oben-48 gas well, drilled in late 2019, came onstream in the first quarter of 2020, while Oben-49 came onstream in the fourth quarter of 2020. Both wells are currently producing a gross 42 MMscfd combined. Oben-50 was drilled in the fourth quarter, coming onstream in Q1 2021.

Sapele Gas Plant

Decommissioning of the surface infrastructure of the existing gas plant reached completion in the fourth quarter of the year. Site preparation and civil construction works for the new plant have commenced alongside piling activities.

For the new plant, we have taken delivery of the Associated Gas Compressors and seven gas generators have been completed ex-works. Procurement of the remainder packages and the balance of the plant equipment is at various stages of contracting, detailed engineering design and fabrication. The project is expected to be completed in the second half of 2022, with Sapele's processing capacity increasing from 60 MMscfd to 75MMscfd. The upgraded facility will produce gas that meets export specifications, and the LPG processing unit module will enhance the economics of the plant, as well as ensuring that any gas flaring is eliminated.

ANOH Gas Processing Plant update

The ANOH Gas Processing 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.

The ANOH plant, is being built by AGPC, which is an IJV owned equally between Seplat and the Nigerian Gas Company ("NGC"), a wholly owned subsidiary of Nigerian National Petroleum Corporation ("NNPC"). In February 2021, The IJV, AGPC, successfully raised $260 million in debt to fund completion of the ANOH project. The project is now fully funded following completion of equity investments of $210 million by each partner ($420 million combined).

ANOH is one of Nigeria's most strategic gas projects. It will help Nigeria to accelerate its transition away from small-scale diesel generators to cleaner, less expensive fuels such as natural gas for power generation.

The upstream development, including the drilling of six production wells, will be delivered by the upstream unit operator SPDC, with four wells expected to be completed in 2021. We have made excellent progress on the project despite the COVID-19 challenges and we expect the major gas processing units to arrive in Nigeria in Q3 2021, to commence installation before the end of the year, with mechanical completion and pre-commissioning in Q1 2022 and first gas flowing to customers by the end of H1 2022. The initial total project cost was budgeted at $700 million. Following a cost optimisation programme, the AGPC construction cost is now expected to be no more than $650 million, inclusive of financing costs and taxes, significantly lower than the original projected cost at FID.

ESG developments

In our continuing drive to improve our environmental performance and prepare for both the opportunities and challenges posed by climate change, we are working with external consultants Environment Resource Management and Critical Resource to conduct scenario analysis of our assets under the IEA's Stated Policies Scenario (STEPS) and its Sustainable Development Scenario to simulate a well-below 2°C outcome against which we can test the resilience of our portfolio.

In addition, we are developing a carbon footprint calculator so that we can more accurately measure our emissions. We will publish the results of these initiatives in due course and use the insights they deliver to drive our corporate strategy and sustainability initiatives going forward.

Caring for our communities

In March 2020, as the pandemic began to take hold, Seplat joined the NNPC, and 32 oil and gas companies to contribute $30 million to help the Federal Government fight COVID-19 in Nigeria. The sector donation supported healthcare delivery facilities, including ventilators, personal protective equipment, test kits and ambulances for different states in the country.

In addition, Seplat joined an effort to fight the pandemic in Edo, Imo and Delta states. For Edo State, the donation was made in the form of medical supplies and equipment including motorised sprayers, backpack sprayers, eye goggles, hand sanitisers, nose masks, temperature guns, chemical gloves and personal protective equipment. Similar donations and donations of additional equipment were made in Imo State. In Delta State, Seplat, First Hydrocarbon Nigeria (FHN) and ND Western also donated critical medical equipment and materials to the state in the quest to check the spread of COVID-19, thus enhancing government's readiness to manage possible incidences of COVID-19.

In June, Seplat and its joint venture partners the NNPC and its subsidiary the Nigerian Petroleum Development Company (NPDC) Limited, made additional donations to state governments to fight against the pandemic. For Edo State, the items donated were 25 hospital beds and a transport ventilator, the same donations being made to Delta State. For Imo State, the items donated were 25 hospital beds, sanitary buckets, alcohol-based hand sanitisers, infrared thermometers, protective equipment and a transport ventilator, amongst other donations.

Also, in June 2020, Seplat and its joint venture partner NNPC commenced constructing a permanent 200 bed Emergency and Infectious Diseases Hospital at Imo State University Teaching Hospital Orlu, Imo State.

The facility is one of the 12 hospitals that the NNPC intends to construct across the country's six geo-political zones. The NNPC in collaboration with its partners embarked on this initiative to strengthen the country's national healthcare delivery facilities in combating the ravaging COVID-19 pandemic sustainably.

In November 2020 Seplat launched another initiative to improve the standard of education in our host states. The Seplat Teachers Empowerment Programme (STEP) is a well-rounded programme that provides six months' in-person and online training designed to help teachers enhance their knowledge and skills, enabling them to be more effective and motivate their students to learn.

The maiden STEP made its debut in Benin City, Edo State, in November with a five-day residential workshop that kicked off a three-month programme online. Participants were trained in specially designed teaching applications for Science, Technology, Engineering, Arts and Mathematics.

A hundred teachers and 43 Chief Inspectors of Education, drawn from Edo and Delta States, benefited from this initial project. They were selected from an initial application of nearly 400 teachers from schools in Edo and Delta States. Of the 100 teachers to be trained, 75 percent are from public schools, while 25 percent are from private schools.

Share buying programme for Seplat Long-Term Incentive Plan

We have allocated $5.0 million for the purchase of Trust Shares to fund and administer our Long-Term Incentive Plan (LTIP). The purchase of the Trust Shares will be executed on behalf of appointed UK Trustees, Zedra Trust Company (Guernsey) Limited. The Trust Shares, when purchased, will be held by the Trustees under the Trust for the benefit of its employee beneficiaries covered under the Trust. The programme will run from 1 March 2021.

Elimination of Related-Party Transactions

In our continuous efforts to promote world-class governance, the Board has decided to adopt Nigeria's stricter definition of 'Related Parties' and eliminate all related-party transactions (RPT) as defined by the end of 2021. Such a move will exceed the UK's already rigorous rules on RPTs, which permit RPTs but govern the approval and disclosure of any transaction with a related party.

Financial Review

For the year ended 31 December 2020

Revenue, production and commodity prices

The Brent oil price averaged $43.21/bbl over 2020 (2019: $64.04/bbl). Brent remained volatile throughout the year, following the twin shocks of the Saudi Arabia – Russia price war and the COVID-19 pandemic, trading between a high of $68.91/bbl in January and a low of $19.33/bbl in April, before exiting the year at $51.80/bbl.

Total revenue in 2020 was $530.5 million, down 24.0% from the $697.7 million achieved in 2019. Crude oil revenue was $417.9 million (2019: $495.1 million) a 15.6% reduction compared to 2019, largely reflecting lower realised oil prices of $39.95/bbl for the period (2019: $64.4/bbl) offset by added production primarily from the Eland assets. Following the completion of its acquisition, Eland's revenues and costs are included in the full-year 2020 accounts but not reflected in 2019. A $50.0 million oil underlift was recorded under other income in the period, compared to an overlift of $6.8 million in 2019.

Average working-interest liquids production was 33,714 bopd, up 40.9% from 23,935 bopd in 2019, whilst the total volume of crude lifted in the year was 10.5 MMbbls compared to 7.7 MMbbls in 2019. The higher volume was due to a maiden contribution from OML40 and Ubima, and higher production from OML 53, though constrained by OPEC+ cuts of 410,000 bbls (on a gross basis) allotted the Group. The Company experienced TFP reconciliation losses of 9.4% for the period, but we expect these to fall when the Amukpe-Escravos underground pipeline comes onstream.

Gas sales revenue decreased by 17.1% to $112.5 million (2019: $135.8 million), due to lower gas sales volumes of 37.1 Bscf compared to 47.8 Bscf in 2019. The lower gas sales volumes reflect lower-than-expected gas production owing to constrained demand due to the impact of the pandemic and delays in completing the Oben-50 gas well, following a restoration in demand. There were no gas-processing revenues in the period, compared with the one-off gas-processing revenue of $66.9 million in 2019, which was the Oben gas plant tolling payment by NPDC.

The average realised gas price was slightly higher, at $2.87/Mscf (2019: $2.84/Mscf). Gas sales contributed 21.2% of total Group revenue in 2020 (2019: 19.5%).

Cost-saving initiatives

During the year, a comprehensive cost-saving programme was developed to adapt to current market conditions. Through the implementation of these actions, the Group aims to reduce costs by at least 30% across the business by the end of 2021. Across 2020, we achieved $17 million in cost savings through these various initiatives. Towards opex and G&A reduction, IT, administrative and travel costs have been reduced to the essentials and all third-party and service contracts were renegotiated downwards. This is reflected in General and Administrative expenses holding relatively stable at $76.0 million despite a higher depreciation charge and the consolidation of Eland (2019: $70.6 million).

The capital investment programme was revised to conserve cash and manage liquidity. In terms of efficiency, we significantly improved our technologies to support secure and reliable virtual collaboration, which increased employee productivity in a work from home environment. Additionally, Wells, Reservoir and Facilities Management recommendations and learnings from the Oben Gas Plant maintenance were implemented. The Group intends to continue to simplify activities and increase their efficiency.

Gross profit

Gross profit decreased to $124.6 million (2019: $395.7 million) due to lower oil prices and higher non-production costs primarily consisting of royalties and DD&A, which were $228.8 million compared to $187.7 million in the prior year. The DD&A charge for oil and gas assets increased to $127.5 million during 2020 (2019: $91.1 million), reflecting higher depletion of reserves because of increased production compared to the prior year.

Direct operating costs, which include crude-handling fees, rig-related costs and operations and maintenance costs amounted to $151.8 million in 2020, 44.2% higher than $105.3 million in 2019. Production evacuation from the Gbetiokun and Ubima fields resulted in barging and trucking costs of $15.9 million. These increased costs reflect the additional production volumes from the Eland assets and resultant increase in royalties and crude handling fees. On a cost-per-barrel basis, production opex was higher at $8.90/boe (2019: $6.20/boe) because of the effect of OPEC+ restrictions that curtailed production volumes and the trucking and barging costs at Gbetiokun. However, benefits of the successful streamlining of the Gbetiokun operations have driven barging costs down from $14/bbl to $5/bbl.

Non-cash IAS 36 impairments

As previously reported, under IAS 36 the Company identified the need to revalue its assets due to the significant economic uncertainty of the COVID-19 crisis. Following a reassessment of the business models and assumptions to establish their reasonableness and practicality, particularly in the current and expected oil price environment, we decided to book a non-cash provision of $114.4 million across non-financial assets in the period.

Financial Review
For the year ended 31 December 2020

Operating results

After adjusting for non-cash impairments and fair value losses, the operating profit was $121.4 million. Including all adjustments, the operating loss for the year was $31.7 million (operating profit 2019: $311.9 million). The loss reflects lower oil prices realised and an impairment provision of $144.3 million booked in the period, which includes a non-financial asset charge of $114.4 million (IAS 36 as detailed above) and financial asset charges of $29.9 million (IFRS 9). The financial asset charge includes charges against a deposit made for a potential investment that the Company will no longer pursue. Other income of $83.9 million includes an adjustment for a $50.0 million underlift position (shortfalls of crude lifted below Seplat's share of production, which is priced at the date of lifting and recognised as other income) and the $2.2 million tariff income generated from the use of the Company's pipeline. Hedging income of $26.4 million was received in the period; $8.3 million hedging costs are recognised as fair value charges. The stated $7.2 million provision no longer required relates to a contingent liability initially recognised on acquisition of Eland.

An EBITDA of $265.8 million adjusts for impairment and other non-cash items, equating to a margin of 50.1% for the year.

Tax

The Group's tax charge for 2020 was $5.1 million, compared to $29.1 million for 2019.

The tax charge is made up of a deferred tax credit of $8.5 million and a current tax charge of $13.6 million. The deferred tax credit is mainly driven by the unutilised capital allowances and unutilised tax losses for the period. The estimated effective tax rate used for the year ended 31 December 2020 was 6% (2019: 10%). 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. Effective May 2020, the five-year tax holiday benefit for the gas business ended and the financial statements have been prepared on this basis.

Net result

Loss before tax was $80.2 million, compared to a profit before tax of $292.9 million in 2019. The higher net finance charge of $50.2 million in 2020 includes interest on the $350 million RCF in December and the consolidation of Eland finance. (2019: $20.1 million). Loss for the year was $85.3 million (2019: $277.0 million profit).

The resultant basic loss per share was $0.13 in 2020, compared to an EPS of $0.49 in 2019. The reduction was mainly due to lower oil prices and impairment charges described above.

Dividend

In line with the dividend policy, the Board has recommended a final dividend of $0.05 per share. This will bring the total dividend to $0.10 per share (2019: $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 20 May 2020.

Repayment of Elcrest development loan to Seplat

In acquiring Eland, Seplat has acquired the right to be repaid a shareholder loan. The loan was advanced to Elcrest by Westport, Eland's 100%-owned financing subsidiary for the development of OML 40. 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. At 31 December 2020, the outstanding balance of the loan was approximately $417 million.

After repayment of the loan, Seplat's interest in OML 40's production and net cash flows will revert to 20.25%, representing its 45% interest in Elcrest, which in turn owns 45% of OML40.

Cash flows from operating activities

Net cash flows from operating activities, after movements in working capital, were $308.7 million (2019: $337.8 million). An income tax payment of $10.4 million was made in the period (2019: $3.5 million).

The Group received $188.1 million from the major JV towards the settlement of outstanding dollar-denominated cash calls and $154.2 million (Naira equivalent) to offset Naira cash calls totaling $342.3 million received in 2020. This compares favorably to $179m received in 2019.

The major JV receivable balance now stands at $107.0 million, down from $222.3 million at the end of 2019.

Cash flows from investing activities

The Group implemented a modest capex program for the majority of 2020, in response to low oil prices caused by a price war between OPEC+ members in the first half of the year, exacerbated by the impact of COVID-19 on global oil demand. Our planned spend of $120.0 million for 2020 was designed to sustain production from our oil wells and increase gas production in order to meet our gas contractual obligations.

Mindful that we cannot fully control the pace of project execution in this environment, the Group established various initiatives to maximise work program flexibility while preserving cash. 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. As oil prices improved, an additional capex of $30 million was approved in the fourth quarter of 2020, towards drilling the ANOH upstream wells at OML 53 and project costs related to delivery of the Sapele Gas plant.

As a result, capital expenditures were $150.1 million in 2020 and included costs of around $83.5 million for drilling and completion of nine wells including three gas wells (completion of Oben 48; Oben 49 and Oben 50) and six development oil wells (Sapele-35, Ovhor-6ST, Ovhor-20, Ohaji South-5, Ohaji South-6 and Gbetiokun-5) that were completed earlier in the year. Associated facilities and engineering costs amounted to $61.3 million.

The payment of $60.0 million reflects the final equity contribution towards the ANOH Gas Processing Plant project.

The Group received total proceeds of $4.8 million under the revised OML55 commercial arrangement with Belema Oil for the monetisation of 67.5 kbbls. Recovery during the year was impacted by OPEC+ production cuts and low oil prices.

After adjusting for interest receipts of $1.7 million, the net cash outflow from investing activities was $203.7 million compared to a net cash outflow in 2019 of $732.9 million, which included the AGPC deconsolidation, ANOH equity contribution and acquisition costs in 2019.

Cash flows from financing activities

Net cash outflows from financing activities were $217.4 million (2019 Net cash inflows: $145.2 million). This reflects a further $10.0 million drawn from the Westport RBL facility, interest of $64.8 million paid on loans and dividend payments to shareholders of $58.3 million. In August 2020, the Company repaid $100.0 million of the revolver.

Liquidity

The balance sheet continues to remain healthy with a solid liquidity position.

Net debt reconciliation at 31 December 2020	$ million	Coupon	Maturity
Senior Notes *	353.4	9.25%	June 2023
Revolving Credit Facility *	246.4	Libor+6.00%	June 2022 / December 2023
Westport RBL *	98.6	Libor+8%	November 2023
Total borrowings	698.4		
Cash and cash equivalents	258.7		
Net debt	**439.7**		

*including amortised interest

Seplat ended the year with gross debt of $698.4 million with most maturities in 2023, and cash at bank of $258.7 million, which includes restricted cash of $33.6 million, leaving net debt at $439.7 million.

Refinancing all or a portion of our debt during 2021 remains a priority. The Group continuously reviews its funding and maturity profile and monitors the fixed-income market to ensure that it is well positioned for any refinancing opportunities for the current debt facilities, including potentially the $350 million 9.25% 144A/Reg S bond maturing in 2023.

Revolving Credit Facility (RCF)

In December 2019, the Group successfully restated and amended the existing RCF with a new four-year $350.0 million RCF at LIBOR + 6% (fully 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. In August 2020, the Company voluntarily repaid $100.0 million of the RCF, with $250.0 million currently drawn. The $100.0 million remains available for drawing if required.

Reserve-Based Loan (RBL)

Eland's existing RBL was consolidated into the Group's balance sheet in 2020. The RBL was entered into in November 2018, via the Group's subsidiary Westport, and is a five-year loan agreement with interest payable semi-annually. The RBL is secured against the Group's producing assets in OML 40 via the Group's shares in Elcrest, and by way of a debenture that creates a charge over certain assets of the Group, including its bank accounts. The available facility is capped at the lower of the available commitments and the borrowing base. The outstanding loan amount is $100 million.

We plan to extend maturities in the existing RBL and raise additional finance of up to $50 million to fund capex at Elcrest assets.

Hedging

Seplat's hedging policy aims to guarantee appropriate levels of cash flow assurance in times of oil price weakness and volatility. During 2020, the Group had in place dated Brent put options covering a volume of 6.5 MMbbls as follows: (i) for Q1, Q2 and Q3, 1.5MMbbls for each quarter at a strike price of $45/bbl; and (ii) for Q4, 1.5MMbbls at a strike price of $30/bbl and 0.5MMbbls at a strike price of $35/bbl.

This hedging programme has been continued in 2021 with up-front-premium put options as follows: (i) for Q1, 1.0MMbbls at a strike price of $30/bbl and 1.0MMbbls at a strike price of $35/bbl; (ii) for Q2, 2.0MMbbls at a strike price of $35/bbl; and (iii) for Q3, 1.0MMbbls at a strike price of $35/bbl and 1.0MMbbls at a strike price of $40/bbl. The Board and management team continue to closely monitor prevailing oil market dynamics and will consider further measures 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. The current corporate ratings are as follows: (i) Moody's B2 (negative); (ii) S&P B (although the bonds are rated B- due to priority indebtedness) and (ii) Fitch B- (positive).

General information

Board of Directors		
Ambrosie Bryant Chukwueloka Orjiako	Chairman	Nigerian
Roger Thompson Brown	Managing Director and Chief Executive Officer	British
Emeka Onwuka	Chief Financial Officer (Executive Director)	Nigerian
Effiong Okon	Operations Director (Executive Director)	Nigerian
Ojunekwu Augustine Avuru	Non-Executive Director	Nigerian
Madame Nathalie Delapalme	Non-Executive Director	French
Olivier Cleret De Langavant	Non-Executive Director	French
Basil Omiyi	Senior Independent Non-Executive Director	Nigerian
Xavier R. Rolet, KBE	Independent Non-Executive Director	French
Arunma Oteh, OON	Independent Non-Executive Director	Nigerian
Charles Okeahalam	Independent Non-Executive Director	Nigerian
Lord Mark Malloch-Brown	Independent Non-Executive Director	British
Damian Dinshiya Dodo, SAN	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	PriceWaterhouseCoopers Landmark Towers, 5b Water Corporation Road Victoria Island, Lagos, PWC	
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 Mike Igbokwe & Co. V.E. Akpoguma & Co. Thompson Okpoko & Partners G.C. Arubayi & Co. Streamsowers & Kohn	

General information

	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 2020

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 2020.

Principal activity

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

Operating results

	Nigerian ₦ million			$'000
	2020	**2019**	**2020**	**2019**
Revenue	190,922	214,157	530.647	697,777
Operating profit(loss)	(11,418)	95,749	(31,716)	311,975
Profit before taxation (loss)	(28,872)	89,914	(80,209)	292,967
Profit for the year (loss)	(30,712)	85,016	(85,322)	277,008

Dividend

During the year, the Directors recommended and paid to members an interim dividend of $0.05 per share declared in October in line with our normal dividend distribution timetable (2019: $0.05).

In addition to this, the Board of Seplat is recommending a final dividend of $0.05 per share, which is subject to approval of shareholders, at the AGM which will be held on 20 May 2021 in Lagos, Nigeria.

Unclaimed dividend

The total amount outstanding at 31 December 2020 is US$593,230.86 and ₦642,070,562.85.

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 19 to the financial statements.

Rotation of Directors

In accordance with the provisions of Section 285 of the Companies and Allied Matters Act, 2020, 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. Damian Dodo, SAN and Lord Mark Malloch-Brown.

Management transition and Board changes

As previously announced, our co-founder Austin Avuru stepped down as Chief Executive Officer on 31 July 2020 but remains a member of the Board as a Non-Executive Director. Roger Brown, who has been Seplat's Chief Financial Officer since 2013, assumed the position of CEO on 1 August 2020.

Emeka Onwuka joined as CFO and Board member on 1 August 2020. Mr. Onwuka has more than 30 years' experience in financial services within Sub-Saharan Africa. He has served as Group Managing Director / CEO of Diamond Bank Plc and is a former Chairman of Enterprise Bank Limited. Mr. Onwuka is a Partner at Andersen Tax Nigeria and holds various Board positions at companies including FMDQ Securities Exchange Limited, FMDQ Holdings Limited, Ecobank Nigeria Limited and Bharti Airtel Nigeria.

The Board accepted the voluntary resignation/retirement of Mr. Michael Alexander, Senior Independent Non-Executive Director ("SINED"), and Mrs. Ifueko M. Omoigui Okauru, Independent Non-Executive Director ("INED"), effective 31 January 2021. Mr. Alexander was appointed to the Board in June 2013 while Mrs. Okauru was appointed in March 2013. For the past seven years, both Directors served the Board meritoriously, deploying their multi-facetted experiences towards the growth of the Organization. Seplat remains grateful for their immense contributions to the Board and the Company.

Consequently, the Board has appointed Mr. Basil Omiyi, Independent Non-Executive Director ("INED") as the new Senior Independent Non-Executive Director from 1st February 2021.

The Board during the course of the year, appointed Ms. Arunma Oteh, OON and Mr. Xavier R. Rolet KBE as Independent Non-Executive Directors of the Company, with effect from October 1, 2020.

Ms. Arunma Oteh, OON is a seasoned C-suite executive with several years of experience operating at the highest levels at major multilateral agencies, global financial institutions and in Government. She has been an academic scholar at University of Oxford since January 2019 and a member of the London Stock Exchange Africa Advisory Group since January 2020.

Ms. Oteh served as Treasurer and Vice President of the World Bank from 2015 to 2018. As Treasurer, she led a global team that managed the World Bank's $200 billion debt portfolio as well as an asset portfolio of $200 billion for the World Bank Group and several public sector clients including 65 Central Banks. She was the Director General of the Securities and Exchange Commission ("SEC") Nigeria from 2010 to 2015. As Director General of Nigeria's apex capital market regulator, she was responsible for the regulation of Nigeria's capital markets, including the Nigerian Stock Exchange, and led the rebuilding of the capital markets after the global financial crisis. She also served on Nigeria's Economic Management team, chaired by the Nigerian President. Prior to the SEC Nigeria, she worked at the Africa Development Bank for 17 years in a variety of roles including Group Vice President, Corporate Services (2006 to 2009) and Group Treasurer (2001 to 2006).

While Mr. Xavier Rolet, KBE, is an experienced CEO, Co-Founder, and Entrepreneur. Named as one of Harvard Business Review's 100 Best CEOs in the World in 2017, Mr. Rolet has demonstrated a history of successful turnarounds in the global financial services industry. In his decade at the helm of the London Stock Exchange, the LSE's market valuation rose from £800m to more than £15bn, transforming it into one of the world's largest exchanges by market capitalisation.

He is currently the Chairman, Board of Directors at Phosagro PJSC, a member of the Board of Directors of the Saudi Stock Exchange Tadawul as an appointee of the Public Investment Fund, and an Expert Adviser to the Shanghai Institute of Finance for the Real Economy. He has held various senior positions in the financial services industry throughout his career: CEO of CQS, a global hedge fund; CEO of Banque Lehman Brothers in Paris; Co-Head of Global Equity & Derivatives Trading at Lehman Brothers New York; Global Head of Risk and Trading at Dresdner Kleinwort Wasserstein; Vice-President, International Equity Risk Arbitrage at Goldman Sachs New York; and Co-Head of European Equities Sales and Trading at Goldman Sachs International Ltd in London.

The Seplat Board is indeed privileged to have Arunma and Xavier 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 the Companies and Allied Matters Act, 2020. It also sets out the powers of Directors.

Corporate governance

The Board of Directors is committed to sound corporate governance and ensures that the Company complies with the 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 the Statutory Audit Committee and has delegated aspects of its responsibilities to them. 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.

Report of the Directors
For the year ended 31 December 2020

Board Committees and Record of Attendance at Meetings

The Board met 10 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	10	10
2.	Roger Brown	Chief Executive Officer	10	10
3.	Emeka Onwuka[2]	Chief Financial Officer	3	3
4.	Effiong Okon	Operations Director	10	10
5.	Austin Avuru	Non-Executive Director	10	10
6.	Olivier Langavant	Non-Executive Director	10	10
7.	Nathalie Delapalme	Non-Executive Director	10	10
8.	Michael Alexander[1]	Senior Independent Non-Executive Director	10	10
9.	Charles Okeahalam	Independent Non-Executive Director	10	10
10.	Basil Omiyi	Independent Non-Executive Director	10	10
11.	Ifueko M. Omoigui-Okauru[1]	Independent Non-Executive Director	10	9
12.	Lord Mark Malloch-Brown	Independent Non-Executive Director	10	9
13.	Damian Dodo, SAN	Independent Non-Executive Director	10	8
14.	Arunma Oteh, OON[2]	Independent Non-Executive Director	3	3
15.	Xavier Rolet, KBE[2]	Independent Non-Executive Director	3	3

Meeting dates: 28 January; 3 March; 19 March, 28 April; 28 May; 6 July; 28 July, 8 October; 27 October and 24 December

1. Ifueko M. Omoigui Okauru and Michael Alexander voluntarily retired from the Board effective 31 January 2021
2. The Board appointed Emeka Onwuka as Chief Financial Officer/Executive Director effective 1 August 2020; Arunma Oteh, OON and Xavier Rolet, KBE as Independent Non-Executive Directors effective 1 October 2020.

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	5
5.	Arunma Oteh, OON[1]	Member	1	1

Meeting dates: 27 January, 12 March, 21 April, 21 July, 21 October

1. Ms. Arunma Oteh, OON was appointed to the Board as an Independent Non-Executive Director on October 1, 2020. Following her appointment, she attended one (1) Finance Committee meeting that held after her October 2020 appointment.

Nomination and Establishment Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Damian Dodo, SAN	Chairman	6	6
2.	Basil Omiyi	Member	6	6
3.	Michael Alexander	Member	6	6
4.	Lord Mark Malloch-Brown[1]	Member	5	5
5.	Arunma Oteh, OON[2]	Member	1	1

Meeting dates: 27 January, 22 April, 19 May, 18 June, 22 July, 20 October

1. Lord Mark Malloch-Brown was appointed to the Committee in April 2020.
2. While Ms. Arunma Oteh, OON joined the Board in October 2020 and the Committee in the same month.

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	6
5.	Xavier R. Rolet, KBE[1]	Member	2	2

Meeting dates: 27 January, 18 March, 28 April, 22 July, 20 October, 2 December

1. Xavier Rolet, KBE was appointed to the Board as an Independent Non-executive Director on October 1, 2020. Following his appointment, he attended the two (2) Remuneration Committee meetings that held after his appointment and he was appointed Chairman of the Remuneration Committee from 1 February 2021.

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.	Ifueko M. Omoigui-Okauru	Member	4	4
3.	Xavier R. Rolet, KBE[1]	Member	1	1
4.	Austin Avuru[1]	Member	1	1

Meeting dates: 23 January, 21 April, 20 July, 19 October

1. Mr. Xavier R. Rolet, KBE was appointed to the Board and Committee as an Independent Non-Executive Director in October 2020 while Mr. Austin Avuru joined the Committee as a Non-Executive Director in August 2020.

Corporate Social Responsibility Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Lord Mark Malloch-Brown	Chairman	3	3
2.	Xavier R. Rolet, KBE[1]	Member	1	0
3.	Ifueko M. Omoigui-Okauru	Member	3	3
4.	Damian Dodo, SAN	Member	3	3
5.	Nathalie Delapalme	Member	3	3

Meeting dates: 23 April, 20 July, 19 October

1. Mr. Xavier Rolet, KBE was appointed to the Board in October 2020 and joined the Committee the same month.

Gas Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Basil Omiyi	Chairman	3	3
2.	Michael Alexander	Member	3	3
3.	Arunma Oteh, OON[1]	Member	1	1
4.	Charles Okeahalam	Member	3	3

Meeting dates: 18 March; 20 July; 19 October

1. Ms. Arunma Oteh, OON was appointed to the Board as an Independent Non-Executive Director in October 2020 and became a Member of the Gas Committee in the same month.

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	4	4
2.	Michael Alexander	Member	4	4
3.	Damian Dodo, SAN	Member	4	4
4.	Nathalie Delapalme[1]	Member	3	3

Meeting dates: 20 January; 23 April; 22 July; 20 October

1. Madame Nathalie Delapalme joined the Committee in April 2020.

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.	Olivier De Langavant[1]	Director Member	4	4
5.	Ifueko M. Omoigui Okauru	Director Member	4	4
6.	Damian Dodo, SAN	Director Member	4	4

Meeting dates: 12 March, 21 April, 21 July, 21 October

1. Mr. Michel Hochard retired from the Board in January 2020 and was replaced by Mr. Olivier De Langavant as a Director member on the Audit Committee in January 2020 and a Non-Executive Director on the Board.

Report of the Directors

For the year ended 31 December 2020

Directors' Interest in Shares

In accordance with Section 301 of the Companies and Allied Matters Act, 2020, 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:

	31-Dec-19	31-Dec-20		01-Mar-21	
	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]	37,818,522	37,818,522	6.43%	37,818,522	6.43%
Austin Avuru[2]	71,727,906	60,098,823	10.21%	61,227,182	10.40%
Roger Brown	2,022,363	2,840,585	0.48%	2,840,585	0.48%
Effiong Okon	0	0	0.00%	0	0.00%
Emeka Onwuka[4]	n/a	0	0.00%	0	0.00%
Oliver De Langavant	n/a	0	0.00%	0	0.00%
Michael Alexander[3]	115,238	115,238	0.02%	n/a	0.00%
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[3]	95,238	95,238	0.02%	n/a	0.00%
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	0	0	0.00%	0	0.00%
Arunma Oteh, OON[4]	n/a	0	0.00%	0	0.00%
Xavier Rolet, KBE[4]	n/a	0	0.00%	0	0.00%
Total	112,896,727	102,085,866	17.35%	**103,003,749**	**17.50%**

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 29 July 2020, total direct holdings were nil and indirect ordinary shares were 60,098,823. During the period, a transfer of 7,831,534 ordinary shares held by Platform Petroleum Limited (an entity in which Austin Avuru has an equity interest) 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 2,352,652 LTIP awards for Austin Avuru were released to him and transferred to Professional Support. Following these transfers, Platform Petroleum holds 20,000,000 shares (3.40%) and Professional Support holds 41,227,182 shares (7.01%). Mr. Avuru now holds nil direct interest and an indirect interest of 61,227,182 ordinary shares (10.40%). As a result of the transfers, Mr. Avuru has now increased his equity interest in Platform Petroleum from 23% to 37.11% interest.
3. Ifueko M. Omoigui Okauru and Michael Alexander voluntarily resigned/retired from the Board effective 31 January 2021
4. The Board appointed Emeka Onwuka as Chief Financial Officer/Executive Director effective 1 August 2020; Arunma Oteh, OON and Xavier Rolet KBE as Independent Non-Executive Directors effective 1 October 2020.

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 2020 for the purpose of section 303 of the Companies and Allied Matters Act, 2020. These have been disclosed in Note 43.

Substantial Interest in Shares

At 1 March 2021, the following shareholders held more than 5.0% of the issued share capital of the Company:

Shareholder	Number of holdings	%
MPI	120,400,000	20.46
Petrolin	81,015,319	13.77
Allan Gray	42,477,722	7.22
Professional Support	38,970,463	7.01
Sustainable Capital	33,822,817	5.75

Free Float

The Company's free float at 31 December 2020 was 30%.

Acquisition of Own Shares

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

Shareholding Analysis

The shareholding pattern at 31 December 2020 is as stated below:

Share range	Number of shareholders	% of shareholders	Number of holdings	% of shareholding
1-10,000	2,805	89.27	1,837,808	0.31
10,001-50,000	177	5.63	4,272,420	0.73
50,001-100,000	51	1.62	3,730,375	0.63
100,001-500,000	66	2.10	15,016,002	2.55
500,001-1,000,000	16	0.51	10,845,802	1.84
1,000,001-5,000,000	21	0.67	44,693,232	7.60
5,000,001-10,000,000	2	0.06	13,506,800	2.30
10,000,001-50,000,000	3	0.10	58,195,849	9.89
100,000,001-500,000,000[1]	1	0.03	436,346,273	74.15
Total	**3,142**	**100.00**	**588,444,561**	**100.00**

1. Includes shares held by Computer Share on the London Stock Exchange

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
Dec-20	-	1,000,000,000	-	588,444,561	No change

Report of the Directors
For the year ended 31 December 2020

Donations
The following donations were made by the Group during the year (2020: ₦72,660,069, $236,678)

Name of Beneficiary	NG₦	$
Aret Adams Foundation	527,555.54	1,465.80
Covid 19 Support in Edo State and Delta State	41,920,848.37	116,475.92
Covid 19 Support in Imo State	32,150,407.59	89,329.02
Ikoyi Golf Community Nigeria Association	1,055,282.75	2,932.07
Independent Petroleum Producer Group Covid 19 Support	58,738,510.50	163,203.33
Others	21,138,644.42	58,733.14
Pillar Oil Limited	2,638,582.99	7,331.23
Total	**158,169,832.15**	**439,470.51**

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.

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.

Auditor
The auditor, PriceWaterhouseCoopers ("PWC"), has indicated its willingness to continue in office in accordance with Section 401(2) of the Companies and Allied Matters Act, 2020. A resolution will be proposed at the AGM for the re-appointment of PriceWaterhouseCoopers ("PWC") as the Company's auditor and for authorisation to the Board of Directors to fix the auditors' remuneration.

Assurance Service
Logic Professional Services provided Actuary Valuation Services on the 2020 financial statements. The assurance was signed by Ganiu Dare Shefiu (FRC/2017/NAS/00000017548).

By Order of the Board

Edith Onwuchekwa
FRC/2013/NBA/00000003660
Company Secretary
Seplat Petroleum Development Company Plc
16A Temple Road, Ikoyi, Lagos, Nigeria
1 March 2021

Statement of Directors' Responsibilities

For the year ended 31 December 2020

The Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that gives 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, 2020;
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, 2020 and Financial Reporting Council of Nigeria Act, No. 6, 2011.

The Directors are of the opinion that the financial statements gives 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	R.T. Brown
Chairman	Chief Executive Officer
FRC/2014/IODN/00000003161	FRC/2014/ANAN/00000017939
1 March 2021	1 March 2021

Audit Committee's Report

For the year ended 31 December 2020

To the members of Seplat Petroleum Development Company Plc

In accordance with the provisions of Section 404 (7) of the Companies and Allied Matters Act, 2020, 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 2020 as follows:

- The scope and plan of the audit for the year ended 31 December 2020 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

1 March 2021

Statement of Corporate Response Responsibility

For the year ended 31 December 2020

In line with the provision of S.405 of CAMA 2020, we have reviewed the audited financial statements of the Group for the year ended 31 December 2020 and based on our knowledge confirm as follows:

1. The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading
2. The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the period ended 31 December 2020
3. The Company's internal controls has been designed to ensure that all material information included relating to the Company and its subsidiaries is received and provided to the Auditors in the course of the Audit
4. The Company's internal controls were evaluated within ninety days of the financial reporting date and are effective as of 31 December 2020
5. That we have disclosed to the Company's Auditor's and the Audit Committee the following information:
    a. There are no significant deficiencies in the design or operation of the Company's internal control which could adversely affect the Company's ability to record, process, summarise and report financial data, and have discussed with the auditors any weaknesses in internal controls observed in the cause of the Audit
    b. There is no fraud involving management or other employ needs which could have any significant role in the Company's internal control
6. There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses

R.T. Brown	E.Onwuka
FRC/2014/ANAN/00000017939	FRC/2020/003/00000020861
Chief Executive Officer	Chief Financial Officer
1 March 2021	1 March 2021

Independent auditor's report

To the Members of Seplat Petroleum Development Company Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Seplat Petroleum Development Company Plc ("the company") and its subsidiaries (together "the group") as at 31 December 2020, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Seplat Petroleum Development Company Plc's consolidated and separate financial statements comprise:

- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended 31 December 2020;
- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. 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.

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria

Key audit matter	How our audit addressed the key audit matter
The impact of crude oil and gas reserves on Oil and Gas properties (Impairments and Depletion, Depreciation and Amortisation - DD&A).	Our procedures were as follows:
This is considered a key audit matter due to the significant judgment made by management through the use of experts, when developing the expected future cash flows of oil and gas properties and the proved and probable oil and gas reserves involving the use of significant assumptions.	• We evaluated the competence, independence and objectivity of management's experts. We understood their methods and evaluated the relevance and reasonableness of the assumptions used by them in determining the proved and probable oil and gas reserves.
(a) Oil and gas properties are grouped for recoverability assessment purposes into Cash Generating Units (CGUs). Management assesses its CGUs for indicators of impairment that suggest the carrying amount may exceed its recoverable amount. Impairment is identified by comparing the recoverable amount of the CGU to its carrying amount. This involves the calculation of discounted after-tax cash flows of proved and probable oil and gas reserves based on significant assumptions including, future development and production costs, forecasted oil and gas prices, volume of reserves, reserves life and discount rate.	• We tested how management determined the recoverable amount of the group's CGUs which included the following: ◦ involving our specialist in evaluating the appropriateness of the models used by management in making these estimates. ◦ testing the data used in determining these estimates.
(b) Depletion of all capitalized costs of proved oil and gas properties (included in DD&A) are expensed using the unit-of-production method as the proved developed reserves are produced.	◦ evaluating the reasonableness of significant assumptions with regard to future development and production costs, forecasted oil and gas prices, volume of reserves, reserves life and discount rate used in developing the underlying estimates.
The group's upstream oil and gas properties net balance was $1.60 billion as of December 31, 2020, and related depletion expense was $125.99 million. Impairments of $114.40 million was recognised for the year ended December 31, 2020.	• We recalculated the unit-of-production rate to determine the depletion expense included in the DD&A of the group's CGUs.
The accounting policies, estimates and disclosures are set out in Notes 3.9, 5, 12.2, 17.1 and 17.6.	• We evaluated the adequacy of the disclosures in the group financial statements.
This was considered a key audit matter in the consolidated financial statements only.	

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Other information

The directors are responsible for the other information. The other information comprises Report of the Directors, Statement of Directors' Responsibilities, Audit Committee's Report, Statement of Corporate Response Responsibility, Value Added Statement, Five-Year Financial Summary and Supplementary Financial Information but does not include the consolidated and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other sections of the Seplat Petroleum Development Company Plc 2020 Annual Report, which are expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will 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 identified above 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 that we obtained prior to the date of this auditor's 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.

When we read the other sections of the Seplat Petroleum Development Company Plc 2020 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 and those charged with governance for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, 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 process.

Auditor's 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 auditor's 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 judgment and maintain professional scepticism throughout the audit. We also:

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- 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 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 auditor's report to the related disclosures in the consolidated and separate 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. 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 purposes of our audit;

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ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

1 March 2021

Engagement Partner: Pedro Omontuemhen
FRC/2013/ICAN/00000000739

Group Accounts

For the year ended 31 December 2020

(Expressed in Nigerian Naira and US Dollars)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Notes	31 Dec 2020 ₦ million	31 Dec 2019 ₦ million	31 Dec 2020 $'000	31 Dec 2019 $'000
Continuing operations					
Revenue from contracts with customers	8	190,922	214,157	530,467	697,777
Cost of sales	9	(146,088)	(92,698)	(405,892)	(302,039)
Gross profit		**44,834**	**121,459**	**124,575**	**395,738**
Other income	10	30,184	9,170	83,864	29,876
General and administrative expenses	11	(27,372)	(21,675)	(76,047)	(70,617)
Impairment loss on financial assets	12	(10,778)	(14,911)	(29,947)	(48,581)
Impairment losses on non-financial assets	12	(41,175)	-	(114,402)	-
Fair value (loss)/gain	13	(7,111)	1,706	(19,759)	5,559
Operating (loss)/ profit		**(11,418)**	**95,749**	**(31,716)**	**311,975**
Finance income	14	601	4,134	1,671	13,471
Finance cost	14	(18,656)	(10,294)	(51,834)	(33,539)
Finance cost-net		(18,055)	(6,160)	(50,163)	(20,068)
Share of profit from joint venture accounted for using the equity method	22	601	325	1,670	1,060
(Loss)/Profit before taxation		**(28,872)**	**89,914**	**(80,209)**	**292,967**
Income tax expense	15	(1,840)	(8,939)	(5,113)	(29,125)
(Loss)/profit from continued operations		**(30,712)**	**80,975**	**(85,322)**	**263,842**
Profit from discontinued operations		-	4,041	-	13,166
(Loss)/Profit for the year		**(30,712)**	**85,016**	**(85,322)**	**277,008**
Attributable to:					
Equity holders of the parent		(26,906)	85,016	(74,747)	277,008
Non-controlling interests		(3,806)	-	(10,575)	-
		(30,712)	**85,016**	**(85,322)**	**277,008**
(Loss)/Earnings per share from continuing operations					
Basic (loss)/earnings per share (₦)/$	39	(46.42)	142.25	(0.13)	0.46
Diluted (loss)/earnings per share (₦)/$	39	(45.72)	139.22	(0.13)	0.45
(Loss)/Earnings per share for the year					
Basic (loss)/earnings per share (₦)/$	39	(46.42)	149.35	(0.13)	0.49
Diluted (loss)/earnings per share (₦)/$	39	(45.72)	146.17	(0.13)	0.48

Notes 1 to 46 on pages 9 to 113 are an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Notes	31 Dec 2020 ₦ million	31 Dec 2019 ₦ million	31 Dec 2020 $'000	31 Dec 2019 $'000
(Loss)/profit for the year		**(30,712)**	**85,016**	**(85,322)**	**277,008**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference		128,379	(243)	(1,399)	(750)
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations	35	29	(201)	81	(656)
Deferred tax credit on remeasurement losses		(25)	171	(69)	558
		4	(30)	12	(98)
Other comprehensive income/(loss) for the year (net of tax)		**128,383**	**(273)**	**(1,387)**	**(848)**
Total comprehensive income/(loss) for the period		**97,671**	**84,743**	**(86,709)**	**276,160**
Attributable to:					
Equity holders of the parent		101,477	84,743	(76,134)	276,160
Non-controlling interests		(3,806)	-	(10,575)	-
		97,671	**84,743**	**(86,709)**	**276,160**

The above year end consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of financial position

As at 31 December 2020

	Notes	31 Dec 2020 ₦ million	31 Dec 2019 ₦ million	31 Dec 2020 $'000	31 Dec 2019 $'000
Assets					
Non-current assets					
Oil & gas properties	17	609,475	478,372	1,603,888	1,558,213
Other property, plant and equipment	17	5,330	4,360	14,027	14,201
Right-of-use assets	19	3,965	4,026	10,435	13,115
Intangible assets	20	22,301	53,592	58,687	174,566
Other asset	18	44,630	40,190	117,448	130,915
Investment accounted for using equity accounting	22	84,642	49,448	222,741	161,071
Prepayments	21	23,463	19,309	61,744	62,892
Deferred tax asset	15	289,877	68,367	762,833	222,697
Total non-current assets		**1,083,683**	**717,664**	**2,851,803**	**2,337,670**
Current assets					
Inventories	23	28,337	25,944	74,570	84,508
Trade and other receivables	24	96,774	149,436	254,671	486,762
Prepayments	21	1,385	1,965	3,644	6,397
Contract assets	25	2,343	6,527	6,167	21,259
Derivative financial instruments	26	-	457	-	1,486
Cash and cash equivalents	27	98,315	102,240	258,718	333,028
Total current assets		**227,154**	**286,569**	**597,770**	**933,440**
Total assets		**1,310,837**	**1,004,233**	**3,449,573**	**3,271,110**
Equity and Liabilities					
Equity					
Issued share capital	28	293	289	1,855	1,845
Share premium	28	86,917	84,045	511,723	503,742
Share based payment reserve	28	7,174	8,194	27,592	30,426
Capital contribution	29	5,932	5,932	40,000	40,000
Retained earnings		211,790	259,690	1,116,079	1,249,156
Foreign currency translation reserve	30	331,289	202,910	992	2,391
Non-controlling interest	22	(11,058)	(7,252)	(34,196)	(23,621)
Total shareholders' equity		**632,337**	**553,808**	**1,664,045**	**1,803,939**
Non-current liabilities					
Interest bearing loans and borrowings	31	229,880	207,863	604,947	677,075
Lease Liabilities	32	1,591	2,617	4,187	8,518
Provision for decommissioning obligation	34	61,795	45,411	162,619	147,921
Deferred tax liabilities	15	202,020	-	531,632	-
Defined benefit plan	35	4,063	3,012	10,691	9,808
Total non-current liabilities		**499,349**	**258,903**	**1,314,076**	**843,322**
Current liabilities					
Interest bearing loans and borrowings	31	35,518	34,486	93,468	112,333
Lease Liabilities	32	679	212	1,787	692
Derivative financial instruments	26	626	-	1,648	-
Trade and other payables	36	130,468	143,925	343,340	468,804
Contingent liability	33	-	2,215	-	7,217
Contract liabilities	37	3,599	5,005	9,470	16,301
Current tax liabilities	15	8,261	5,679	21,739	18,502
Total current liabilities		**179,151**	**191,522**	**471,452**	**623,849**
Total liabilities		**678,500**	**450,425**	**1,785,528**	**1,467,171**
Total shareholders' equity and liabilities		**1,310,837**	**1,004,233**	**3,449,573**	**3,271,110**

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

Consolidated Statement of financial position - continued

For the year ended 31 December 2020

The financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (The Group) for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 1 March 2021 and were signed on its behalf by

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
1 March 2021

R.T. Brown
FRC/2014/ANAN/00000017939
Chief Executive Officer
1 March 2021

E. Onwuka
FRC/2020/003/00000020861
Chief Financial Officer
1 March 2021

Consolidated statement of changes in equity

For the year ended 31 December 2020

	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 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 loss	-	-	-	-	(30)	(243)	-	(273)
Total comprehensive income/(loss) 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 28.4)	-	-	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**
At 1 January 2020	289	84,045	8,194	5,932	259,690	202,910	(7,252)	553,808
Profit/(loss) for the year	-	-	-	-	(26,906)	-	(3,806)	(30,712)
Other comprehensive income	-	-	-	-	4	128,379	-	128,383
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**(26,902)**	**128,379**	**(3,806)**	**97,671**
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(20,998)	-	-	(20,998)
Share based payments (Note 28.4)	-	-	1,856	-	-	-	-	1,856
Vested shares	4	2,872	(2,876)	-	-	-	-	-
Total	4	2,872	(1,020)	-	(20,998)	-	-	(19,142)
At 31 December 2020	**293**	**86,917**	**7,174**	**5,932**	**211,790**	**331,289**	**(11,058)**	**632,337**

Notes 1 to 46 on pages 9 to 113 are an integral part of these financial statements.

Consolidated statement of changes in equity - continued

	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 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 28.4)	-	-	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**
At 1 January 2020	**1,845**	**503,742**	**30,426**	**40,000**	**1,249,156**	**2,391**	**(23,621)**	**1,803,939**
Profit/(loss) for the year	-	-	-	-	(74,747)	-	(10,575)	(85,322)
Other comprehensive income/(loss)	-	-	-	-	12	(1,399)	-	(1,387)
Total comprehensive loss for the year	-	-	-	-	(74,735)	(1,399)	(10,575)	(86,709)
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(58,342)	-	-	(58,342)
Share based payments (Note 28.4)	-	-	5,157	-	-	-	-	5,157
Vested shares	10	7,981	(7,991)	-	-	-	-	-
Total	10	7,981	(2,834)	-	(58,342)	-	-	(53,185)
At 31 December 2020	**1,855**	**511,723**	**27,592**	**40,000**	**1,116,079**	**992**	**(34,196)**	**1,664,045**

Notes 1 to 46 on pages 9 to 113 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	31 Dec 2020 ₦ million	31 Dec 2019 ₦ million	31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities					
Cash generated from operations	16	118,558	104,714	329,414	341,571
Tax paid	15	(2,337)	(1,084)	(10,431)	(3,533)
Defined benefits paid	35	(77)	(86)	(213)	(280)
Contribution to plan assets	35	(601)	-	(1,670)	-
Hedge premium paid	13	(3,016)	-	(8,380)	-
Net cash inflows from operating activities		112,527	103,544	308,720	337,758
Cash flows from investing activities					
Payment for acquisition of oil and gas properties	17	(52,090)	(35,091)	(144,729)	(114,339)
Proceeds from disposal of oil and gas properties	17	-	15,527	-	50,614
Payment for acquisition of other property, plant and equipment	17	(1,872)	(3,203)	(5,202)	(10,438)
Payment for acquisition of subsidiary, net of cash acquired		-	(138,479)	-	(451,199)
Cash on loss of control of subsidiary		-	(47,352)	-	(154,240)
Payment for investment in joint venture	22	(21,595)	(31,627)	(60,000)	(103,050)
Proceeds from disposal of other property plant and equipment	17	1	-	3	-
Receipts from other asset	18	1,705	11,106	4,737	36,185
Interest received	14	601	4,134	1,671	13,471
Net cash outflows from investing activities		**(73,250)**	**(224,985)**	**(203,520)**	**(732,996)**
Cash flows from financing activities					
Repayments of loans	31	(35,991)	(30,690)	(100,000)	(100,000)
Proceeds from loans	31	3,599	106,345	10,000	346,500
Dividends paid	40	(20,998)	(18,019)	(58,342)	(58,708)
Lease payments	32	(1,858)	-	(4,334)	-
Payments for other financing charges	31	-	(2,696)	-	(8,783)
Interest paid on loans	31	(23,310)	(10,364)	(64,767)	(33,770)
Net cash (outflows)/inflows from financing activities		**(78,558)**	**44,576**	**(217,443)**	**145,239**
Net decrease in cash and cash equivalents		(39,281)	(76,865)	(112,243)	(249,999)
Cash and cash equivalents at beginning of the year		100,184	178,460	326,330	581,305
Effects of exchange rate changes on cash and cash equivalents		24,651	(1,411)	11,050	(4,976)
Cash and cash equivalents at end of the year	27	**85,554**	**100,184**	**225,137**	**326,330**

For the purposes of the cash flow statements, the restricted cash balance of $12.8 million, N4.8 billion has been excluded from the cash and cash equivalents at the end of the year. These amounts are subject to legal restrictions and are therefore not available for general use by the Group.

An additional $20.8 million, N 7.9 billion, of funds deposited in Access bank Plc bank accounts in the ordinary course of business are being unilaterally restricted by Access bank Plc in connection with the court case between Seplat Petroleum Development Company Plc and Access Bank Plc.

Notes 1 to 44 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 was 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 OML 4, OML 38 and OML 41 located in Nigeria.

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.

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.

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 as at 31 December 2019, the Group no longer exercises control and has 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.

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 is a Joint Venture between Eland Oil and Gas (Nigeria) Limited (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).

On 1 January 2020, Seplat Petroleum Development Company Plc transferred its 45% participating interest in OML 4, OML 38 and OML 41 ("transferred assets") to Seplat West Limited. As a result, Seplat ceased to be a party to the Joint Operating Agreement in respect of the transferred assets and became a holding company. Seplat West Limited became a party to the Joint Operating Agreement in respect of the transferred assets and assumed its rights and obligations.

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

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

2. Significant changes in the current accounting period

The following significant changes occurred during the reporting period ended 31 December 2020:

Oil price has reduced significantly due to the global Coronavirus (COVID-19) pandemic and other geopolitical events around the world. These recent events will continue to have an impact on oil price volatility. The Group will continue to monitor the oil price and take adequate steps to manage its business and any financial impact of same.

The Group's operations are not affected by seasonality or cyclicality. The financial position and performance of the Group were particularly affected by the following events and transactions during the year ended 31 December 2020:

- There was a change in the Group's operational structure which took effect on January 1, 2020; Seplat Plc ceased to be a party to the Joint Operating Agreement (JOA) in respect of the Oil Mining Lease Numbers 4, 38 and 41 and transferred its right and obligation to Seplat West Limited. Seplat West Ltd became a party to the JOA and assumed the rights and obligations of the transferred assets. Seplat Plc is now a holding company.
- The Group recognised impairment loss of $114.4 million (N41.1 billion) on its non-financial assets. The impairment is as a result of re-assessment of future cash flow from the Group's oil and gas properties due to significant fall in oil prices. (See note 12).
- The Group experienced a decline in the revenue from crude oil majorly due to the global Covid-19 pandemic.
- An explosion occurred during the installation of a ladder on a platform at the Benin River Valve Station on OML 40 in Delta State which is used for exporting Gbetiokun production. There was no major impact to the Group's operation as the site of the incident is some distance from OML 40 field operations, which were unaffected.
- The Group's interest-bearing borrowings included a four-year revolving loan facility of $350m (₦133b). In October 2020, the Group made principal repayments on the four-year revolving facility for a lump sum of $100m (₦35.9b). In the reporting period, the Group repaid the outstanding principal amount of ₦3.59 billion ($10m) on the revolving loan facility.
- During the year, the Central Bank of Nigeria (CBN) adjusted the exchange rate from N307/$1 to N360/$1 on the 20th March 2020 and from N360/$1 to N380/$1 on 6th August 2020. This was done to unify the official exchange rate around the Nigerian Autonomous Foreign Exchange (NAFEX) rate.

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

The consolidated financial statements of the Group for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRSIC). 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 and 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, 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.

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.

3.3 New and amended standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

a) Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter any business combinations.

b) Amendments to IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

These amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and of amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

c) Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

d) Amendments to IFRS 16 Covid Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19 Related Rent Concessions-amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from the lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

e) Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

3.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

i. IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

ii. Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms

of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

iii. Reference to the Conceptual Framework- Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

iv. Property, Plant and Equipment: Proceeds before Intended Use-Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

v. Interest Rate Benchmark Reform - Phase 2-Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

The amendment is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

vi. Onerous Contracts- Costs of Fulfilling a Contract-Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

vii. IFRS 9 Financial Instruments- Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

viii. IAS 41 Agriculture-Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

3.5 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 2020. 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.

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 transaction 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.

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 is 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 3.19.

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.
- 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 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.

xi. Group reorganisation

A Group reorganisation involves restructuring the relationship between entities under common control. It is the transfer of assets (shares or businesses of a group entity), from one group entity to another. This may be between existing or newly formed entities within the group. Common control means all the combining entities or businesses are ultimately controlled by the same party both before and after the reorganisation.

The Group accounts for reorganisation involving entities under common control using pooling of interest method. On the date of transfer, the assets and liabilities are transferred to the acquirer at their carrying value, no adjustments are made to reflect their fair value, and no new goodwill is recognised. Any difference between the consideration transferred and the acquired net assets (or liabilities) is reflected within equity.

The assets and liabilities transferred are reflected prospectively in the Group's financial statements from the date of transfer without restating the comparative period.

3.6 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 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 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.

3.7 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 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.

3.8 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. Initially, 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.

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 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 unless the payment to the customer is in exchange for a distinct goods or services that the customer transfers to the Group.

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. 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.

3.9 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

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.

3.10 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.

3.11 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.

3.12 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.

3.13 Finance income and costs

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.

3.14 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.

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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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 2020 satisfy the conditions for classification at amortised cost under IFRS 9 except for derivatives which are classified at fair value through profit or loss.

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.

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 2020 was Nil (2019: ₦14.8 million, $48.4).

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.

vi. 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.

3.20 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.

3.21 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.

3.22 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.

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

3.23 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 pre-tax 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.

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.

3.24 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.

3.25 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.

3.26 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.

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. 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.

3.27 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
- 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.

3.28 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:

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 15.

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. Group re-organisation

On 1 January 2020, the Group's operations were restructured with the transfer of OML 4, OML 38 and OML 41 from Seplat Plc to Seplat West Limited. Management determined that this was a group reorganisation involving entities under common control, as Seplat Plc controlled the Group before and after the reorganisation. In addition, the assets and liabilities of the Group were the same immediately before and after the reorganisation. See Note 40 for a summary of assets and liabilities transferred to Seplat West Limited.

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 ₦19 billion, 2019: ₦21.4 billion. See Note 50 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. Revenue recognition

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.

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.

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. 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.

ii. 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.

iii. 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 28.4.

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.

iv. 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.

v. 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, higher of fair value less cost to dispose and 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 41, OML 56, OML 53, OML 40 and OML 17. The Group used the higher of the fair value less cost to dispose and 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 (excluding (a) future restructurings to which the entity is not yet committed; or (b) improving or enhancing the asset's performance) and other relevant assumptions based on the 2020-year end Competent Persons Report (CPR). The pre-tax future cash flows were adjusted for risks specific to the forecast and discounted using a pre-tax discount rate of 15% and post-tax discount rate of 10% for OML 40 and OML 17, 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 any impairment loss for OML 4,38 and 41, OML 56 and OML 53. However, there were impairment losses recognised on OML 40 and OML 17.

Management has considered whether a reasonable possible change in one of the main assumptions will cause an impairment and believes otherwise (see Note 17.1).

vi. 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.

vii. 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.

viii. 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 in Note 6.1.3.

ix. Intangible asset

The contract based intangible assets were 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 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.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. See Note 20 for more details.

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

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

During the last quarter of 2020, the Group entered an economic crude oil hedge contracts with an average strike price of ₦ 12,903 ($34/bbl.) for 5 million barrels at an average premium price of ₦580.64 ($1.53/bbl.) was agreed at the contract dates.

These contracts, which will commence in 1 January 2021, are expected to reduce the volatility attributable to price fluctuations of oil. The Group has pre-paid a premium of ₦672 million, 2019: ₦838 million ($1.77 million; 2019: $2.73 million) for 1 million barrels while the premium for 4 million barrels will be settled on a deferred basis. An unrealized fair value loss of ₦ 600 million, $1.67 million and a gain of ₦337 million, $1.1 million was recognized for these hedges in 2020 and 2019 respectively. The termination date is 31 March and 30 September 2021 respectively. Hedging the price volatility of forecast oil sales is in accordance with the risk management strategy of the Group.

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

	Less than 6 months	6 to 9 months	10 to 12 months	Above 12 months	Total	Fair value ₦ million	Fair value $'000
As at 31 December 2020							
Crude oil hedges Volume (bbl.)	2,000,000	3,000,000	-	-	5,000,000	(626)	(1,648)
						(626)	**(1,648)**

	Less than 6 months	6 to 9 months	10 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**

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:

Increase/decrease in Commodity Price	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million
+10%	63	-	31	-
-10%	(63)	-	(31)	-

Increase/decrease in Commodity Price	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+10%	165	-	100	-
-10%	(165)	-	(100)	-

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 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million
+10%	15,042	-	15,195	-
-10%	(15,042)	-	(15,195)	-

Increase/decrease in market inputs	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+10%	41,794	-	49,510	-
-10%	(41,794)	-	(49,510)	-

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 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million
+10%	4,050	-	4,167	-
-10%	(4,050)	-	(4,167)	-

Increase/decrease in Commodity Price	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+10%	11,253	-	13,576	-
-10%	(11,253)	-	(13,576)	-

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.

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Corporate loan	**131,107**	**135,112**	**345,019**	**440,130**

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 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million
+1%	131	-	(41)	-
-1%	(131)	-	42	-

Increase/decrease in interest rate	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+1%	345	-	(135)	-
-1%	(345)	-	136	-

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 most 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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Financial assets				
Cash and bank balances	85,223	31,945	224,270	103,892
Trade and other receivables	443	15,201	1,167	49,515
Contract assets	2,343	6,527	6,167	21,259
Inventory	-	248	-	807
	88,009	**53,921**	**231,604**	**175,473**
Financial liabilities				
Trade and other payables	(90,663)	(41,847)	(238,587)	(126,116)
Net exposure to foreign exchange risk	**(2,654)**	**12,074**	**(6,983)**	**49,357**

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

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Financial assets				
Cash and bank balances	396	611	1,041	2,153
Trade and other receivables	29,799	1,624	78,419	5,290
	30,195	2,235	79,460	7,443
Financial liabilities				
Trade and other payables	-	(4,948)	-	(16,117)
Net exposure to foreign exchange risk	**30,195**	**(2,713)**	**79,460**	**(8,674)**

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 2020	Effect on other components of equity before tax 2020	Effect on profit before tax 2019	Effect on other components of equity before tax 2019
	₦ million	₦ million	₦ million	₦ million
+5%	(20,983)	-	(722)	-
-5%	23,192	-	798	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+5%	(55,218)	-	(2,350)	-
-5%	61,030	-	2,598	-

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 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2019 ₦ million	Effect on other components of equity before tax 2019 ₦ million
+5%	(1,438)	-	127	-
-5%	1,589	-	(140)	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000	Effect on profit before tax 2019 $'000	Effect on other components of equity before tax 2019 $'000
+5%	(3,784)	-	413	-
-5%	4,182	-	(457)	-

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.Mercuria, Shell western, Pillar, Azura, Geregu Power, Sapele Power and Nigerian Gas Marketing Company (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) receivables
- Trade receivables
- Contract assets
- Other receivables

- Cash and bank balances

Reconciliation of impairment on financial assets

	Notes	₦'million	$'000
As at 1 January 2020		**6,911**	**22,524**
Increase in provision for Nigerian Petroleum Development Company (NPDC) receivables	24.2	171	476
Increase in provision for National Petroleum Investment Management Services (NAPIMS) receivables	24.3	456	1,268
Increase in provision for trade receivables	24.1	542	1,507
Increase in provision for cash and bank balances: short term fixed deposits	27	60	167
Increase in provision for other receivables	24.4	9,548	26,529
Exchange difference		1	-
Impairment charge to the profit or loss		**10,778**	**29,947**
As at 31 December 2020		**17,689**	**52,471**

	Notes	₦'million	$'000
As at 1 January 2019 (A)		6,871	22,382
Increase in provision for Nigerian Petroleum Development Company (NPDC) receivables	24.2	12,836	41,813
Increase in provision for National Petroleum Investment Management Services (NAPIMS) receivables	24.3	23	77
Increase in provision for trade receivables	24.1	525	1,710
Decrease in provision for cash and bank balances: short term fixed deposits	27	(13)	(39)
Increase in provision for other receivables	24.4	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		(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.

	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 9.45%, 9.85% and 9.23% respectively for stage 1 and stage 2. The PD for stage 3 is 100%.	The PD for base case, downturn and upturn is 9.45%, 9.85% and 9.23% respectively for stage 1 and stage 2. The PD for stage 3 is 100%.	The PD for stage 3 is 100%.	The PD for base case, downturn and upturn is 11.77%, 12.75% and 10.88% respectively for stage 1 and stage 2. 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%, 11% and 9% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	80%, 11% and 9% 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.

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.

There was no write-off during the year (2019: ₦14.9 billion ($48.4 million). (See details in Note 24.2)

31 December 2020

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	41,300			41,300
Loss allowance	(619)			(619)
Net Exposure at Default (EAD)	**40,681**	-	-	**40,681**

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)	68,712	-	-	68,712
Loss allowance	(448)	-	-	(448)
Net Exposure at Default (EAD)	**68,264**	**-**	**-**	**68,264**

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	114,439	-	-	114,439
Loss allowance	(7,386)	-	-	(7,386)
Net Exposure at Default (EAD)	**107,053**	**-**	**-**	**107,053**

31 December 2019

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'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**

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. The tables below show the expected credit losses for the year ended 31 December 2020 and 31 December 2019.

31 December 2020

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	11,832	-	-	11,832
Loss allowance	(479)	-	-	(479)
Net Exposure at Default (EAD)	11,353	-	-	11,353

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	31,221	-	-	31,221
Loss allowance	(1,345)	-	-	(1,345)
Net Exposure at Default (EAD)	29,876	-	-	29,876

Notes to the consolidated financial statements - continued

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)	377	-	-	377
Loss allowance	(23)	-	-	(23)
Net Exposure at Default (EAD)	**354**	**-**	**-**	**354**

31 December 2019

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'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 (Gerugu Power, Sapele Power and 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 (Gerugu Power, Sapele Power and 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 2020 and 31 December 2019 are as follows:

31 December 2020

	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	1,844	-	1,005	1,377	1,556	6,900	12,682
Expected loss rate	0.14%	0.14%	0.14%	0.15%	4.43%	6.27%	
Lifetime ECL (Note 24.1)	(2)	-	(1)	(2)	(66)	(452)	(523)
Total	**1,842**	**-**	**1,004**	**1,375**	**1,490**	**6,448**	**12,159**

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 24.1)	(4)	-	(3)	-	-	(333)	(340)
Total	2,511	-	1,787	-	-	11,843	16,141

31 December 2020

	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	4,859	-	2,649	3,629	4,099	18,137	33,373
Expected loss rate	0.14%	0.14%	0.14%	0.15%	4.43%	6.27%	
Lifetime ECL (Note 24.1)	(6)	-	(4)	(5)	(173)	(1,191)	(1,379)
Total	4,859	-	2,645	3,624	3,926	16,946	31,994

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 24.1)	(11)	-	(8)	-	-	(1,090)	(1,109)
Total	8,181	-	5,823	-	-	38,571	52,575

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 2020 was nil.

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 24.1)	(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 24.1)	(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 2020 and 31 December 2019 are as follows:

31 December 2020

	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	89	-	-	-	-	346	435
Expected loss rate	1.22%	1.22%	2.16%	15.03%	52.65%	100%	
Lifetime ECL (Note24.1)	(1)	-	-	-	-	(346)	(347)
Total	88	-	-	-	-	-	88

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 (Note 24.1)	(11)	-	(83)	-	-	(149)	(243)

Total	904	-	472	-	-	125	1,501

31 December 2020

	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	234	-	-	-	-	913	1,147
Expected loss rate	1.22%	1.22%	2.16%	15.03%	52.65%	100%	
Lifetime ECL (Note 24.1)	(2)	-	-	-	-	(913)	(915)
Total	**232**	-	-	-	-	-	**232**

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 24.1)	(35)	-	(272)	-	-	(483)	(790)
Total	**2,944**	**-**	**1,536**	**-**	**-**	**411**	**4,891**

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 2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	-	-	16,348	16,348
Loss allowance	-	-	(15,303)	(15,303)
Net Exposure at Default (EAD)	-	-	1,045	1,045

31 December 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	₦'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 2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	-	-	48,070	48,070
Loss allowance	-	-	(45,319)	(45,319)
Net Exposure at Default (EAD)	-	-	2,751	2,751

31 December 2019

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'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

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 2020

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	8,061	-	-	8,061
Loss allowance	(93)	-	-	(93)
Net Exposure at Default (EAD)	7,968	-	-	7,968

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)	29,741	-	-	29,741
Loss allowance	(23)	-	-	(23)
Net Exposure at Default (EAD)	29,718	-	-	29,718

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	21,212	-	-	21,212
Loss allowance	(246)	-	-	(246)
Net Exposure at Default (EAD)	20,966	-	-	20,966

31 December 2019

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

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 nil as at 31 December 2020 (2019: 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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Non-rated	4,841	6	12,740	19
BBB-	672	-	1,764	-
B	-	25,987	-	84,649
B+	-	1,713	-	5,580
A	-	4,182	-	13,623
A+	80,832	65,684	212,717	213,956
AA-	9,004	750	23,694	2,444
AAA	3,059	3,941	8,049	12,836
	98,408	102,263	258,964	333,107
Allowance for impairment recognised during the year (Note 27)	(93)	(23)	(246)	(79)
Net cash and cash bank balances	**98,315**	**102,240**	**258,718**	**333,028**

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:

- 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:

Notes to the consolidated financial statements - continued

Nigerian Petroleum Development Company (NPDC) receivables

	Stage 1 12-month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million	Purchased credit-impaired ₦ million	Total ₦ million
Loss allowance as at 1 January 2020	448	-	-	-	448
Movements with profit or loss impact					
New financial assets originated or purchased	171	-	-	-	171
Total net profit or loss charge during the period	171				171
Loss allowance as at 31 December 2020	**619**	**-**	**-**	-	**619**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at 1 January 2020	1,460	-	-	-	1,460
Movements with profit or loss impact					
New financial assets originated or purchased	476	-	-	-	476
Total net profit or loss charge during the period	476	-	-	-	476
Loss allowance as at 31 December 2020	**1,936**	**-**	**-**	**-**	**1,936**

National Petroleum Investment Management services (NAPIMS) receivables

	Stage 1 12-month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million	Purchased credit-impaired ₦ million	Total ₦ million
Loss allowance as at 1 January 2020	23	-	-	-	23
Movements with profit or loss impact					
New financial assets originated or purchased	456	-	-	-	456
Total net profit or loss charge during the period	**456**	-	-	-	**456**
Loss allowance as at 31 December 2020	**479**	**-**	**-**	-	**479**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at 1 January 2020	77	-	-	-	77
Movements with profit or loss impact					
New financial assets originated or purchased	1,268	-	-	-	1,268
Total net profit or loss charge during the period	**1,268**	**-**	**-**	**-**	**1,268**
Loss allowance as at 31 December 2020	**1,345**	**-**	**-**	**-**	**1,345**

Other receivables

	Stage 1 12-month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million	Purchased credit-impaired ₦ million	Total ₦ million
Loss allowance as at 1 January 2020	-	1,227	4,528	-	5,755
Movements with profit or loss impact					
Changes in PDs/LGDs/EADs	-	-	9,548	-	9,548
Transfer to stage 3	-	(1,227)	1,227	-	-
Total net profit or loss charge during the period	-	(1,227)	10,775	-	9,548
Loss allowance as at 31 December 2020	**-**	**-**	**15,303**	**-**	**15,303**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at 1 January 2020	-	3,980	14,810	-	18,790
Movements with profit or loss impact					
Changes in PDs/LGDs/EADs	-	-	26,529	-	26,529
Transfer to stage 3	-	(3,980)	3,980	-	-
Total net profit or loss charge during the period	-	(3,980)	30,509		26,529
Loss allowance as at 31 December 2020	**-**	**-**	**45,319**	**-**	**45,319**

Short-term fixed deposit

	Stage 1 12-month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million	Purchased credit-impaired ₦ million	Total ₦ million
Loss allowance as at 1 January 2020	23	-	-	-	23
Movements with profit or loss impact					
New financial assets originated or purchased	60	-	-	-	60
Total net profit or loss charge during the period	**60**	-	-	-	**60**
Other movements with no profit or loss impact					
Exchange difference	10	-	-	-	10
Loss allowance as at 31 December 2020	**93**	-	-	-	**93**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at 1 January 2020	79	-	-	-	79
Movements with profit or loss impact					
New financial assets originated or purchased	167	-	-	-	167
Total net profit or loss charge during the period	**167**	**-**	**-**	**-**	**167**
Loss allowance as at 31 December 2020	**246**	**-**	**-**	**-**	**246**

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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 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 2020	Effect on other components of equity before tax 2020	Effect on profit before tax 2020	Effect on other components of equity before tax 2020
	₦ million	₦ million	$'000	$'000
Increase/decrease in estimated cashflows				
+20%	41	-	108	-
-20%	(41)	-	(108)	-

	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 cash flows				
+20%	94	-	305	-
-20%	(94)	-	(305)	-

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 2020	Effect on other components of equity before tax 2020	Effect on profit before tax 2020	Effect on other components of equity before tax 2020
	₦ million	₦ million	$'000	$'000
Increase/decrease in loss given default				
+10%	(285)	-	(749)	-
-10%	285	-	749	-

	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	-

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 2020	Effect on other components of equity before tax 2020	Effect on profit before tax 2020	Effect on other components of equity before tax 2020

	₦ million	₦ million	$'000	$'000
Increase/decrease in probability of default				
+10%	(188)	-	(496)	-
-10%	188	-	496	-

	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	-

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 2020	Effect on other components of equity before tax 2020	Effect on profit before tax 2020	Effect on other components of equity before tax 2020
	₦ million	₦ million	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators				
+10%	(230)	-	(605)	-
-10%	230	-	605	-

	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	-

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.

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2020						

Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	-	-	133,000	-	133,000
Variable interest rate borrowings						
Citibank, N.A., London Branch	6% + Libor	724	10,133	-	-	10,857
Nedbank Limited London	6% + Libor	724	10,133	-	-	10,857
Stanbic IBTC Bank Plc	6% + Libor	362	5,067	-	-	5,429
The Standard Bank of South Africa Limited	6% + Libor	362	5,067	-	-	5,429
RMB International (Mauritius) Limited	6% + Libor	724	10,133	-	-	10,857
The Mauritius Commercial Bank Ltd	6% + Libor	724	10,133	-	-	10,857
JPMorgan Chase Bank, N.A., London Branch	6% + Libor	543	7,600	-	-	8,143
Standard Chartered Bank	6% + Libor	543	7,600	-	-	8,143
Natixis	6% + Libor	543	7,600	-	-	8,143
Société Générale, London Branch	6% + Libor	271	3,800	-	-	4,071
Zenith Bank Plc	6% + Libor	271	3,800	-	-	4,071
United Bank for Africa Plc	6% + Libor	271	3,800	-	-	4,071
First City Monument Bank Limited	6% + Libor	271	3,800	-	-	4,071
First Bank of Nigeria	8% + Libor	1,140	2,993	428	-	4,561
The Mauritius Commercial Bank Ltd	8% + Libor	3,268	8,579	1,226	-	13,073
Stanbic IBTC Bank Plc/ The Standard Bank of South Africa Limited	8% + Libor	5,092	13,367	1,910	-	20,369
Total variable interest borrowings		**15,833**	**113,605**	**3,564**	**-**	**133,002**
Other non - derivatives						
Trade and other payables**		130,468	-	-	-	130,468
Lease liability		933	895	731	25	2,584
		131,401	**895**	**731**	**25**	**133,052**
Total		**147,234**	**114,500**	**137,295**	**25**	**399,054**

	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	3,564	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**

	Effective interest rate %	Less than 1 year $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
31 December 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	-	-	**350,000**	**-**	**350,000**
Variable interest rate borrowings						
Citibank, N.A., London Branch	6% + Libor	1,905	26,667	-	-	28,572
Nedbank Limited London	6% + Libor	1,905	26,667	-	-	28,572
Stanbic IBTC Bank Plc	6% + Libor	952	13,333	-	-	14,285
The Standard Bank of South Africa Limited	6% + Libor	952	13,333	-	-	14,285
RMB International (Mauritius) Limited	6% + Libor	1,905	26,667	-	-	28,572
The Mauritius Commercial Bank Ltd	6% + Libor	1,905	26,667	-	-	28,572
JPMorgan Chase Bank, N.A., London Branch	6% + Libor	1,429	20,000	-	-	21,429
Standard Chartered Bank	6% + Libor	1,429	20,000	-	-	21,429
Natixis	6% + Libor	1,429	20,000	-	-	21,429
Société Générale, London Branch	6% + Libor	714	10,000	-	-	10,714
Zenith Bank Plc	6% + Libor	714	10,000	-	-	10,714
United Bank for Africa Plc	6% + Libor	714	10,000	-	-	10,714
First City Monument Bank Limited	6% + Libor	713	10,000	-	-	10,713
First Bank of Nigeria	8% + Libor	3,000	7,875	1,125	-	12,000

The Mauritius Commercial Bank Ltd	8% + Libor	8,600	22,575	3,225	-	34,400
Stanbic IBTC Bank Plc/ The Standard Bank of South Africa Limited	8% + Libor	13,400	35,175	5,025	-	53,600
Total variable interest borrowings		**41,666**	**298,959**	**9,375**	-	**350,000**
Other non - derivatives						
Trade and other payables**		343,341	-	-	-	343,324
Lease liability		2,455	2,354	1,924	67	6,800
		345,796	2,354	1,924	67	**350,141**
Total		**387,462**	**301,313**	**361,299**	**67**	**1,050,142**

	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**

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	
	2020	2019	2020	2019
	₦ million	₦ million	₦ million	₦ million
Financial assets at amortised cost				
Trade and other receivables*	58,398	35,225	58,398	35,225
Contract assets	2,343	6527	2,343	6,527
Cash and bank balances	98,315	102,240	98,315	102,240
	159,056	**143,992**	**159,056**	**143,992**
Financial assets at fair value				
Derivative financial instruments (Note 26)	-	457	-	457
	-	**457**	-	**457**
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	265,398	242,349	277,170	229,805
Trade and other payables	93,537	106,260	93,537	106,260
	358,935	**348,609**	**370,707**	**336,065**
Financial liabilities at fair value				
Derivative financial instruments (Note 26)	626	-	626	-
	626	**-**	**626**	**-**

	Carrying amount		Fair value	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Trade and other receivables*	153,680	114,740	153,680	114,740
Contract assets	6,167	21,259	6,167	21,259
Cash and bank balances	258,718	333,028	258,718	333,028
	418,565	**469,027**	**418,565**	**469,027**
Financial assets at fair value				
Derivative financial instruments (Note 26)	-	1,486	-	1,486
	-	**1,486**	-	**1,486**
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	698,415	789,408	729,395	748,551
Trade and other payables	246,150	346,125	246,150	346,125
	944,565	**1,135,533**	**975,545**	**1,094,676**
Financial liabilities at fair value				
Derivative financial instruments (Note 26)	1,648	-	1,648	-
	1,648	**-**	**1,648**	**-**

* Trade and other receivables exclude Geregu Power, Sapele Power and 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 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 Liability

31 Dec 2020	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial liabilities:						
Derivative financial instruments	-	(626)	-	-	(1,648)	-

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	-
	-	457	-	-	1,486	-

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. The derivative financial instruments are in level 2.

Financial Liabilities

31 Dec 2020	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	-	277,170	-	-	729,395	-

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	-

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 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.

6.1.7 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.

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Interest bearing loans and borrowings	265,398	242,349	698,415	789,408
Lease liabilities	2,270	2,829	5,974	9,210
Less: cash and bank balances	(98,315)	(102,240)	(258,718)	(333,028)
Net debt	169,353	142,938	439,697	465,590
Total equity	632,337	553,808	1,664,045	1,803,939
Total capital	801,690	696,746	2,103,742	2,269,529
Net debt (net debt/total capital) ratio	21%	21%	21%	21%

During the year, the Group's strategy which was unchanged from 2019, 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.

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.

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 2020, revenue from the gas segment of the business constituted 21% (2019: 29%) of the Group's revenue. Management is committed to continued growth of the gas segment of the business, including through increased investment to establish additional offices, create a separate gas business operational management team and procure 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 the gas business segment's revenues, results and cash flows are 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.

7.1 Segment profit disclosure

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Oil	(56,471)	26,623	(156,893)	86,743
Gas	25,759	54,352	71,571	177,099
Total (loss)/profit from continued operations for the year	**(30,712)**	**80,975**	**(85,322)**	**263,842**

Oil

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Revenue from contract with customers				
Crude oil sales (Note 8)	150,422	151,954	417,941	495,104
Operating profit before depreciation, amortisation and impairment	64,977	81,984	159,979	268,597
Depreciation and amortization	(52,766)	(25,570)	(126,044)	(84,792)
Impairment	(51,856)	(14,692)	(144,080)	(47,869)
Operating (loss)/ profit	(39,645)	41,722	(110,145)	135,936
Finance income (Note 14)	601	4,134	1,671	13,471
Finance costs (Note 14)	(18,656)	(10,294)	(51,834)	(33,539)
(Loss)/profit before taxation	**(57,700)**	**35,562**	**(160,308)**	**115,868**
Income tax credit/(expense) (Note 15)	1,229	(8,939)	3,415	(29,125)
(Loss)/profit for the period	**(56,471)**	**26,623**	**(156,893)**	**86,743**

Gas

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Revenue from contract with customer				
Gas sales	40,500	41,668	112,526	135,761
Gas processing	-	20,535	-	66,912
	40,500	62,203	112,526	202,673
Operating profit before depreciation, amortisation and impairment	32,024	60,277	88,977	188,835
Depreciation and amortization	(3,700)	(6,031)	(10,279)	(12,085)
(Impairment loss)/reversal of impairment loss	(97)	(219)	(269)	(712)
Operating profit	28,227	54,027	78,429	176,039
Share of profit from joint venture accounted for using equity accounting	601	325	1,670	1,060
Profit before taxation	28,828	54,352	80,099	177,099
Taxation	(3,069)	-	(8,528)	-
Profit for the year	25,759	**54,352**	71,571	**177,099**

During the reporting period, impairment losses recognised in the gas segment relates to Geregu Power, Sapele Power and 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.

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.

	2020 Oil ₦'million	2020 Gas ₦'million	2020 Total ₦'million	2020 Oil $'000	2020 Gas $'000	2020 Total $'000
Geographical markets						
Nigeria	53,587	40,500	94,087	148,890	112,526	261,416
Switzerland	96,835	-	96,835	269,051	-	269,051
Revenue from contract with customers	**150,422**	**40,500**	**190,922**	**417,941**	**112,526**	**530,467**
Timing of revenue recognition						
At a point in time	150,422	-	150,422	417,941	-	417,941
Over time	-	40,500	40,500	-	112,526	112,526
Revenue from contract with customers	**150,422**	**40,500**	**190,922**	**417,941**	**112,526**	**530,467**

	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**

The Group's transactions with its major customer, Mercuria, constitutes more than 64% (($269 million, ₦97 billion) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with Geregu Power, Sapele Power and NGMC ($63 million, ₦22.7 billion) accounted for more than 59% of the total revenue from the gas segment and the Group as a whole.

7.1.2 Impairment/ (reversal of) losses on financial assets by reportable segments

	2020 Oil ₦'million	2020 Gas ₦'million	2020 Total ₦'million	2019 Oil ₦'million	2019 Gas ₦'million	2019 Total ₦'million
Impairment losses recognised during the period	10,761	97	10,858	1,870	219	2,089
Receivables written off during the year as uncollectible	-	-	-	14,871	-	14,871
Reversal of previous impairment losses	(80)	-	(80)	(2,049)	-	(2,049)
	10,681	97	10,778	**14,692**	**219**	**14,911**

	2020 Oil $'000	2020 Gas $'000	2020 Total $'000	2019 Oil $'000	2019 Gas $'000	2019 Total $'000
Impairment losses recognised during the period	29,899	269	30,168	6,097	712	6,809
Receivables written off during the year as uncollectible	-	-	-	48,439	-	48,439

Reversal of previous impairment losses	(221)	-	(221)	(6,667)	-	(6,667)
	29,678	**269**	**29,947**	**47,869**	**712**	**48,581**

7.1.3 Impairment/ (reversal of) losses on non-financial assets by reportable segments

	2020 Oil ₦'million	2020 Gas ₦'million	2020 Total ₦'million	2019 Oil ₦'million	2019 Gas ₦'million	2019 Total ₦'million
Impairment losses recognised during the period	41,175	-	41,175	-	-	-
	41,175	**-**	**41,175**	**-**	**-**	**-**

	2020 Oil $'000	2020 Gas $'000	2020 Total $'000	2019 Oil $'000	2019 Gas $'000	2019 Total $'000
Impairment losses recognised during the period	114,402	-	114,402	-	-	-
	114,402	**-**	**114,402**	**-**	**-**	**-**

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 2020	1,101,463	209,374	1,310,837	2,898,588	550,985	3,449,573
31 December 2019	763,322	240,911	1,004,233	2,563,147	707,963	3,271,110

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 2020	654,095	24,405	678,500	1,721,305	64,223	1,785,528
31 December 2019	434,334	16,091	450,425	1,398,462	68,709	1,467,171

8. Revenue from contracts with customers

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Crude oil sales	150,422	151,954	417,941	495,104
Gas sales	40,500	41,668	112,526	135,761
Gas processing	-	20,535	-	66,912
	190,922	214,157	530,467	697,777

The major off-taker for crude oil is Mercuria and Shell Western. The major off-taker for gas is Geregu Power, Sapele Power, 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. Subsequently, NPDC acquired 55% stake in the gas plant, as a result of this acquisition, Seplat has ceased to process gas for NPDC.

9. Cost of sales

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Royalties	36,483	29,654	101,366	96,622
Depletion, depreciation and amortisation (Note 17.7)	45,876	27,952	127,464	91,075
Crude handling fees	20,198	17,616	56,119	57,396
Nigeria Export Supervision Scheme (NESS) fee	130	181	361	589
Barging and Trucking	5,753	-	15,986	-
Niger Delta Development Commission Levy	3,224	2,599	8,957	8,469
Rig related costs	-	1,872	-	6,101
Operational & maintenance expenses	34,424	12,824	95,639	41,787
	146,088	**92,698**	**405,892**	**302,039**

Operational & maintenance expenses relates mainly to maintenance costs, gas flare penalty, warehouse operations expenses, security expenses, community expenses, clean-up costs, fuel supplies and catering services. Included in operational and maintenance is gas flare penalty of $6.2million. Also included in operational & maintenance expenses are OML 40 and OML 17 Ubima field expenses totalling $42million for Eland group which were not included in 2019 financials.

Barging and Trucking relates to costs for the OML 40 Gbetiokun field and OML 17 Ubima field respectively under Eland Group, which were not included in 2019 financials.

10. Other income

	2020 ₦ million	2019 ₦'million	2020 $'000	2019 $'000
Underlift/(Overlift)	17,996	(2,101)	50,001	(6,847)
(Loss)/gain on foreign exchange	(680)	735	(1,890)	2,395
Gains on disposal of oil and gas assets	1	9,462	3	30,830
Crude Hedging income	9,487	-	26,358	-
Provision no longer required (Note 33)	2,597	-	7,217	-
Tariffs	783	1,074	2,175	3,498
	30,184	**9,170**	**83,864**	**29,876**

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 in profit or loss. 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.

(Loss)/gains on foreign exchange are principally as a result of translation of naira denominated monetary assets and liabilities.

Provision no longer required relates to contingent liability initially 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).

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

11. General and administrative expenses

	2020 ₦ million	2019 ₦'million	2020 $'000	2019 $'000
Depreciation (Note 17.5)	1,936	872	5,376	2,841
Depreciation of right-of-use assets (Note 19)	1,254	908	3,483	2,960
Auditor's remuneration	366	170	1,017	553
Professional and consulting fees	4,111	3,195	11,421	10,408
Directors' emoluments (executive)	1,642	770	4,561	2,508
Directors' emoluments (non-executive)	1,284	1,056	3,567	3,440
Donations	158	73	439	237
Employee benefits (Note 11.1)	15,179	11,565	42,172	37,681
Flights and other travel costs	1,257	2,792	3,495	9,097
Rentals	185	274	516	892
	27,372	**21,675**	**76,047**	**70,617**

Included in employee benefits are Eland staff costs of ₦3.6 billion ($10.2 million). There were non-audit services rendered by the Group's auditors during the period. Share-based payment expenses are included in employee benefits expense.

11.1 Salaries and employee related costs include the following:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Short term employee benefits:				
Basic salary	8,458	5,300	23,498	17,272
Housing allowances	1,356	622	3,768	2,026
Other allowances	2,374	1,814	6,596	6,017
Post-employment benefits:				
Defined contribution expenses	726	622	2,018	2,026
Defined benefit expenses (Note 35.2)	409	343	1,135	1,117
Other employee benefits:				
Share based payment expenses (Note 28.2)	1,856	2,864	5,157	9,223
	15,179	**11,565**	**42,172**	**37,681**

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

11.2 Below are details of non-audit services provided by the auditors:

Entity	Service	PWC office	Fees ($)	Year
Seplat Petroleum Development UK	Tax compliance	PWC UK	27,300	2021
Eland Oil and Gas Limited	Review of G&A costs allocation	PWC UK	68,250	2020
Seplat Petroleum Development UK	VAT compliance service	PWC UK	13,650	2020
Seplat Petroleum Development Company Plc	Remuneration committee support, advice to management on reward matters	PWC UK	750,750	2020
Seplat Petroleum Development UK	Personal/ individual tax services	PWC UK	27,300	2021

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11.3 Below are details of assurance service providers to the Group during the year:

S/N	Name of Signer	Name of firm	Service rendered
1	Gen Wingrave*	RPS Group (UK)	Decommissioning cost valuation
2	Tosin Famurewa* Stephen .T. Philips*	Ryder Scott Petroleum Consultants	Reserve Valuation
3	Matthew Johnson*	Ascension Consulting	Tax consultancy service
4	Ganiu Shefiu*	Logic Professional Service	Actuarial valuation service

*The signers and firms do not have FRCN numbers.

12. Impairment loss

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Impairment losses on financial assets-net (Note 12.1)	10,778	14,911	29,947	48,581
Impairment loss on non-financial assets (Note 12.2)	41,175	-	114,402	-
	51,953	**14,911**	144,349	**48,581**

12.1 Impairment losses on financial assets-net

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Impairment losses on:				
NAPIMS receivables	456	23	1,268	77
NPDC receivables	171	-	476	-
Other receivables	9,548	1,540	26,529	5,020
Trade receivables (Geregu Power, Sapele Power and NGMC)	97	219	269	712
Short term deposits	60	-	167	-
Other trade receivables	525	239	1,459	779
Trade receivables (Mercuria)	-	68	-	221
	10,857	2,089	30,168	6,809
Receivables written off during the year as uncollectible	-	14,871	-	48,439
	10,857	**16,960**	**30,168**	**55,248**
Reversal of impairment losses on:				
Mercuria	(80)	-	(221)	-
NPDC receivables	-	(2,036)	-	(6,628)
Short term deposits	-	(13)	-	(39)
	(80)	(2,049)	(221)	(6,667)
Exchange difference	1	-	-	-
Total impairment loss allowance	**10,778**	**14,911**	**29,947**	**48,581**

12.2 Impairment loss on non-financial assets:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Impairment loss	**41,175**	**-**	**114,402**	**-**

During the year, the group recognised impairment loss of $114.4 million (N41.1billion) on its non-financial assets. The impairment is primarily as a result of re-assessment of future cash flows from the Group's oil and gas properties due to significant fall in oil prices (see note 18 and 20).

13. Fair value gain/(loss)

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Realised fair value losses on crude oil hedges	(3,016)	(1,733)	(8,380)	(5,160)
Unrealised fair value loss	(953)	(2,236)	(2,649)	(7,770)
Fair value gain on contingent consideration	-	5,675	-	18,489
Fair value loss on other assets	(3,142)	-	(8,730)	-
	(7,111)	**1,706**	**(19,759)**	**5,559**

Fair value gain/(loss) on derivatives represents changes in the fair value of hedging receivables charged to profit or loss. In 2019, the write off of the contingent consideration due to production milestones not achieved resulted in a gain. Fair value loss on other assets relates to changes in fair value of financial interest in OML 55 (See Note 18).

14. Finance income/(cost)

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Finance income				
Interest income	**601**	**4,134**	**1,671**	**13,471**
Finance cost				
Interest on bank loans (Note 31)	(17,504)	(8,890)	(48,634)	(28,966)
Interest on lease liabilities (Note 32)	(106)	(164)	(295)	(534)
Unwinding of discount on provision for decommissioning (Note 34)	(1,046)	(1,240)	(2,905)	(4,039)
	(18,656)	**(10,294)**	**(51,834)**	**(33,539)**
Finance (cost) - net	**(18,055)**	**(6,160)**	**(50,163)**	**(20,068)**

Finance income represents interest on short-term fixed deposits.

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 8.93% (2019: 12.33%). The amount capitalised during the year is ₦5.8 billion ($15.4 million), 2019: ₦6 billion ($21 million).

15. Taxation

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

Income tax expense

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Current tax:				
Current tax expense on profit for the year	4,170	6,009	11,586	19,578
Education tax	749	955	2,082	3,111
Total current tax	4,919	6,964	13,668	22,689
Deferred tax:				
Deferred tax expense in profit or loss (Note 15.6)	(3,079)	1,975	(8,555)	6,436
Total tax expense in statement of profit or loss	1,840	8,939	5,113	29,125
Deferred tax recognised in other comprehensive income (Note 15.6)	25	(171)	69	(558)
Total tax charge for the period	**1,865**	**8,768**	**5,182**	**28,567**
Effective tax rate	**(6%)**	**10%**	**(6%)**	**10%**

15.1 Reconciliation of effective tax rate

The Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated annual tax rate used for the year ended 31 December 2020 is 85%, 65.75% for crude oil activities and 30% for gas activities. As at 31 December 2019, the applicable tax rate was 85%, 65.75% and 30% respectively.

The effective tax rate for the period was (6%) (2019: 10%)

A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Profit before taxation	(28,872)	89,914	(80,209)	292,967
Tax rate of 85%, 65.75% and 30%	7,882	76,427	21,899	249,022
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Income not subject to tax	(32,594)	(19,038)	(90,560)	(62,029)
Expenses not deductible for tax purposes	42,804	37,911	118,929	123,525
Recognition of previously unrecognised deductible temporary difference	-	(34,050)	-	(110,943)
Impact of unutilised tax losses	(3,079)	1,975	(8,555)	6,436
Effect of differences in tax rates	-	(6,994)	-	(22,789)
Effect of permanent differences	-	(801)	-	(2,610)
Impact of tax incentive	(13,922)	(46,329)	(38,682)	(150,953)
Education tax	749	955	2,082	3,111
Tax loss utilized	-	(1,119)	-	(3,645)
Impact of exchange difference	-	2	-	-
Total tax charge in statement of profit or loss	**1,840**	**8,939**	**5,113**	**29,125**

15.2 Current tax liabilities/(assets)

The movement in the current tax liabilities is as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
As at 1 January	5,679	(723)	18,502	(2,356)
Tax charge	4,919	6,964	13,668	22,689
Tax paid	(2,337)	(1,084)	(10,431)	(3,533)
Acquired in business combination	-	522	-	1,702
As 31 December	**8,261**	**5,679**	**21,739**	**18,502**

15.3 Deferred tax

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

Deferred tax assets	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Deferred tax asset to be recovered within 12months	9,437	-	33,151	-
Deferred tax asset to be recovered after more than 12 months	280,440	182,352	729,682	595,132

Deferred tax liabilities	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Deferred tax liabilities to be recovered within 12 months	(2,282)	-	(7,456)	
Deferred tax liabilities to be recovered after more than 12 months	(199,738)	(113,985)	(524,176)	(372,435)
Net deferred tax asset	**87,857**	**68,367**	**231,201**	**222,697**

15.4 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 2020 ₦ million	(Charged)/ credited to profit or loss ₦ million	Credited to other comprehensive income ₦ million	Balance at 31 December 2020 ₦ million
Tax losses	-	927	-	927
Other cumulative timing differences:				
Unutilised capital allowance	124,433	44,563	-	168,996
Provision for decommissioning obligation	296	824	-	1,120
Provision for defined benefit	2,725	1,080	(25)	3,780
Share based payment plan	5,670	723	-	6,393
Unrealised foreign exchange loss on trade and other receivables	1,046	17,093	-	18,139
Overlift/(underlift)	10,866	(11,844)	-	(978)
Acquired in business combination	27686	-	-	27,686
Impairment provision on trade and other receivables	3,399	7,016	-	10,415
Previously unrecognised deferred tax asset	6,050	-	-	6,050
	182,171	60,382	**(25)**	242,528
Effect of exchange differences	181	47,168		47,349
	182,352	**107,550**	**(25)**	**289,877**

	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
Previously 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 2020 $'000	(Charged)/ credited to profit or loss $'000	Credited to other comprehensive income $'000	Balance at 31 December 2020 $'000
Tax losses	-	2,576	-	2,576
Other cumulative timing differences:				
Unutilised capital allowance	406,848	123,815		530,663
Provision for decommissioning obligation	974	2,290		3,264
Provision for defined benefit	8,897	3,002	(69)	11,830
Share based payment plan	18,519	2,010		20,529
Unrealised Foreign exchange loss	3,433	47,491		50,924
Overlift/(underlift)	35,469	(32,907)		2,562
Acquired in business combination	90,182	-		90,182
Impairment provision on trade and other receivables	11,096	19,493		30,589
Previously unrecognised deferred tax asset	19,714	-		19,714
	595,132	**167,770**	**(69)**	**762,833**

	Balance at 1 January 2019 $'000	(Charged)/ credited to profit or loss $'000	Credited to other comprehensive income $'000	Acquisition of subsidiary $'000	Balance at 31 December 2019 $'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
Previously unrecognised deferred tax asset	-	19,714	-	-	19,714
	426,131	**78,261**	**558**	**90,182**	**595,132**

Previously unrecognised deferred tax asset relates Newton Energy Limited. The company resumed payment of taxes in 2019.

15.5 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 2020 ₦ million	Charged /(credited) to profit or loss ₦ million	Balance at 31 December 2020 ₦ million
Tax losses	1,131	-	1,131
Other cumulative timing differences:			
Fixed assets	110,582	57,297	167,879
Derivative financial instruments	2,282	-	2,282
	113,995	57,297	171,292
Effect of exchange differences	(10)	30,738	30,728
	113,985	**88,035**	**202,020**

	Balance at 1 January 2019 ₦ million	Charged /(credited) to profit or loss ₦ million	Balance at 31 December 2019 ₦ 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 2020 $'000	Charged/credited to profit or loss $'000	Balance at 31 December 2020 $'000
Tax losses	3645	-	3,645
Other cumulative timing differences:			
Fixed assets	361,334	159,197	520,531
Derivative financial instruments	7,456	-	7,456
	372,435	159,197	531,632

	Balance at 1 January 2019 $'000	Charged/credited to profit or loss $'000	Balance at 31 December 2019 $'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

15.6 Deferred tax recognised in profit or loss

	As at 31 Dec 2020 ₦'million	As at 31 Dec 2019 ₦'million	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Credited/(Charged) to profit or loss;				
Unutilised capital allowance	44,563	8,365	123,815	27,256
Provision for defined benefit	1,080	1,014	3,002	3,303
Share based payment plan	723	2,376	2,010	7,741
Overlift/(underlift)	(11,844)	5,620	(32,907)	18,311
Impairment provision on trade and other receivables	7,016	1,328	19,493	4,326
Unrecognised deferred tax asset	-	6,050	-	19,714
Tax losses	927	(1,119)	2,576	(3,645)
Provision for decommissioning obligation	824	(522)	2,290	(1,700)
Unrealised foreign exchange loss/(gain) on trade and other receivables	17,093	(212)	47,491	(690)
Fixed assets	(57,297)	(24,876)	(159,197)	(81,052)
Exchange difference	(6)	1	(18)	-
Total (charged) to profit or loss	**3,079**	**(1,975)**	**8,555**	**(6,436)**
Charged to other comprehensive income				
Deferred tax credit/(expense) on remeasurement	(25)	171	(69)	558
	(25)	**171**	**(69)**	**558**

15.7 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.

	As at 31 Dec 2020 ₦'million Gross amount	As at 31 Dec 2020 ₦'million Tax effect	As at 31 Dec 2019 ₦'million Gross amount	As at 31 Dec 2019 ₦'million Tax effect
Other deductible temporary differences	-	-	2,469	1,623
Tax losses	-	-	6,429	4,227
	-	-	8,898	5,850

	As at 31 Dec 2020 $'000 Gross amount	As at 31 Dec 2020 $'000 Tax effect	As at 31 Dec 2019 $'000 Gross amount	As at 31 Dec 2019 $'000 Tax effect
Other deductible temporary differences	-	-	8,042	5,288
Tax losses	-	-	20,942	13,769
	-	-	28,984	19,057

15.8 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.

16. Computation of cash generated from operations

	Notes	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Profit before tax					
Continuing operations		(28,872)	89,914	(80,209)	292,967
Discontinued operations		-	4,041	-	13,166
Adjusted for:					
Depletion, depreciation and amortization		47,811	28,824	132,840	93,916
Depreciation of right-of-use asset		1,254	908	3,483	2,960
Impairment losses on financial assets		10,778	14,911	29,947	48,581
Impairment losses on non-financial assets		41,175	-	114,402	-
Gain on disposal of other property, plant & equipment		(1)	-	(3)	-
Interest income		(601)	(4,134)	(1,671)	(13,471)
Interest expense on bank loans		17,504	8,890	48,634	28,966
Interest on lease liabilities		106	164	295	534
Unwinding of discount on provision for decommissioning		1,046	1,240	2,905	4,039
Fair value gain on contingent consideration		-	(5,675)	-	(18,489)
Fair value on other assets		3,142	-	8,730	-
Unrealised fair value loss on derivatives financial instrument		953	2,236	2,649	7,770
Unrealised foreign exchange gain		(680)	(735)	(1,890)	(2,395)
Share based payment expenses		1,856	2,864	5,157	9,223
Defined benefit expenses		409	343	1,135	1,117
Gain on deconsolidation of subsidiary		-	(3,869)	-	(12,604)
Gain on disposal of oil and gas properties		-	(9,462)	-	(30,830)
Share of profit in joint venture		(601)	(325)	(1,670)	(1,060)
Provision no longer required	10	(2,597)	-	(7,217)	-
Changes in working capital: (excluding the effects of exchange differences)					
Trade and other receivables		72,754	(95,451)	202,144	(311,001)
Inventories		3,577	(1,007)	9,938	(3,280)
Prepayments		1,404	6,864	3,901	22,365
Contract assets		5,432	(11,606)	15,092	(37,816)
Net working capital on loss of control of subsidiary		-	(2,198)	-	(7,163)
Trade and other payables		(45,156)	60,277	(125,464)	196,401
Contract liabilities		(2,459)	12,698	(6,831)	41,374
Restricted Cash		(9,676)	5,002	(26,883)	16,301
Net cash from operating activities		**118,558**	**104,714**	**329,414**	**341,571**

Notes to the consolidated financial statements - continued

17. Property, plant and equipment

17.1 Oil and gas properties

Cost	Production and field facilities ₦ million	Assets under construction ₦ million	Exploration and Evaluation assets ₦ million	Total ₦ million
At 1 January 2020	595,817	37,469	18,072	651,358
Additions	-	52,089	-	52,089
Changes in decommissioning	4,244	-	-	4,244
Interest capitalized	-	5,753	-	5,753
Exchange differences	141,913	11,818	4,295	158,026
At 31 December 2020	**741,974**	**107,129**	**22,367**	**871,470**
Depreciation				
At 1 January 2020	172,986	-	-	172,986
Charge for the year	45,344	-	-	45,344
Exchange differences	43,665	-	-	43,665
At 31 December 2020	**261,995**	**-**	**-**	**261,995**
NBV				
At 31 December 2020	**479,979**	**107,129**	**22,367**	**609,475**
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 capitalized	-	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

Cost	Production and field facilities $'000	Assets under construction $'000	Exploration and Evaluation assets $'000	Total $'000
At 1 January 2020	1,940,771	122,050	58,865	2,121,686
Additions	-	144,729	-	144,729
Changes in decommissioning	11,793	-	-	11,793
Interest capitalised	-	15,140	-	15,140
At 31 December 2020	**1,952,564**	**281,919**	**58,865**	**2,293,348**
Depreciation				
At 1 January 2020	563,473	-	-	563,473
Charge for the year	125,987	-	-	125,987
At 31 December 2020	**689,460**	**-**	**-**	**689,460**
NBV				
At 31 December 2020	**1,263,104**	**281,919**	**58,865**	**1,603,888**

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**

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 8.93*% (2019: 12.3%) 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 ₦5.8 billion, 2019: ₦8 billion ($15.1 million, 2019: $26 million). There was no oil and gas property pledged as security during the reporting period.

Impairment testing

During the year ended 31 Dec 2020, the Group performed impairment test. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 Dec 2020, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment. In addition, the overall decline in oil price and development activities around the world, as well as the ongoing economic uncertainty, have led to a decreased in the value of oil and gas assets.

OML 4, 38, 41 CGU

The recoverable amount of $1,332.6 million as at 31 Dec 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the decrease in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2020. The cash flow was estimated using three scenarios (base case, worst case and upturn).

The pre-tax discount rate applied was 15%. As the recoverable amount ($1,332.6 million) was higher than the carrying amount ($871.3million), no impairment loss was recorded. There is a significant headroom between the recoverable amount and carrying amount. A rise in the discount rate to 17.5% would result in a recoverable amount of $1,241.2million which would still not result in an impairment loss.

OML 53 CGU

The recoverable amount of $532.8 million as at 31 Dec 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the decrease in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2020. The cash flow was estimated using three scenarios (base case, worst case and upturn).

The pre-tax discount rate applied was 15%. As the recoverable amount ($532.8 million) was higher than the carrying amount ($330.8 million), no impairment loss was recorded. There is a significant headroom between the recoverable amount and carrying amount. A rise in the discount rate to 17.5% would result in a recoverable amount of $475 million which would still not result in an impairment loss.

OML 56 CGU

The recoverable amount of $92.1 million as at 31 Dec 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the decrease in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2020. The cash flow was estimated using three scenarios (base case, worst case and upturn).

The pre-tax discount rate applied was 15%. As the recoverable amount ($92.1 million) was higher than the carrying amount ($76.1 million), no impairment loss was recorded. There is a significant headroom between the recoverable amount and carrying amount. A rise in the discount rate to 17.5% would result in a recoverable amount of $82.4 million which would still not result in an impairment loss.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

Management approach to valuing the assumptions used in the value in use calculations were based on both experience, recent sales and external data sources. The most sensitive assumptions are shown below:

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

Oil price

Oil prices used were indexed to the Brent crude forward curve. The prices when compared to external market prices are deemed to be reasonable.

Years	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Oil price ($)	47.5	52.3	57.6	60.7	62.3	63.9	65	66	67.6	69.8

Years	2031	2032	2033	2034	2035	2036	2037	2038 till the estimated life span of the reserves
Oil price ($)	71.3	72.8	74.2	75.7	77.2	78.7	80.3	81.9

A further rise /(decline) in oil price by 10% would result in a recoverable amount of $1,486.6 million ($1,180.7 million) for OML 4, 38 and 41 CGU; $555.8 million/ ($511.2 million) for OML 53 CGU and $102.8 million / ($81.5 million) for OML 56 CGU. This would not result in an impairment loss for any of the CGU.

Projection period

The cash flows projection was based on management estimation of the performance of the well. This was independently verified. The projected period were 24years for OML 3, 38 and 41, 37years for OML 53 and 27 years for OML 56.

Growth rate

No growth rate was used to extrapolate cash flows. The production volume was determined based on the estimated performance of the well.

17.2 Reclassification of oil and gas properties to intangible asset

There was no reclassification in the current year (2019: N9 billion, $29 million).

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 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
	₦'million	₦'million	$'000	$'000
Addition	-	35,091	-	114,339
Reclassified to intangible assets	-	-	-	-
	-	35,091	-	114,339

17.3 Disposal of oil and gas properties

	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
	₦'million	₦'million	$'000	$'000
Purchase consideration for disposal of oil and gas assets (Note 18.4)		-		-
Net book value of Production and Field Facilities (Note 18.1);				
Cost	-	28,126	-	91,643
Depreciation	-	(6,522)	-	(21,244)
Gain on disposal of oil and gas properties				

Notes to the consolidated financial statements - continued

17.4 Other property, plant and equipment

Cost	Plant & machinery ₦ million	Motor vehicles ₦ million	Office furniture & IT equipment ₦ million	Leasehold improvements ₦ million	Land ₦ million	Building ₦ million	Total ₦ million
At 1 January 2020	1,526	3,375	6,293	1,291	21	1,194	13,700
Additions	57	965	335	515	-	-	1,872
Disposals	-	(44)	-	-	-	-	(44)
Exchange differences	367	854	1,515	336	4	284	3,360
At 31 December 2020	**1,950**	**5,150**	**8,413**	**2,142**	**25**	**1,478**	**18,888**
Depreciation							
At 1 January 2020	1,396	2,239	4,778	907	-	20	9,340
Charge for the year	126	653	656	444	-	57	1,936
Disposals	-	(44)	-	-	-	-	(44)
Exchange differences	339	566	1,171	241	-	9	2,326
At 31 December 2020	**1,861**	**3,414**	**6,605**	**1,592**	**-**	**86**	**13,558**
NBV							
At 31 December 2020	**89**	**1,736**	**1,538**	**550**	**25**	**1,392**	**5,330**

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	-	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**

Cost	Plant & machinery $'000	Motor vehicles $'000	Office furniture & IT equipment $'000	Leasehold improvements $'000	Land $'000	Building $'000	Total $'000
At 1 January 2020	4,972	10,992	20,499	4,208	68	3,891	44,630
Additions	159	2,682	932	1,430	-	-	5,203
Disposals	-	(122)	-	-		-	(122)
At 31 December 2020	**5,131**	**13,552**	**21,431**	**5,638**	**68**	**3,891**	**49,710**
Depreciation							
At 1 January 2020	4,549	7,294	15,565	2,955	-	66	30,429
Charge for the year	350	1,814	1,819	1,235	-	158	5,376
Disposal	-	(122)	-	-			(122)
At 31 December 2020	**4,899**	**8,986**	**17,384**	**4,190**	**-**	**224**	**35,683**
NBV							
At 31 December 2020	**232**	**4,566**	**4,046**	**1,448**	**68**	**3,667**	**14,027**

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	-	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**

17.5 Gain on disposal of other property, plant and equipment

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Proceeds from disposal of assets	1	-	3	-
Less net book value of disposed assets	-	-	-	-
	1	**-**	**3**	**-**

17.6 Depletion, depreciation and amortisation

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Oil and gas properties (Note 17.1)	45,344	27,511	125,987	89,636
Amortisation of intangible asset (Note 20)	532	441	1,477	1,439
Charged to cost of sales	**45,876**	**27,952**	**127,464**	**91,075**
Other property, plant and equipment charged to general and administrative expense (Note 17.5)	1,936	872	5,376	2,841
Right of use assets	1,254	908	3,483	2,960
Total depletion, depreciation and amortisation	**49,066**	**29,732**	**136,323**	**96,876**

18. Other asset

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Fair value at the beginning of the year	40,190	51,299	130,915	167,100
Receipts from crude oil lifted	(1,705)	(11,106)	(4,737)	(36,185)
Fair value loss	(3,142)	-	(8,730)	-
Exchange differences	9,287	(3)	-	-
Fair value at the end of the year	**44,630**	**40,190**	**117,448**	**130,915**

Other assets represents the Group's rights to receive the discharge sum of ₦ 63 billion, 2019: ₦65 billion ($204 million, 2019: $210 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. Significant change in the discount rate of 10% would result in significant higher or lower fair value.

19. Right of use asset

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
As at 1 January	4,026	4,217	13,115	13,737
Additions during the year	1,193	87	803	285
Acquired in business combination	-	630	-	2053
Less: depreciation for the period	(1,254)	(908)	(3,483)	(2960)
As at 31 December	**3,965**	**4,026**	**10,435**	**13,115**

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.

20. Intangible assets

Cost	Goodwill ₦ million	License ₦ million	Total ₦ million	Goodwill $'000	License $'000	Total $'000
At 1 January 2020	9,068	45,041	54,109	29,538	146,713	176,251
Exchange difference	2,156	10,710	12,866	-	-	-
At 31 December 2020	**11,224**	**55,751**	**66,975**	**29,538**	**146,713**	**176,251**
At 1 January 2020	-	517	517	-	1,685	1,685
-Impairment	11,224	30,544	41,768	29,538	84,864	114,402
-Amortisation	-	561	561	-	1,477	1,477
Exchange difference	-	1,828	1,828	-	-	-
At 31 December 2020	**11,224**	**33,450**	**44,674**	**29,538**	**88,026**	**117,564**
NBV						
At 31 December 2020	**-**	**22,301**	**22,301**	-	58,687	58,687

Cost						
At 1 January 2019	-	9,070	9,070	-	29,543	29,543
Acquired in business combination	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 license of ₦36 billion ($117 million) were acquired as part of business combination in 2019. ₦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.

During the year ended 31 Dec 2020, the Group performed impairment test. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 Dec 2020, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment. In addition, the overall decline in oil price and development activities around the world, as well as the ongoing economic uncertainty, have led to a decreased in the value of oil and gas assets.

OML 40 CGU

The recoverable amount of $400.7million as at 31 Dec 2020 has been determined based on a fair value less cost to dispose calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the decrease in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2020.

The post-tax discount rate applied was 10% resulting in an impairment loss of $97 million (including goodwill of $23.4 million allocated to the CGU) recorded in profit or loss. The carrying value of the CGU was $497.7 million. A rise in the discount rate to 12.5% would result in a further impairment loss of $45.2million. The fair value less cost to disposal is categorised within Level 2 of the fair value hierarchy.

OML 17 CGU

The recoverable amount of $69.9 million as at 31 Dec 2020 has been determined based on a fair value less cost to dispose calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the decrease in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2020.

The post-tax discount rate applied was 10% resulting in an impairment loss of $20.6million (including goodwill of $6.1 million allocated to the CGU) recorded in profit or loss. The carrying value of the CGU was $90.5 million. A rise in the discount rate to 12.5% would result in a further impairment loss of $7.74million. The fair value less cost to disposal is categorised within Level 2 of the fair value hierarchy.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

Management approach to valuing the assumptions used in the value in use calculations were based on both experience, recent sales and external data sources. The most sensitive assumptions are shown below:

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

Oil price

Oil prices used were indexed to the Brent crude forward curve. The prices when compared to external market prices are deemed to be reasonable.

Years	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Oil price ($)	47.5	52.3	57.6	60.7	62.3	63.9	65	66	67.6	69.8

Years	2031	2032	2033	2034	2035	2036	2037	2038 till the estimated life span of the reserves
Oil price ($)	71.3	72.8	74.2	75.7	77.2	78.7	80.3	81.9

A further decline in oil price by 10% would result in a further impairment loss of $77.4 million for OML 40 CGU and $13.4 million for OML 17 CGU. A rise of 10% in oil price would reduce the impairment loss recognised by $77.4 million for OML 40 CGU and $13.4 million for OML 17 CGU.

Projection period

The cash flows projection was based on management estimation of the performance of the well. This was independently verified. The projected period were 13 years for OML 40 and 14 years for OML 17.

Growth rate

Notes to the consolidated financial statements - continued

No growth rate was used to extrapolate cash flows. The production volume was determined based on the estimated performance of the well.

21. Prepayments

Non-current	2020 ₦ million	2019 ₦ million	2020 $’000	2019 $’000
Rent	-	381	-	1,238
Advances to suppliers	23,463	18,928	61,744	61,654
	23,463	**19,309**	**61,744**	**62,892**
Current				
Prepayment for service charge	-	320	-	1,040
Rent	364	-	957	-
Crude oil hedge	-	838	-	2,730
Other prepayments	1,021	807	2,687	2,627
	1,385	1,965	3,644	6,397
	24,848	**21,274**	**65,388**	**69,289**

21.1 Rent

Rent relate to short-term leases of residential buildings, car parks and office buildings with contractual lease term of less than or equal to 12 months. At the end of the reporting period, rental expense of ₦185 million ($516 thousand) (2019: ₦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 are ₦416 million, $1.1 million (2019: ₦14.8 billion ($48 million)).

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 ₦23.4 billion ($61.7 million), 2019: ₦18.9 billion ($61.6 million).

21.3 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.

22. Interest in other entities

22.1 Material subsidiaries

The Group’s principal subsidiaries as at 31 December 2020 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.

22.2 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 2020 ₦'million	As at 31 Dec 2020 $'000	As at 31 Dec 2019 ₦'million	As at 31 Dec 2019 $'000
Current assets	28,845	66,643	24,634	80,242
Current liabilities	(252,364)	(664,116)	(194,910)	(634,887)
Current net liabilities	**(223,519)**	**(597,473)**	**(170,276)**	**(554,645)**
Non-current asset	208,264	548,325	162,667	529,861
Non-current liabilities	(4,950)	(13,026)	(5,576)	(18,163)
Non-current net assets	**203,414**	**535,299**	**157,091**	**511,698**
Net liabilities	(20,105)	(62,174)	(13,185)	(42,947)
Accumulated NCI at 55%	**(11,058)**	**(34,196)**	**(7,252)**	**(23,621)**

22.3 Investment accounted for using equity accounting method

	As at 31 Dec 2020 ₦'million	As at 31 Dec 2019 ₦'million	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Investment in joint venture (note 22.3.1)	84,639	49,445	222,730	161,060
Investment in associate (note 22.3.2)	3	3	11	11
	84,642	**49,448**	**222,741**	**161,071**

22.3.1 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.

		Percentage of ownership interest		Carrying amount			
Name of entity	Country of incorporation and place of business	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 30 Dec 2019
		%	%	₦'million	₦'million	$'000	$'000
ANOH Gas Processing Company Limited	Nigeria	50	50	84,639	49,445	222,730	161,060

22.3.1.1 Summarised statement of financial position of ANOH

	As at 31 Dec 2020 ₦'million	As at 31 Dec 2020 $'000	As at 31 Dec 2019 ₦'million	As at 31 Dec 2019 $'000
Current assets:				
Cash and bank balances	32,025	84,275	54,404	177,213
Other current assets	28,380	74,685	3,445	11,220
Total current assets	60,405	158,961	57,849	188,433

Non-current assets	121,565	319,907	51,472	167,661
Total assets	**181,970**	**478,868**	**109,321**	**356,094**
Current liabilities:				
Financial liabilities (excluding trade payables)	(3,119)	(8,209)	(93)	(302)
Other current liabilities	(18,227)	(47,967)	(17,277)	(56,276)
Total liabilities	(21,346)	(56,176)	(17,370)	(56,578)
Net assets	**160,624**	**422,856**	**91,951**	**299,516**

Reconciliation to carrying amounts:				
Opening net liability	91,951	299,516	(800)	(2,604)
Profit for the period	601	3,340	650	2,120
Additional contribution	45,600	120,000	92,101	300,000
Dividends paid	-	-		
Closing net assets	**138,152**	**422,856**	**91,951**	**299,516**

Group's share (%)	50%	50%	50%	50%
Group's share of net asset	69,076	211,428	45,976	149,758
Exchange difference	11,268	-	-	-
Remeasurement of retained interest	4,295	11,302	3,469	11,302
Carrying amount	**84,639**	**222,730**	**49,445**	**161,060**

22.3.1.2 Summarised statement of profit or loss and other comprehensive income of ANOH

	31 Dec 2020 ₦'million	31 Dec 2020 $'000	31 Dec 2019 ₦'million	31 Dec 2019 $'000
General and administrative expenses	186	516	(25)	(82)
Finance income	1,016	2,824	675	2,202
Profit before taxation	1,202	3,340	650	2,120
Profit for the period	1,202	3,340	650	2,120
Group's share (%)	50%	50%	50%	50%
Group's share of profit for the period	601	1,670	325	1,060
Dividends received from joint venture	-	-	-	-

22.3.1.3 Investment in joint venture

	31 Dec 2020 ₦'million	31 Dec 2020 $'000	31 Dec 2019 ₦'million	31 Dec 2019 $'000
Opening balance	49,445	161,060	-	-
Fair value of 50% retained interest	-	-	3,069	10,000
Additional investment	21,595	60,000	46,051	150,000
Exchange difference	12,998	-	-	-
Share of profit from joint venture accounted for using the equity method	601	1,670	325	1,060
	84,639	**222,730**	**49,445**	**161,060**

Notes to the consolidated financial statements - continued

22.3.1.4 Reconciliation of additional investment in joint venture

	31 Dec 2020 ₦'million	31 Dec 2020 $'000	31 Dec 2019 ₦'million	31 Dec 2019 $'000
Cash paid in the current period	21,595	60,000	31,627	103,050
Amount reclassified from other receivables	-	-	14,424	46,950
	21,595	**60,000**	**46,051**	**150,000**

22.3.2 Investment in associate

	As at 31 Dec 2020 ₦'million	As at 31 Dec 2019 ₦'million	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Investment in Elandale	3	3	11	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.

23. Inventories

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Tubulars, casings and wellheads	**28,337**	**25,944**	**74,570**	**84,508**

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 ₦3.6 billion ($9.4 million) 2019: (₦1.3 billion ($4.1 million). There was no write down or reversal of previously recognised write down of inventory for the year ended 31 December 2020 (2019: nil).

24. Trade and other receivables

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Trade receivables (Note 24.1)	20,662	37,465	54,375	122,033
Nigerian Petroleum Development Company (NPDC) receivables (Note 24.2)	40,681	68,264	107,053	222,357
National Petroleum Investment Management Services (NAPIMS) receivables (Note 24.3)	11,353	354	29,876	1,152
Underlift	7,827	3,445	20,600	11,224
Advances to suppliers	10,280	9,015	27,053	29,368
Receivables from ANOH	4,926	3,945	12,963	12,847
Other receivables (Note 24.4)	1,045	26,948	2,751	87,781
	96,774	**149,436**	**254,671**	**486,762**

24.1 Trade receivables

Included in trade receivables is an amount due from Geregu Power ($22.9 million, ₦8.6 billion), Sapele Power ($7 million, ₦2.7 billion) and Nigerian Gas Marketing Company ($3.4 million, ₦1.3 billion) totalling $33.3 million (Dec 2019: $52 million) ₦13.6 billion (Dec 2019: ₦16 billion) with respect to the sale of gas. Also included in trade receivables is $0 (Dec 2019: ₦16 billion) $0 (Dec 2019: $52 million) and ₦7 billion (Dec 2019: ₦3 billion) $19 million (Dec 2019: $9 million) due from Mecuria and Shell Western respectively for sale of crude.

Reconciliation of trade receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Balance as at 1 January	37,465	29,127	122,033	94,875
Additions during the year	66,343	263,676	184,330	859,131
Receipts for the year	(82,631)	(254,690)	(250,481)	(829,855)
Exchange difference	29	3	-	-
Gross carrying amount	21,206	38,116	58,882	124,151
Less: impairment allowance	(544)	(651)	(1,507)	(2,118)
Balance as at 31 December	**20,662**	**37,465**	**54,375**	**122,033**

Reconciliation of impairment allowance trade receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Loss allowance as at 1 January	651	126	2,118	408
Increase in loss allowance during the period	544	525	1,507	1,710
Loss allowance as at 31 December	**1,195**	**651**	**3,625**	**2,118**

Increase in expected credit loss on trade receivables to due to increase in the receivable balance at the end of the reporting period.

24.2 NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is ₦44 billion (Dec 2019: ₦68 billion) $107 million (Dec 2019: $222 million).

Reconciliation of NPDC receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Balance as at 1 January	68,264	(10,022)	222,357	(32,643)
Additions during the year	81,861	129,927	227,446	423,337
Receipts for the year	(109,282)	(54,880)	(342,274)	(178,884)
Write off of accrued 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	9	8	-	-
Gross carrying amount	40,852	68,712	107,529	223,817
Less: impairment allowance	(171)	(448)	(476)	(1,460)
Balance as at 31 December	**40,681**	**68,264**	**107,053**	**222,357**

Reconciliation of impairment allowance NPDC receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Loss allowance as at 1 January	448	2,475	6,910	8,086
Increase in loss allowance during the period	171	12,836	476	47,263
Receivables written off during the year as uncollectible	-	(14,871)	-	(48,439)
Exchange difference	-	8	-	-
Loss allowance as at 31 December	**619**	448	**7,386**	**6,910**

24.3 NAPIMS receivables

Reconciliation of NAPIMS receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Balance as at 1 January	354	(2,785)	1,152	(9,073)
Additions during the year	19,347	10,611	54,866	34,597
Receipts for the year	(8,318)	(7,452)	(24,874)	(24,295)
Exchange difference	26	3	-	-
Gross carrying amount	11,809	377	31,144	1,229
Less: impairment allowance	(456)	(23)	(1,268)	(77)
Balance as at 31 December	**11,353**	**354**	**29,876**	**1,152**

Reconciliation of impairment allowance NAPIMS receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Loss allowance as at 1 January	23	-	77	-
Increase in loss allowance during the period	456	23	1,268	77
Loss allowance as at 31 December	**479**	**23**	**1,345**	**77**

Increase in expected credit loss on NAPIMS receivables to due to increase in the receivable balance at the end of the reporting period.

24.4 Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is an escrow deposit of ₦11 billion ($40million) 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. During the reporting period, the fund has been returned.

Reconciliation of other receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Balance as at 1 January	26,948	9,600	87,781	31,272
Additions during the year	12,494	176,910	34,715	576,998
Receipts for the year	(29,382)	(153,815)	(93,216)	(501,699)
Exchange difference	533	8	-	-
Gross carrying amount	10,593	32,703	29,280	106,571
Less: impairment allowance	(9,548)	(5,755)	(26,529)	(18,790)
Balance as at 31 December	**1,045**	**26,948**	**2,751**	**87,781**

Reconciliation of impairment allowance on other receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Loss allowance as at 1 January	5,755	4,215	18,790	13,770
Increase in loss allowance during the period	9,548	1,540	26,529	5,020
Loss allowance as at 31 December	**15,303**	**5,755**	**45,319**	**18,790**

25. Contract assets

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Revenue on gas sales (Note 25.1)	**2,343**	**6,527**	**6,167**	**21,259**

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 Geregu Power, Sapele Power and NGMC for the delivery of gas supplies which the three companies 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 Geregu Power, Sapele Power and NGMC authorising the quantities, this will be reclassified from contract assets to trade receivables.

25.1 Reconciliation of contract assets

The movement in the Group's contract assets is as detailed below:

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Balance as at 1 January	6,527	4,327	21,259	14,096
Addition during the year	29,200	49,092	91,115	159,956
Receipts for the year	(32,895)	(46,893)	(106,161)	(152,793)
Price adjustments	(13)	-	(46)	-
Exchange difference	(476)	1	-	-
Balance as at 31 December	**2,343**	**6,527**	**6,167**	**21,259**

There were no impairment allowances recognised on contract assets as it was immaterial. 2019: Nil

26. 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 2020 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.

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Crude oil options	(626)	308	(1,648)	1,002
Currency forwards	-	149	-	484
	(626)	**457**	**(1,648)**	**1,486**

In 2020, the Group commenced a crude oil hedge of ₦12,903($34/bbl) 2019: ₦13,815 ($45/bbl) for 5 million barrels (2019: 3 million barrels at a cost of ₦2.9 billion ($7.65 million) 2019: ₦0.8 billion ($2.7 million).

27. 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.

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Cash on hand	2,620	3	6,896	9
Short-term fixed deposits	160	29,741	422	96,878
Cash at bank	82,867	70,463	218,065	229,522
Gross cash and cash equivalent	85,647	100,207	225,383	326,409
Loss allowance	(93)	(23)	(246)	(79)
Net cash and cash equivalents per cash flow statement	85,554	100,184	225,137	326,330
Restricted cash	12,761	2,056	33,581	6,698
Cash and bank balance	**98,315**	**102,240**	**258,718**	**333,028**

Included in restricted cash, is a balance of $12.8 million (N4.8 billion) 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 three (3) 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.

An additional $20.8 million, N 7.9 billion, of funds deposited in Access bank Plc bank accounts in the ordinary course of business are being unilaterally restricted by Access bank Plc in connection with the court case between Seplat Petroleum Development Company Plc and Access Bank Plc.

27.1 Reconciliation of impairment allowance on cash and bank balance

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Loss allowance as at 1 January	23	36	79	118
Increase/(decrease) in loss allowance during the period	60	(13)	167	(39)
Exchange difference	10	-	-	-
Loss allowance as at 31 December	**93**	**23**	**246**	**79**

28. Share capital

28.1 Authorised and issued share capital

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'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				
581,840,856 (2019: 575,321,598) issued shares denominated in Naira of 50 kobo per share	293	289	1,856	1,845

Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

28.2 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 2020	575,321,598	289	84,045	8,194	92,528
Share based payments	-	-	-	1,856	1,856
Vested shares	6,519,258	4	2,872	(2,876)	-
Closing balance as at 31 December 2020	**581,840,856**	**293**	**86,917**	**7,174**	**94,384**

	Number of shares Shares	Issued share capital $'000	Share premium $'000	Share based payment reserve $'000	Total $'000
Opening balance as at 1 January 2020	575,321,598	1,845	503,742	30,426	536,013
Share based payments	-	-	-	5,157	5,157
Vested shares	6,519,258	10	7,981	(7,991)	-
Closing balance as at 31 December 2020	**581,840,856**	**1,855**	**511,723**	**27,592**	**541,170**

28.3 Share Premium

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Share premium	**86,917**	**84,045**	**511,723**	**503,742**

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 6,519,258 shares vested with a fair value of $7.99 million. The excess of $7.98 million above the nominal value of ordinary shares have been recognised in share premium.

28.4 Employee share based payment scheme

As at 31 December 2020, the Group had awarded 60,487,999 shares (2019: 48,400,563 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 (2019 Deferred Bonus and 2020 LTIP Scheme) awarded during the reporting period. During the reporting period, 4,700,028 shares had vested out of which 381,117 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 81.4% vesting) resulted in a further reduction in the number of shares vested by 1,379,283. The total number of shares forfeited during the period amount to 1,760,400. The number of shares that eventually vested during the year after the forfeiture and conditions above is 6,519,258 (Dec 2019: 6,824,573 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, 2018/2019 deferred bonus awards and 2020 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 2019 bonus (paid in 2020) 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:

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Expense arising from equity-settled share-based payment transactions	1,856	2,864	5,157	9,223

There were no cancellations to the awards in 2020. The share awards granted to Executive Directors and confirmed employees are summarised below:

Notes to the consolidated financial statements - continued

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	Fully	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	Fully	341,069
2019 Long term incentive Plan	2 May 2019	2 May 2019	2 May 2022	Partially	7,648,850
2019 Deferred Bonus	30 Apr 2020	30 Apr 2020	31 Dec 2021	Partially	214,499
2020 Long term incentive Plan	30 Apr 2020	30 Apr 2020	1 May 2023	Partially	10,762,880
2020 Long term incentive Plan	2 Dec 2020	2 Dec 2020	2 Dec 2023	Partially	1,110,057
					60,487,999

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 2020.

Share award scheme (all awards)	2020 Number	2020 WAEP ₦	2019 Number	2019 WAEP ₦
Outstanding at 1 January	12,386,617	474	12,350,871	310
Granted during the year	4,700,028	395	10,802,067	387
Forfeited during the year	(1,760,400)	-	(6,824,573)	-
Exercised during the year	(6,519,258)	-	(3,941,748)	-
Outstanding at 31 December	8,806,987	**843**	**12,386,617**	**474**
Vested and exercisable at 31 December			-	-

Share award scheme (all awards)	2020 Number	2020 WAEP $	2019 Number	2019 WAEP $
Outstanding at 1 January	12,386,617	1.54	12,350,871	1.01
Granted during the year	4,700,028	1.04	10,802,067	1.26
Forfeited during the year	(1,760,400)	-	(6,824,573)	-
Exercised during the year	(6,519,258)	-	(3,941,748)	-
Outstanding at 31 December	8,806,987	2.22	12,386,617	1.54
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	2020 Number	2020 WAEP ₦	2019 Number	2019 WAEP ₦
Outstanding at 1 January	136,091	572	315,603	451
Granted during the year	291,129	525	292,509	522
Forfeited during the year	-	-	-	-
Exercised during the year	(341,069)	-	(472,021)	-
Outstanding at 31 December	86,151	236	136,092	572
Vested and exercisable at 31 December	-	-	-	-

Deferred Bonus Scheme	2020 Number	2020 WAEP $	2019 Number	2019 WAEP $
Outstanding at 1 January	136,091	1.86	315,603	1.47
Granted during the year	291,129	1.38	292,509	1.70
Forfeited during the year	(341,069)	-		
Exercised during the year	-	-	(472,021)	-
Outstanding at 31 December	86,151	0.62	136,091	1.86
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)	2020 Number	2020 WAEP ₦	2019 Number	2019 WAEP ₦
Outstanding at 1 January	12,250,525	209	12,035,268	361
Granted during the year	8,166,900	390	10,509,557	362
Exercised during the year	(6,178,189)	-	(6,352,552)	-
Forfeited during the year	(1,760,400)	-	(3,941,748)	-
Outstanding at 31 December	12,478,836	509	12,250,525	209
Vested and exercisable at 31 December			-	-

Long term incentive Plan (LTIP)	2020 Number	2020 WAEP $	2019 Number	2019 WAEP $
Outstanding at 1 January	12,250,525	0.68	12,035,268	1.18
Granted during the year	8,166,900	1.03	10,509,557	1.18
Exercised during the year	(6,178,189)	-	(6,352,552)	-
Forfeited during the year	(1,760,400)	-	(3,941,748)	-
Outstanding at 31 December	12,478,836	1.34	12,250,525	0.68
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 2020 range from 0.3 to 3 years (2019: 0.3 to 2.3 years).

The weighted average fair value of awards granted during the year range from ₦142.8 to ₦235.98 (2019: ₦362.26 to ₦521.9), $0.32 to $0.68 (2019: $1.18 to $1.70).

The fair value at grant date is independently determined using the Monte Carlo 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 2020:

	2018 LTIP	2019 LTIP	2019 Deferred Bonus	2020 LTIP	2020 LTIP
Weighted average fair values at the measurement date					
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	41%	35%	56%	43%	43%
Risk-free interest rate (%)	0.83%	0.76%	0.63%	0.44%	0.44%

Expected life of share options	3.00	3.00	1.67	3.00	3.00
Share price at grant date ($)	1.93	1.7	0.62	0.38	0.51
Share price at grant date (₦)	589.90	521.9	190.15	135.38	193.48
Model used		Monte Carlo	Monte Carlo	Black Scholes	Monte Carlo

29. 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.

	2020	2019	2020	2019
	₦ million	₦ million	$'000	$'000
Capital contribution	5,932	5,932	40,000	40,000

30. 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.

31. Interest bearing loans and borrowings

31.1 Net debt reconciliation

Below is the net debt reconciliation on interest bearing loans and borrowings for 2020:

	Borrowings due within 1 year	Borrowings due above 1 year	Total	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦ million	₦ million	₦ million	$'000	$'000	$'000
Balance as at 1 January 2020	34,486	207,863	242,349	112,333	677,075	789,408
Interest accrued	17,504	-	17,504	48,634	-	48,634
Interest capitalized	5,449		5,449	15,140		15,140
Principal repayment	(35,991)	-	(35,991)	(100,000)	-	(100,000)
Interest repayment	(23,310)	-	(23,310)	(64,767)	-	(64,767)
Proceeds from loan financing	-	3,599	3,599	-	10,000	10,000
Transfers	29,559	(29,559)	-	82,128	(82,128)	-
Exchange differences	7,821	47,977	55,798	-	-	-
Carrying amount as at 31 December 2020	**35,518**	**229,880**	**265,398**	**93,468**	**604,947**	**698,415**

Below is the net debt reconciliation on interest bearing loans and borrowings 2019:

	Borrowings due within 1 year	Borrowings due above 1 year	Total	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦ million	₦ million	₦ million	$'000	$'000	$'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**

Other financing charges include term loan arrangement and commitment fees, 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.

31.2 Amortised cost of borrowings

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Senior loan notes	134,291	107,237	353,396	349,278
Revolving loan facilities	93,634	107,416	246,406	349,888
Reserve based lending (RBL) facility	37,473	27,696	98,613	90,242
	265,398	**242,349**	**698,415**	**789,408**

$350 million Senior notes - March 2018

Interest bearing loans and borrowings include 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 each year on 1 April and 1 October, and principal repayable as a bullet at maturity. The notes are scheduled to mature in June 2023. The interest accrued up at the reporting date is ₦12.5 billion ($34.7 million) using an effective interest rate of 10.3%. Transaction costs of ₦2.1 billion ($7 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 ₦134.3 billion ($353.8 million) (December 2019: ₦107.2 billion, $349.3 million), although the principal is $350 million.

$350 million Revolving credit facility - December 2019

The Group's parent company on 20 December 2019 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 1 July 2021 but will be extended to 1 July 2022 if the Notes are not refinanced before then. The revolving loan has an initial contractual interest rate of 6% +Libor and a settlement date of 31 December 2023.

The interest rate of the facility is variable. The interest accrued at the reporting period is ₦8.4 billion, $23.4 million using an effective interest rate of 7.5%. The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period. The outstanding amount of this borrowing as the reporting period is ₦94.2 billion $250 million.

$125 million Reserved based lending (RBL) facility - November 2018

The Group through its subsidiary Westport on 28 November 2018 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 half year (8.30%) and a final maturity date of 29 November 2023.The RBL is secured against the Group's producing assets in OML 40 via the Group's shares in Elcrest, and by way of a debenture which creates a charge over certain assets of the Group, including its bank accounts.

The available facility is capped at the lower of the available commitments and the borrowing base. The current borrowing base is more than $100 million, with the available commitments at $100 million. The commitments are scheduled to reduce to $87.5 million on 31 March 2021. The first reduction in the commitments occurred on 31st December 2019 in line with the commitment reduction schedule contained within the Facility Agreement. This resulted in the available commitments reducing from N45 billion ($125.0 million) to N40.6 billion ($112.5 million), with a further reduction to N36.1 billion ($100.0 million) as at December 2020.

The RBL has a maturity of five years, the repayments of principal are due on a semi-annual basis so that the outstanding balance of the RBL will not exceed the lower of (a) the borrowing base amount and (b) the total commitments. Interest rate payable under the RBL is LIBOR plus 8%, so long as more than 50% of the available facility is drawn.

On 4th February 2020 Westport drew down a further N 3.6 billion ($10 million) increasing the debt utilised under the RBL from N 32.4 billion ($90 million) to N36.1 billion ($100 million).

The interest rate of the facility is variable. The Group made a drawdown of ₦3.79 billion ($10 million) as at period end. The interest accrued at the reporting period is ₦3.9 billion ($11 million) using an effective interest rate of 8.3%. 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 ₦37.4 billion ($98.6 million).

Notes to the consolidated financial statements - continued

31.3 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 2020	Interest	Current ₦ million	Non-Current ₦ million	Total ₦ million	Current $'000	Non-Current $'000	Total $'000
Fixed interest rate							
Senior notes:	9.25%	-	133,000	133,000	-	350,000	350,000
Variable interest rate							
Corporate loan:							
Citibank, N.A., London Branch	6% + Libor	-	10,857	10,857	-	28,572	28,572
Nedbank Limited London	6% + Libor	-	10,857	10,857	-	28,572	28,572
Stanbic IBTC Bank Plc	6% + Libor	-	5,429	5,429	-	14,285	14,285
The Standard Bank of South Africa Limited//	6% +Libor	-	5,429	5,429	-	14,285	14,285
RMB International (Mauritius) Limited	6% + Libor	-	10,857	10,857	-	28,572	28,572
The Mauritius Commercial Bank Ltd	6% + Libor	-	10,857	10,857	-	28,572	28,572
JPMorgan Chase Bank, N.A., London Branch	6% + Libor	-	8,143	8,143	-	21,429	21,429
Standard Chartered Bank	6% + Libor	-	8,143	8,143	-	21,429	21,429
Natixis	6% + Libor	-	8,143	8,143	-	21,429	21,429
Société Générale, London Branch	6% + Libor	-	4,071	4,071	-	10,714	10,714
Zenith Bank Plc	6% + Libor	-	4,071	4,071	-	10,714	10,714
United Bank for Africa Plc	6% + Libor	-	4,071	4,071	-	10,714	10,714
First City Monument Bank Limited	6% + Libor	-	4,071	4,071	-	10,713	10,713
First Bank of Nigeria	8% + Libor	-	4,561	4,561	-	12,000	12,000
The Mauritius Commercial Bank Ltd	8% + Libor	-	13,073	13,073	-	34,400	34,400
Stanbic IBTC Bank Plc/ The Standard Bank of South Africa Limited	8% + Libor	-	20,369	20,369	-	53,600	53,600
		-	**266,002**	**266,002**	**-**	**700,000**	**700,000**

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

32. Lease liabilities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
As at 1 January	2,829	2,140	9,210	6,972
Additions during the year	1193	64	803	204
Payments during the year	(1,858)	-	(4,334)	-
Acquired in business combination	-	461	-	1,500
Interest on lease liabilities	106	164	295	534
As at 31 December	**2,270**	**2,829**	**5,974**	**9,210**

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.

The Group's lease liability as at 31 December 2020 is split into current and non-current portions as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Current	679	212	1,787	692
Non-current	1,591	2,617	4,187	8,518
	2,270	**2,829**	**5,974**	**9,210**

The following amount are the amount recognised in profit or loss:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Depreciation expense of right-of-use assets	1,254	908	3,483	2960
Interest expense on lease liabilities	106	164	295	534
	1,360	1,072	3,778	3,494

The following are the impact of the lease on cash flow:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Depreciation expense of right-of-use assets	1,254	908	3,483	2960
Interest expense on lease liabilities	106	164	295	534
Net cash flows from operating activities	**1,360**	**1,072**	**3,778**	**3,494**
Lease payments	(1,858)	-	(4,334)	-
Net cash flows from financing activities	**(1,858)**	**-**	**(4,334)**	-

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 ₦1.2 billion, $3.1 million, (2019: ₦14.8billion, $48 million).

The following tables summarise 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	
	2020	2020	2019	2019
	₦ million	$'000	₦ million	$'000
Depreciation	651	1,810	556	1,810
Interest payment	**(844)**	**(2,346)**	(725)	(2,363)
	(193)	**(536)**	**(169)**	**(553)**

	Effect on net assets		Effect on net assets	
	2020	2020	2019	2019
	₦ million	$'000	₦ million	$'000
Depreciation	11,188	29,441	9,594	31,251
Interest payment	(11,885)	(31,275)	(10,322)	(33,621)
	(697)	**(1,834)**	**(728)**	**(2,370)**

33. Contingent liability

	₦ million	$'000
At 1 January 2019	-	-
Acquired in business combination	2,215	7,217
At 31 December 2019	**2,215**	**7,217**
At 1 January 2020	**2,215**	**7,217**
Exchange difference	382	-
Provision no longer required (Note 10)	(2,597)	(7,217)
At 31 December 2020	**-**	**-**

A contingent liability of $7.2 million was recognised on the acquisition of Eland Group for a pending investigation by the European Commission into the UK's Controlled Foreign Company (CFC) tax regime. Notwithstanding the ongoing appeal in the European Courts, the UK tax authority, HMRC, were obligated to review impacted companies and collect taxes in the UK.

In February 2021, Eland Oil & Gas Limited (Eland) received written notification from HMRC that they had formed a view that Eland was not a beneficiary of State Aid in the period, 1 January 2013 to 31 December 2018. For that reason, it is extremely unlikely that any cash outflow will result from the State Aid investigation, irrespective of the outcome of the ongoing appeal between the UK government and the European Commission regarding UK CFC rules in the period.

There is therefore no longer any need to recognise a contingent liability in respect of the State Aid investigation (2019: $45.4million was estimated as the maximum exposure in the event of an adverse decision related to the investigation).

34. Provision for decommissioning obligation

	₦ million	$'000
At 1 January 2020	45,411	147,921
Unwinding of discount due to passage of time	1,046	2,905
Change in estimate	4,244	11,793
Exchange difference	11,094	-
At 31 December 2020	**61,795**	**162,619**

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 in 2019. The estimate for 2020 were done by Ryder Scott for all the OMLs 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 consider 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	
	2020	2019
	In years	In years
Seplat Petroleum Development Company:		
OML 4	-	2027 – 2037
OML 38	-	2027 – 2034
OML 41	-	2037
Seplat West Limited:		
OML 4	2027 – 2037	-
OML 38	2027 – 2034	-
OML 41	2037	-
Newton Energy Limited (OPL 283)	2037 - 2044	2037 - 2044
Seplat East Onshore Ltd (OML 53)	2028 – 2054	2028 – 2054
Elcrest (OML 40)	2031	2033
Ubima (OML 17)	2032	-

35. Employee benefit obligation

35.1 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.

35.2 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 2020 was ₦4 billion ($10.7 million), 2019: ₦3 billion ($9.8 million).

The following tables summarises 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

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Defined benefit obligation	5,304	3,595	13,958	11,707
Fair value of plan assets	(1,241)	(583)	(3,267)	(1,899)
	4,063	**3,012**	**10,691**	**9,808**

iii. Amount recognised in profit or loss

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Current service cost	687	602	1,909	1,961
Interest cost on defined benefit obligation	498	364	1,383	1,186
	1,185	966	3,292	3,147
Return on plan assets	(124)	(129)	(346)	(420)
	1,061	**837**	**2,946**	**2,727**

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Charged to profit or loss	409	343	1,135	1,117
Charged to receivables	652	494	1,811	1,610
Balance as at 31 December	**1,061**	**837**	**2,946**	**2,727**

iv. Re-measurement (gains)/losses in other comprehensive income

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Remeasurement losses/(gains) due to changes in financial and demographic assumptions	36	(508)	101	(1,655)
Remeasurement (gains)/losses due to experience adjustment	(74)	111	(206)	362
Remeasurement gain on plan assets	(27)	(51)	(75)	(166)
	(65)	(448)	(180)	(1,459)
Deferred tax credit/(expense) on remeasurement losses	55	381	153	1,240
	(10)	**67**	(27)	**219**

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Recharged to receivables	(36)	(247)	(99)	(803)
Charged/(credited) to other comprehensive income	(29)	(201)	(81)	(656)
Remeasurement (losses)/gain due to changes in financial and demographic assumptions	**(65)**	**(448)**	**(180)**	**(1,459)**

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Charged to other comprehensive income	25	171	69	558
Charged to receivables	30	210	84	682
Deferred tax on remeasurement losses	**55**	**381**	**153**	**1,240**

vi. Changes in the present value of the defined benefit obligation are as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Defined benefit obligation as at 1 January	3,595	2,324	11,707	7,568
Current service cost	687	602	1,909	1,961
Interest cost on benefit obligation	498	364	1,383	1,186
Remeasurement losses due to changes in financial and demographic assumptions	36	508	101	1,655
Remeasurement gains due to experience adjustment	(74)	(111)	(206)	(362)
Benefits paid by the employer	(77)	(86)	(213)	(280)
Benefits from the fund	(260)	-	(723)	-
Exchange differences	899	(6)		(21)
Defined benefit obligation at 31 December	**5,304**	**3,595**	**13,958**	**11,707**

vii. The changes in the fair value of plan assets is as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Balance as at 1 January	(583)	(505)	(1,899)	(1,645)
Employer contributions	(601)	-	(1,670)	-
Return on plan assets	(124)	(129)	(346)	(420)
Benefits paid from fund	260	-	723	-
Remeasurement loss on plan assets	(27)	51	(75)	166
Exchange differences	(166)	-	-	-
Balance as at 31 December	**(1,241)**	**(583)**	**(3,267)**	**(1,899)**

The net liability disclosed above relates to funded plans as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Present value of funded obligations	5,304	3,595	13,958	11,707
Fair value of plan assets	(1,241)	(583)	(3,267)	(1,899)
Deficit of funded plans	**4,063**	**3,012**	**10,691**	**9,808**

Notes to the consolidated financial statements - continued

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	2020 Total ₦ million	Quoted $'000	Not quoted $'000	2020 Total $'000
Equity Instrument	19	-	19	50	-	50
Treasury bills and money market	637	-	637	1,679	-	1,679
Bonds	564	-	564	1,486	-	1,486
Cash at bank	-	25	25	-	66	66
Payables	-	(4)	(4)	-	(14)	(14)
Total plan asset as at 31 December	1,220	21	1,241	3,215	52	3,267

	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
Payables	-	(3)	(3)	-	(10)	(10)
Total plan asset as at 31 December	448	135	583	1,461	438	1,899

viii. The principal assumptions used in determining defined benefit obligations for the Group's plans are shown below:

	2020 %	2019 %
Discount rate	8.00	14.00
Average future pay increase	8.00	12.00
Average future rate of inflation	12.00	12.00

a. Mortality in service

Sample age	Number of deaths in year out of 10,000 lives 2020	2019
25	3	7
30	36	7
35	64	9
40	97	14
45	90	26

Withdrawal from service

Age band	Rates 2020	2019
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:

Assumptions	Base	Discount Rate 1% increase ₦ million	Discount Rate 1% decrease ₦ million	Salary increases 1% increase ₦ million	Salary increases 1% decrease ₦ million	Mortality 1% increase ₦ million	Mortality 1% decrease ₦ million
Sensitivity Level: Impact on the net defined benefit obligation							
31 December 2020	5,304	(578)	682	702	(605)	(249)	223
31 December 2019	3,595	(225)	262	280	(243)	3	(3)

Assumptions	Base	Discount Rate 1% increase $'000	Discount Rate 1% decrease $'000	Salary increases 1% increase $'000	Salary increases 1% decrease $'000	Mortality 1% increase $'000	Mortality 1% decrease $'000
Sensitivity Level: Impact on the net defined benefit obligation							
31 December 2020	13,958	(219)	259	267	(230)	(95)	85
31 December 2019	11,707	(733)	854	912	(792)	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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Within the next 12 months (next annual reporting period)	89	198	234	646
Between 2 and 5 years	1,458	1,403	3,842	4,569
Between 6 and 10 years	4,763	5,421	12,551	17,658
Beyond 10 years	55,285	127,029	145,678	413,775
	61,595	134,051	162,305	436,648

The weighted average liability duration for the Plan is 13.67 years (2019: 11.35 years). The longest weighted duration for Nigerian Government bond as at 31 December 2020 was about 10.92 years (2019: 7.26 years) with a gross redemption yield of about 7.42% (2019: 13.31%).

a) Risk exposure

Through its defined benefit pension plans, the Group is exposed to several risks. The most significant of which are detailed below:

b) 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.

c) 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.

d) 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.

e) 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.

Details of the Actuary is shown below:

Name of signer	Name of firm	FRC number	Services rendered
Ganiu Dare Shefiu	Logic Professional Services	FRC/2017/NAS/00000017548	Actuary valuation services

36. Trade and other payables

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Trade payable	51,351	31,977	135,134	104,161
Accruals and other payables	56,816	84,527	149,521	275,330
Pension payables	-	(29)	-	(97)
NDDC levy	4,780	8	12,578	23
Royalties payable	10,500	9,096	27,632	29,629
Overlift	7,021	18,346	18,475	59,758
	130,468	**143,925**	**343,340**	**468,804**

Included in accruals and other payables are field accruals of $109 million, ₦ 41 billion (2019: $127 million, ₦39 billion) and other vendor payables of $49 million, ₦ 19 billion (Dec 2019: $80 million, ₦ 25 billion). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

37. Contract liabilities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
	3,599	5,005	9,470	16,301

37.1 Reconciliation of contract liabilities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Opening balance	5,005	-	16,301	-
Recognised as revenue during the year	(1,406)	-	(6,831)	-
Addition during the year	-	5,005	-	16,301
	3,599	**5,005**	**9,470**	**16,301**

Contract liabilities represents take or pay volumes contracted with Azura for 2019 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.

38. Summary of Net assets transferred

During the year, Sepat Plc transferred its rights and obligations in respect of OML 4, OML 38 and OML 41 to Seplat West Limited. The transfer had no impact on the consolidated financial statements for 2020.

Summary of Net assets transferred from Seplat Plc to Seplat West Ltd

Assets	At 1 January 2020	At 1 January 2020
Non-current assets	₦ million	$'000
Oil & Gas properties	249,888	813,967
Other property, plant and equipment	3,581	11,666
Right-of-use assets	3,397	11,064
Intangible assets	8,552	27,858
Prepayment	19,228	62,633
Deferred tax asset	37,610	122,508
	322,256	**1,049,696**
Current assets		
Inventories	24,316	79,205
Trade and other receivables	270,907	882,434
Prepayments	1,478	4,814
Contract assets	6,527	21,259
Derivative financial instruments	308	1,002
Cash and bank balances	77,583	252,713
	381,119	**1,241,427**
Total assets	**703,375**	**2,291,123**
Liabilities		
Non-current liabilities		
Interest bearing loans and borrowings	193,349	629,800
Lease liabilities	2,367	7,709
Provision for decommissioning	34,988	113,968
Defined benefit plan	3,011	9,808
	233,715	**761,285**
Current liabilities		
Interest bearing loans and borrowings	21,295	69,366
Contract liabilities	5,004	16,301
	26,299	**85,667**
Total liabilities	**260,014**	**846,952**
Net assets transferred	**443,361**	**1,444,171**

39. (Loss)/Earnings per share (LPS)/EPS

Basic

Basic (LPS)/EPS is calculated on the Group's profit after taxation attributable to the parent entity, which is based on the weighted average number of issued and fully paid ordinary shares at the end of the year.

Diluted

Diluted (LPS)/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.

	2020	2019	2020	2019
	₦ million	₦ million	$'000	$'000
(Loss)/profit attributable to Equity holders of the parent	(26,906)	80,975	(74,747)	263,842
(Loss)/profit attributable to Non-controlling interests	(3,806)	-	(10,575)	-
(Loss)/profit from continued operations	**(30,712)**	**80,975**	**(85,322)**	**263,842**
Profit from discontinued operations	-	4,041	-	13,166

(Loss)/profit for the year	(30,712)	85,016	(85,322)	277,008
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	579,638	569,228	579,638	569,228
Outstanding share-based payments (shares)	8,807	12,387	8,807	12,387
Weighted average number of ordinary shares adjusted for the effect of dilution	**588,445**	**581,615**	**588,445**	**581,615**
Basic (loss)/earnings per shares	₦	₦	$	$
From continuing operations attributable to the ordinary equity holders of the Group	(46.42)	142.25	(0.13)	0.46
From discontinuing operations attributable to the ordinary equity holders of the Group	-	7.10	-	0.02
Total basic (loss)/earnings per share attributable to the ordinary equity holders of the Group	(46.42)	149.35	(0.13)	0.48
Diluted (loss)/earnings per shares	₦	₦	$	$
From continuing operations attributable to the ordinary equity holders of the Group	(45.72)	139.22	(0.13)	0.45
From discontinuing operations attributable to the ordinary equity holders of the Group	-	6.95	-	0.02
Total diluted (loss)/earnings per share attributable to the ordinary equity holders of the Group	(45.72)	146.17	(0.13)	0.48

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.

40. Dividends paid and proposed

As at 31 December 2020, the final proposed dividend for the Group is ₦19 ($0.05), 2019: ₦15.35 ($0.05).

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Cash dividends on ordinary shares declared and paid:				
Dividend for 2020: ₦37.32 ($0.10) per share 583,260,187 shares in issue (2019: ₦30.7 ($0.10) per share, 575,321,598 shares in issue)	20,998	18,019	58,342	58,708
Proposed dividend on ordinary shares:				
Final proposed dividend for the year 2020: ₦19 ($0.05) (2019: ₦15.35 ($0.05) per share	11,082	8,831	29,163	28,766

As at 31 December 2020, ₦10.61 billion,$29.4 million) (2019: ₦9 billion,$29.4 million) of interim dividend was paid at ₦18.03 ($0.05) per share as at 30 June 2020 and the remaining dividend ₦10.61 billion ($29.3 million) was paid at ₦19.29 ($0.05) per share as at 30 November 2020. 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. The tax effect of dividend paid during the year was $5.8 million (N2.09 billion).

41. 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 10.21% 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.

1. 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 period amounted to $900 thousand, ₦342 million (2019: $1.05 million, ₦ 322 million).

2. Entities controlled by key management personnel (Contracts>$1million in 2020)

Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited):

Company 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 $5.7 million, ₦ 2.1 billion (2019: $9.44 million, ₦ 2.89 billion). Payables amounted to $591 thousand, ₦ 225 million in the current period (Payables in 2019: nil).

3. Entities controlled by key management personnel (Contracts<$1million in 2020)

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 $296 thousand, ₦106 million during the period (2019: $0.93 million, ₦ 286 million). Payables amounted to $15,273, ₦ 5.8 million (2019: nil).

Stage leasing (Ndosumili Ventures Limited):

A subsidiary of Platform Petroleum Limited (an entity in which Austin Avuru has an equity interest). The company provides transportation services to Seplat. This amounted to $714 thousand, ₦257million (2019: $1.45million, ₦445 million). Payables amounted to $23,572, ₦8.9 million (2019: nil).

42. Information relating to employees

42.1 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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Salaries and other short-term employee benefits	1,074	728	2,984	2,373
Post-employment benefits	105	95	291	308
Share based payment expenses	971	166	2,699	540
	2,150	**989**	**5,974**	**3,221**

42.2 Chairman and Directors' emoluments

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Chairman (Non-executive)	395	354	1,098	1,155
Chief Executive Officer	679	763	1,886	2,486
Executive Directors	750	800	2,083	2,606
Non-Executive Directors	862	702	2,395	2,287
Total	**2,686**	**2,619**	**7,462**	**8,535**

2020 Executive Director emoluments includes 2019 bonus paid in 2020.

42.3 Highest paid Director

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Highest paid Director	484	763	1,346	2,486

Emoluments are inclusive of income taxes.

Notes to the consolidated financial statements - continued

42.4 Number of Directors

The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2020 Number	2019 Number
Zero – ₦19,896,500	-	-
₦19,896,501 – ₦115,705,800	-	-
₦115,705,801 – ₦157,947,600	-	-
Above ₦157,947,600	4	3
	4	3

	2020 Number	2019 Number
Zero – $65,000	-	-
$65,001 – $378,000	-	-
$378,001 – $516,000	-	-
Above $516,000	4	3
	4	3

42.5 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:

	2020 Number	2019 Number
₦1,989,650 – ₦4,897,600	9	9
₦4,897,601– ₦9,795,200	146	142
₦9,795,201 – ₦14,692,800	182	132
Above ₦14,692,800	191	180
	528	**463**

	2020 Number	2019 Number
$6,500 – $16,000	9	9
$16,001 – $32,000	146	142
$32,001 – $48,000	182	132
Above $48,000	191	180
	528	463

42.6 Number of persons employed during the year

The average number of persons (excluding Directors) in employment during the year was as follows:

	2020 Number	2019 Number
Senior management	30	19
Managers	111	100
Senior staff	227	200
Junior staff	160	144
	528	**463**

42.7 Employee cost

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to the following:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Salaries & wages	9,055	7,015	25,159	22,851
	9,055	7,015	25,159	22,851

43. Commitments and contingencies

43.1 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 2020 is ₦23.2million, $61,194 (2019: ₦14 billion, $48 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.

Under the OML 40 Joint Operating Agreement ('JOA'), the Company is responsible for its share of expenditures incurred on OML 40 in respect of its participating interest, on the basis that the operator's estimated expenditures are reasonably incurred based on the approved work program and budget. From time to time, management disputes such expenditures on the basis that they do not meet these criteria, and when this occurs management accrues at the period end for its best estimate of the amounts payable to the operator. Consequently, the amounts recognized as accruals as of 31 December 2020 reflect management's best estimate of amounts that have been incurred in accordance with the JOA and that will ultimately be paid to settle its obligations in this regard.

However, management recognize there are a range of possible outcomes, which may be higher or lower than the management's estimate of accrued expenditure. It is estimated that around $8,383,356 (2019: $5,946,000) of possible expenditure currently remains under dispute.

The movement from the prior year is driven majorly by a non-JOA compliant and unbudgeted expenditure on Escravos pipeline, a project that the Joint Venture has since jointly taken a decision to suspend and overheads from the Operator's parent company over and above the JOA stipulated 2.5% of actual Capital Expenditure. Management considers the merits for these cost items to remain rejected to be very high, but in recognition of possible range of outcomes has included them in the contingent liability estimates.

43.2 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	31 Dec 2020 ₦ million	31 Dec 2019 ₦ million	31 Dec 2020 $'000	31 Dec 2019 $'000
Property, plant and equipment	-	31,022	-	101,050

Anoh Joint Venture: The above commitments include capital expenditure commitments of (2019: ₦18.4 billion ($60 million)) relating to the Anoh Joint Venture.

44. Events after the reporting period

On 1 February 2021, ANOH Gas Processing Company Limited, a joint venture of the Group, successfully raised $260 million (N98.8 billion) in debt to fund completion of its ANOH Gas Processing Plant.

Statement of value added

For the year ended 31 December 2020

	2020		2019		2020		2019s	
	₦ million	%	₦ million	%	$'000	%	$'000	%
Revenue from contracts with customers	190,922		214,157		530,467		697,777	
Other income (net)	30,184		9,170		83,864		29,876	
Finance income	601		4,134		1,671		13,471	
Cost of goods and other services:								
Local	(102,472)		(49,694)		(284,712)		(161,913)	
Foreign	(68,315)		(33,129)		(189,808)		(107,942)	
Valued added	50,920	100%	144,638	100%	141,482	100%	471,269	100%

Applied as follows:

	2020		2019		2020		2019	
	₦ million	%	₦ million	%	$'000	%	$'000	%
To employees: - as salaries and labour related expenses	13,324	26%	11,565	8%	37,017	26%	37,681	8%
To external providers of capital: - as interest	18,656	37%	10,294	7%	51,834	37%	33,539	7%
To Government: - as Group taxes	4,919	10%	6,964	5%	13,668	10%	22,689	5%
Retained for the Group's future: - For asset replacement, depreciation, depletion & amortization	47,812	94%	28,824	20%	132,840	94%	93,916	20%
Deferred tax (charges)/credit	(3,079)	(6%)	1,975	1%	(8,555)	(6%)	6,436	1%
(Loss)/profit for the year	(30,712)	(60%)	85,016	59%	(85,322)	(60%)	277,008	59%
Valued added	50,920	100%	144,638	100%	141,482	100%	471,269	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 2020

	2020	2019	2018	2017	2016
	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue from contracts with customers	190,922	214,157	228,391	138,281	63,384
(Loss)/profit from continuing operation before taxation	(28,872)	89,914	80,599	13,454	(47,419)
(Loss)/profit from discontinuing operation before taxation	-	4,041	16	-	-
(Loss)/profit before tax	(28,872)	93,955	80,615	13,454	(47,419)
Income tax (expense)/credit	(1,840)	(8,939)	(35,748)	67,657	2,035
(Loss)/profit for the year	**(30,712)**	**85,016**	**44,867**	**81,111**	**(45,384)**

	2020	2019	2018	2017	2016
	₦ million	₦ million	₦ million	₦ million	₦ million
Capital employed:					
Issued share capital	293	289	286	283	283
Share premium	86,917	84,045	82,080	82,080	82,080
Share based payment reserve	7,174	8,194	7,298	4,332	2,597
Capital contribution	5,932	5,932	5,932	5,932	5,932
Retained earnings	211,790	259,690	192,723	166,149	85,052
Foreign currency translation reserve	331,289	202,910	203,153	200,870	200,429
Non-controlling interest	(11,058)	(7,252)	-	-	-
Total equity	**632,337**	**553,808**	**491,472**	**459,646**	**376,373**
Represented by:					
Non-current assets	1,083,683	717,664	502,512	539,672	462,402
Current assets	227,154	286,569	264,159	259,881	202,274
Non-current liabilities	(499,349)	(258,903)	(184,808)	(131,925)	(141,473)
Current liabilities	(179,151)	(191,522)	(90,391)	(207,982)	(146,830)
Net assets	**632,337**	**553,808**	**491,472**	**459,646**	**376,373**

Five-year financial summary - continued

As at 31 December 2020

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Revenue from contracts with customers	530,467	697,777	746,140	452,179	254,217
(Loss)/profit from continuing operation before taxation	(80,209)	292,967	263,314	43,997	(172,766)
Profit from discontinuing operation before taxation	-	13,166	50	-	-
(Loss)/profit before tax	(80,209)	306,133	263,364	43,997	(172,766)
Income tax (expense)/credit	(5,113)	(29,125)	(116,788)	221,233	6,672
(Loss)/profit for the year	**(85,322)**	**277,008**	**146,576**	**265,230**	**(166,094)**

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Capital employed:					
Issued share capital	1,855	1,845	1,834	1,826	1,826
Share premium	511,723	503,742	497,457	497,457	497,457
Share based payment reserve	27,592	30,426	27,499	17,809	12,135
Capital contribution	40,000	40,000	40,000	40,000	40,000
Retained earnings	1,116,079	1,249,156	1,030,954	944,108	678,922
Foreign currency translation reserve	992	2,391	3,141	1,897	3675
Non-controlling interest	(34,196)	(23,621)	-	-	-
Total equity	**1,664,045**	**1,803,939**	**1,600,885**	**1,503,097**	**1,234,015**
Represented by:					
Non-current assets	2,851,803	2,337,670	1,639,843	1,764,789	1,516,073
Current assets	597,770	933,440	860,455	849,841	663,200
Non-current liabilities	(1,314,076)	(843,322)	(601,976)	(431,407)	(463,847)
Current liabilities	(471,452)	(623,849)	(294,437)	(680,126)	(481,411)
Net assets	**1,664,045**	**1,803,939**	**1,600,885**	**1,503,097**	**1,234,015**

45. Estimated quantities of proved plus probable reserves

	Oil & NGLs MMbbls	Natural Gas Bscf	Oil Equivalent MMboe
At 31 December 2019	251.8	1,493.5	509.3
Revisions of previous estimates	1.01	-	1.01
Discoveries and extensions	-	45	7.76
Production	(12.3)	(37.08)	(18.70)
At 31 December 2020	**240.51**	**1,501.42**	**499.37**

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.

46. Capitalised costs related to oil producing activities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Capitalised costs:				
Unproved properties		-		-
Proved properties	871,470	651,358	2,293,348	2,121,686
Total capitalised costs	871,470	651,358	2,293,348	2,121,686
Accumulated depreciation	(261,995)	(172,986)	(689,460)	(563,473)
Net capitalised costs	**609,475**	**478,372**	**1,603,888**	**1,558,213**

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.

47. Concessions

The original, expired and unexpired terms of concessions granted to the Group as at 31 December 2020 are:

		Original	Term in years expired	Unexpired
Seplat West Limited	OML 4, 38 & 41	38	20	18
Newton	OML 56	16	10	6
Seplat East Swamp	OML 53	30	22	8
Seplat Swamp	OML 55	30	22	8
Elcrest	OML 40	18.8	1	17.8
Elcrest	OML 17	20	1	19

Supplementary financial information (unaudited) - continued

For the year ended 31 December 2020

48. Results of operations for oil producing activities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Revenue from contracts with customers	150,422	151,954	417,941	495,104
Other income – net	30,184	9,170	83,864	29,876
Production and administrative expenses	(133,684)	(85,300)	(391,989)	(276,451)
Impairment losses	(51,856)	(14,692)	(144,080)	(47,869)
Depreciation & amortization	(52,766)	(25,570)	(126,044)	(84,792)
(Loss)/profit before taxation	**(57,700)**	**35,562**	**(160,308)**	**115,868**
Taxation	1,229	(8,939)	3,415	(29,125)
(Loss)/profit after taxation	**(56,471)**	**26,623**	**(156,893)**	**86,743**

49. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

50. 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 2020 N/$	31 December 2019 N/$
Fixed assets – opening balances	Historical rate	Historical	Historical
Fixed assets – additions	Average rate	359.91	306.91
Fixed assets - closing balances	Closing rate	380	307.00
Current assets	Closing rate	380	307.00
Current liabilities	Closing rate	380	307.00
Equity	Historical rate	Historical	Historical
Income and Expenses:	Overall Average rate	359.91	306.91

Company Accounts

For the year ended 31 December 2020

(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 2020

	Notes	31 Dec 2020 ₦ million	31 Dec 2019 ₦ million	31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue from contracts with customers	8	-	200,733	-	654,037
Cost of sales	9	-	(85,987)	-	(280,162)
Gross profit		-	114,746	-	373,875
Other income	10	(2,383)	4,096	(6,621)	13,346
General and administrative expenses	11	(5,054)	(17,044)	(14,046)	(55,531)
Impairment losses on financial assets	12	-	(12,784)	-	(41,652)
Fair value loss	13	-	(3,969)	-	(12,930)
Operating (loss)/ profit		(7,437)	85,045	(20,667)	277,108
Finance income	14	277	4,702	770	15,321
Finance cost	14	-	(10,129)	-	(33,001)
Finance income/(cost)-net		277	(5,427)	770	(17,680)
Loss on disposal of investment in subsidiary	22		(5)	-	(17)
Profit before taxation		(7,160)	79,613	(19,897)	259,411
Income tax credit	15	-	(13,484)	-	(43,934)
(Loss)/Profit for the year		(7,160)	66,129	(19,897)	215,477
Other comprehensive income/(loss):					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference	30	(5,319)	(17)	-	-
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations	34	-	(201)	-	(656)
Deferred tax credit on remeasurement losses	15	-	171	-	558
		-	(30)	-	(98)
Other comprehensive loss for the year (net of tax)		(5,319)	(47)	-	(98)
Total comprehensive income for the year (net of tax)		**(12,479)**	**66,082**	**(19,897)**	**215,379**
Basic earnings per share ₦/ ($)	37	(12.35)	116.17	(0.03)	0.38
Diluted earnings per share ₦/ ($)	37	(12.17)	113.70	(0.03)	0.37

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 2020

	Notes	31 Dec 2020 ₦ million	31 Dec 2019 ₦ million	31 Dec 2020 $'000	31 Dec 2019 $'000
ASSETS					
Non-current assets					
Oil & gas properties	17	-	249,888	-	813,967
Other property, plant and equipment	17	304	3,582	799	11,666
Right-of-use assets	19	-	3,397	-	11,064
Intangible assets	18	-	8,553	-	27,858
Prepayments	20	-	19,228	-	62,633
Deferred tax	15	-	37,609	-	122,508
Investment in subsidiaries	21	593,425	150,054	1,932,983	488,779
Investment in Joint ventures	22	79,806	46,055	210,016	150,016
Total non-current assets		**673,535**	**518,366**	**2,143,798**	**1,688,491**
Current assets					
Inventories	23	-	24,315	-	79,205
Trade and other receivables	24	501	423,475	1,320	1,379,404
Prepayments	20	2	1,479	5	4,814
Contract assets	25	-	6,527	-	21,259
Derivative financial instruments	26	-	308	-	1,002
Cash and bank balances	27	72,621	83,319	191,105	271,398
Total current assets		**73,124**	**539,423**	**192,430**	**1,757,082**
Total assets		**746,659**	**1,057,789**	**2,336,228**	**3,445,573**
EQUITY AND LIABILITIES					
Equity					
Issued share capital	28	293	289	1,855	1,845
Share premium	28	86,917	84,045	511,723	503,742
Share based payment reserve	28	7,174	8,194	27,592	30,426
Capital contribution	29	5,932	5,932	40,000	40,000
Retained earnings		254,070	282,228	1,225,958	1,304,197
Foreign currency translation reserve	30	191,216	196,535	-	-
Total shareholders' equity		**545,602**	**577,223**	**1,807,128**	**1,880,210**
Non-current liabilities					
Interest bearing loans and borrowings	32	-	193,349	-	629,800
Lease liabilities		-	2,367	-	7,709
Provision for decommissioning obligation	33	-	34,988	-	113,968
Defined benefit plan		-	3,011	-	9,808
Total non-current liabilities		**-**	**233,715**	**-**	**761,285**
Current liabilities					
Interest bearing loans and borrowings	32	-	21,295	-	69,366
Trade and other payables	35	201,057	215,669	529,100	702,510
Contract liabilities	36	-	5,005	-	16,301
Current tax liabilities	15	-	4,882	-	15,901
Total current liabilities		**201,057**	**246,851**	**529,100**	**804,078**
Total liabilities		**201,057**	**480,566**	**529,100**	**1,565,363**
Total shareholders' equity and liabilities		**746,659**	**1,057,789**	**2,336,228**	**3,445,573**

Notes 1 to 43 on pages 8 to 98 are an integral part of these financial statements.

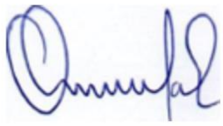
Separate Statement of Financial Position - continued

For the year ended 31 December 2020

The financial statements of Seplat Development Company Plc for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 1 March 2021 and were signed on its behalf by:

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
1 March 2021

R.T Brown
FRC/2014/ANAN/00000017939
Chief Executive Officer
1 March 2021



E.Onwuka
FRC/2020/003/00000020861
Chief Financial Officer
1 March 2021

Separate financial statements
Statement of changes in equity
For the year ended 31 December 2020

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
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	-	-	-	-	(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 28)	-	-	2,864	-	-	-	2,864
Vested shares (Note 28)	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**
At 1 January 2020	289	84,045	8,194	5,932	282,228	196,535	577,223
Loss for the year	-	-	-	-	(7,160)	-	(7,160)
Other comprehensive loss	-	-	-	-	-	(5,319)	(5,319)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(7,160)**	**(5,319)**	**(12,479)**
Transactions with owners in their capacity as owners:							
Dividend paid	-	-	-	-	(20,998)	-	(20,998)
Share based payments (Note 28)	-	-	1,856	-	-	-	1,856
Vested shares (Note 28)	4	2,872	(2,876)	-	-	-	-
Total	4	2,872	(1,020)	-	(20,998)	-	(19,142)
At 31 December 2020	**293**	**86,917**	**7,174**	**5,932**	**254,070**	**191,216**	**545,602**

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 2020

	Issued share capital $'000	Share premium $'000	Share based payment reserve $'000	Capital contribution $'000	Retained earnings $'000	Total equity $'000
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	-	-	9,223	-	-	9,223
Issue of shares	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**
At 1 January 2020	1,845	503,742	30,426	40,000	1,304,197	1,880,210
Loss for the year	-	-	-	-	(19,897)	(19,897)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(19,897)	(19,897)
Transactions with owners in their capacity as owners:						
Dividend paid	-	-	-	-	(58,342)	(58,342)
Share based payments (Note 28)	-	-	5,157	-	-	5,157
Issue of shares (Note 28)	10	7,981	(7,991)	-	-	-
Total	10	7,981	(2,834)	-	(58,342)	(53,185)
At 31 December 2020	**1,855**	**511,723**	**27,592**	**40,000**	**1,225,958**	**1,807,128**

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 2020

	Notes	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
		₦ million	₦ million	$'000	$'000
Cash flows from operating activities					
Cash generated from operations	16	99,361	78,734	276,065	256,433
Tax paid	15	-	(1,036)	-	(3,380)
Defined benefit paid	34	-	(86)	-	(280)
Net cash inflows from operating activities		99,361	77,612	276,065	252,773
Cash flows from investing activities					
Payment for acquisition of subsidiary	21	-	(148,127)	-	(482,637)
Cash transferred as additional investment in subsidiary	31	(77,583)	-	(252,713)	
Payment for acquisition of oil and gas properties	17	-	(29,367)	-	(95,685)
Proceeds from disposal of oil and gas properties	17	-	15,532	-	50,614
Payment for acquisition of other property, plant and equipment	17	(289)	(3,154)	(802)	(10,274)
Payment for investment in joint venture	22	(21,595)	(31,627)	(60,000)	(103,050)
Interest received	14	277	4,702	770	15,321
Net cash outflows from investing activities		(99,190)	(192,041)	(312,745)	(625,711)
Cash flows from financing activities					
Increase in investment in subsidiary	21	(10)	-	(33)	-
Repayments of loans	32	-	(30,691)	-	(100,000)
Proceeds from loans	32	-	106,346	-	346,500
Dividends paid	38	(20,998)	(18,019)	(58,342)	(58,708)
Payments for other financing charges	32	-	(2,696)	-	(8,783)
Interest paid on bank financing	32	-	(10,364)	-	(33,770)
Net cash (outflows)/inflows from financing activities		(21,008)	44,576	(58,375)	145,239
Net decrease in cash and cash equivalents		(20,837)	(69,853)	(95,055)	(227,699)
Cash and cash equivalents at beginning of the year		81,263	152,486	264,700	496,698
Effects of exchange rate changes on cash and cash equivalents		1,524	(1,370)	(6,621)	(4,299)
Cash and cash equivalents at end of the year		**61,950**	**81,263**	**163,024**	**264,700**

For the purposes of the cash flow statements, the restricted cash balance of $7.3 million, N 2.8 billion has been excluded from the cash and cash equivalents at the end of the year. These amounts are subject to legal restrictions and are therefore not available for general use by the Company.

An additional $20.8 million, N 7.9 billion, of funds deposited in Access bank Plc bank accounts in the ordinary course of business are being unilaterally restricted by Access bank Plc in connection with the Court case between Seplat Petroleum Development Company Plc and Access Bank Plc.

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.

On 1 January 2020, Seplat Petroleum Development Company Plc transferred its 45% participating interest in OML 4, OML 38 and OML 41 ("transferred assets") to Seplat West Limited. As a result, Seplat ceased to be a party to the Joint Operating Agreement in respect of the transferred assets and became a holding company. Seplat West Limited became a party to the Joint Operating Agreement in respect of the transferred assets and assumed its rights and obligations.

2. Significant changes in the current accounting period

The following significant changes occurred during the reporting year ended 31 December 2020:

- There was a change in the Company's operational structure which took effect on January 1, 2020 where Seplat Plc ceased to be a party to the Joint Operating Agreement in respect of the Oil Mining Lease Numbers 4, 38 and 41 and transferred its right and obligation to Seplat West Limited. Seplat West Plc became a party to the Joint Operating agreement and assumed the rights and obligation in respect of the transferred asset. Seplat Plc is now a holding company.

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

The financial statements for the year ended 31 December 2020 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.

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 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.

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.

3.3 New and amended standards adopted by the Company

The following standards and amendments became effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

a) Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the separate financial statements of the Company but may impact future periods should the Company enter into any business combinations.

b) Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

These amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relation is affected if the reform gives rise to uncertainties about the timing and of amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the separate financial statements of the Company as it does not have any interest rate hedge relationships.

c) Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the separate financial statements of, nor is there expected to be any future impact to the Company.

d) Amendments to IFRS 16 Covid Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19 Related Rent Concessions-amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from the lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the separate financial statements of the Company.

e) Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the separate financial statements of the Company.

3.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

i. IFRS 17 Insurance Contracts

In n May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)

• A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

ii. Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms

of a liability does not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

iii. Reference to the Conceptual Framework- Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

iv. Property, Plant and Equipment: Proceeds before Intended Use-Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

v. Onerous Contracts- Costs of Fulfilling a Contract-Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

vi. IFRS 9 Financial Instruments- Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

vii. IAS 41 Agriculture-Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Company.

3.5 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.

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.

3.6 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. The company accounts for Interest in the joint venture at cost.

3.7 Group reorganisation

A Group reorganisation involve restructuring the relationship between entities under common control. It is the transfer of assets (shares or businesses of a group entity), from one group entity to another. This may be between existing or newly formed entities within the group. Common control means all the combining entities or businesses are ultimately controlled by the same party both before and after the reorganisation.

The Company accounts for reorganisation involving entities under common control using pooling of interest method. On the date of transfer, the assets and liabilities are transferred to the acquirer at their carrying value, no adjustments are made to reflect their fair value, and no new goodwill is recognised. The net effect of assets and liabilities transferred is recognised as additional investment in subsidiaries.

The assets and liabilities transferred are reflected prospectively in the Company's financial statements from the date of transfer without restating the comparative period.

3.8 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.

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.

3.9 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.

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 venture partners to share in the production of oil. Collaborative arrangements with its Joint venture 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 contracts 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.

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.

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.

3.10 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

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.

3.11 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.

3.12 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.

3.13 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 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.

3.14 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.

3.15 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.

3.16 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 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.

All the Company's financial assets as at 31 December 2020 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.

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 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.

c) 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.

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.

d) 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 2020 was Nil, (2019: ₦14 billion, $48 million). 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.

e) 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.

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 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.

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 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.

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.

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 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.

3.17 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 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.

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.

3.19 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.

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.

3.20 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 pre-tax 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

3.21 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 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 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. 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.

3.23 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).

i. 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. 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 Nil (2019: ₦20.1 billion). See note 45 for the applicable translation rate.

ii. Group re-organisation

On 1 January 2020, the Company's operations were restructured with the transfer of OML 4, OML 38 and OML 41 from the Company to Seplat West Limited. Management determined that this was a group reorganisation involving entities under common control, as Seplat Petroleum Development Company Plc retained control of the Group before and after the reorganisation. See Note 31 for a summary of assets and liabilities transferred to Seplat West Limited.

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. 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 28.

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.

ii. 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 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.

iii. 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.

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	Trade receivables, cash and bank balances.	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

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.

i. Commodity price risk

The Company was 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.

During the year, the Company transferred its crude oil hedge contract to Seplat West Limited; hence, there were no economic crude hedge contracts for the year 2020.

The maturity of the commodity options the Company holds in 2019 comparative year 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

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)	-

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)	-

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)	-

ii. 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.

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.

During the year, the Company transferred its interest-bearing loans and borrowings to Seplat West Limited. The exposure of the Company's variable interest-bearing loans and borrowings for the year 2019 is shown below.

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Corporate Loans	-	107,407	-	349,888

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 2019 $'000	Effect on other components of equity before tax 2019 $'000
+1%	(41)	-	(296)	-
-1%	42	-	296	-

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Financial assets				
Cash and bank balances	6,453	25,839	16,982	84,165
Contract assets	-	6,527	-	21,259
Trade and other receivables	10	16,835	27	54,836
	6,463	**49,201**	**17,009**	**139,000**
Financial liabilities				
Trade and other payables	(60)	(43,666)	(157)	(142,233)
Net exposure to foreign exchange risk	**6,403**	**5,535**	**16,852**	**(3,233)**

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

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Financial assets				
Cash and bank balances	228	45	599	147

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 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+5%	(305)	-	(802)	-
-5%	337	-	887	-

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 2019 $'000	Effect on other components of equity before tax 2019 $'000
+5%	47	-	(2,346)	-
-5%	(52)	-	2,593	-

If the Pound 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 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+5%	11	-	29	-
-5%	(12)	-	(32)	-

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 2019 $'000	Effect on other components of equity before tax 2019 $'000
+5%	2	-	7	-
-5%	(2)	-	(7)	-

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). During the year, the Company transferred its derivative assets, receivables from NPDC and contract assets to Seplat West Limited.

a) Risk management

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Trade and other receivables (Gross)	501	409,055	1,320	1,332,497
Contract assets	-	6,527	-	21,259
Cash and bank balances (Gross)	72,621	83,332	191,105	271,441
Gross amount	**73,122**	**498,934**	**192,425**	**1,625,197**
Impairment of receivables	-	(2,460)	-	(8,012)
Impairment of cash and bank balance	-	(15)	-	(51)
Net amount	**73,122**	**496,459**	**192,425**	**1,617,134**

b) Impairment of financial assets

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 disclosed in the table below is for 2019 comparative only, as there was no impairment loss for 2020.

- 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	(24.4)	12,836	41,811
Decrease in provision for Bank balance (fixed deposit)		(13)	(39)
Decrease in provision for Intercompany receivables		(322)	(1,053)
Increase in provision for trade receivables	(24.2)	287	933
Exchange difference		(4)	-
Impairment charge to the profit or loss		12,784	41,652
Receivables written off during the year as uncollectible		(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.

	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	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.

	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.

There was no write-off during the year (2019: ₦14.9 billion ($48.4 million).

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)	52,637	-	-	52,637
Loss allowance	(448)	-	-	(448)
Net Exposure at Default (EAD)	52,189	-	-	52,189

31 December 2019

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'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

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 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 24)	(4)	-	(3)	-	-	(333)	(340)
Total	2,511	-	1,787	-	-	11,843	16,141

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 24)	(12)	-	(8)	-	-	(1,090)	(1,110)
Total	8,180	-	5,823	-	-	38,571	52,574

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 2020 was nil.

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	(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	(219)	-	-	-	-	-	(219)
Total	51,450	-	-	-	-	-	51,450

iii. Cash and cash equivalent

Short term fixed deposits

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.

31 December 2020

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	7,958	-	-	7,958
Loss allowance	-	-	-	-
Net Exposure at Default (EAD)	**7,958**	**-**	**-**	**7,958**

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	20,941	-	-	20,941
Loss allowance	-	-	-	-
Net Exposure at Default (EAD)	**20,941**	**-**	**-**	**20,941**

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)	7,304	-	-	7,304
Loss allowance	(15)	-	-	(15)
Net Exposure at Default (EAD)	7,289	-	-	7,289

31 December 2019

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	23,794	-	-	23,794
Loss allowance	(51)	-	-	(51)
Net Exposure at Default (EAD)	23,743	-	-	23,743

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 nil as at 31 December 2020 (2019: 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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Non-rated	130	9	343	17
BBB-	211	473	554	1,542
B	-	25,399		82,735
A+	63,995	57,213	168,408	186,373
AA-	-	-	-	-
AA+	5,226		13,751	
AAA	3,059	240	8,049	782
	72,621	83,334	191,105	271,449
Allowance for impairment recognised during the year (Note 27)	-	(15)	-	(51)
Net cash and cash bank balances	**72,621**	**83,319**	**191,105**	**271,398**

v. Intercompany receivables

31 December 2020

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	487,752	-	-	487,752
Loss allowance	-	-	-	-
Net Exposure at Default (EAD)	**487,752**	**-**	**-**	**487,752**

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

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	1,283,558	-	-	1,283,558
Loss allowance	-	-	-	-
Net Exposure at Default (EAD)	**1,283,558**	**-**	**-**	**1,283,558**

31 December 2019

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'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

a) Maximum exposure to credit risk – financial instruments subject to impairment

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. During the year, there was no ECL.

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.

b) 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.

c) 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.

d) 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)	-

e) 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	-

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	-

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	-

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 enough 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 enough cash resources to meet operational needs. Cash flow projections take into consideration the

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.

The table below represents the loans and borrowings for 2019, the Company had no borrowings in the current year as they have been transferred to Seplat West Ltd.

	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 (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 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

** Trade and other payables (exclude non-financial liabilities such as provisions, taxes, pension and other non-contractual payables).
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	
	2020	2019	2020	2019
	₦ million	₦ million	₦ million	₦ million
Financial assets at amortised cost				
Trade and other receivables*	501	345,007	501	345,007
Contract assets	-	6,527	-	6,527
Cash and bank balances	72,621	83,319	72,621	83,319
	73,122	**434,853**	**73,122**	**434,853**
Financial assets at fair value				
Derivative financial instruments	-	308	-	308
	-	**308**	-	**308**
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	-	214,644	-	202,101
Trade and other payables	201,057	189,701	201,057	189,701
	201,057	**404,345**	**201,057**	**391,802**

	Carrying amount		Fair value	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Trade and other receivables	1,320	1,123,802	1,320	1,123,802
Contract assets	-	21,259	-	21,259
Cash and bank balances	191,105	271,398	191,105	271,398
	192,425	**1,416,459**	**192,425**	**1,416,459**
Financial assets at fair value				
Derivative financial instruments	-	1,002	-	1,002
		1,002		1,002
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	-	699,166	-	658,309
Trade and other payables	529,100	617,919	529,100	617,919
	529,100	**1,317,085**	**529,100**	**1,276,228**

* 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 December 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	-	-

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 December 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	-

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.

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Interest bearing loans and borrowings	-	214,644	-	699,166
Less: cash and bank balances	(72,621)	(83,319)	(191,105)	(271,398)
Net debt	(72,621)	131,325	(191,105)	427,768
Total equity	102,241	577,223	362,957	1,880,210
Total capital	29,620	708,548	171,852	2,307,978
Net debt (net debt/total capital) ratio	**-**	**19%**	**-**	**19%**

Capital includes share capital, share premium, treasury shares, capital contribution and all other equity reserves. During the year, the Company had nil gearing ratio due to the transfer of its interest-bearing loans and borrowings to Seplat West Limited.

7. Segment reporting

Due to the change in the Company's operation, Seplat Plc is now a holding Company and no longer has operating or reportable segments (See note 2).

8. Revenue from contracts with customers

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Crude oil sales	-	138,530	-	451,364
Gas sales	-	41,668	-	135,761
Gas processing	-	20,535	-	66,912
	-	200,733	-	654,037

The major off taker for crude oil in 2019 was Mercuria and Shell Western. 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. Subsequently, NPDC 55% stake in the gas plant, as a result of this acquisition, Seplat has ceased to process gas for NPDC.

During the year, Seplat became a holding Company, hence, no revenue was generated from contracts with customers. (See significant changes in Note 2).

9. Cost of sales

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Royalties	-	28,072	-	91,465
Depletion, depreciation and amortisation (Note 17.5)	-	26,964	-	87,856
Crude handling fees	-	15,382	-	50,121
Nigeria Export Supervision Scheme (NESS) fee	-	170	-	553
Niger Delta Development Commission Levy	-	2,126	-	6,925
Rig related costs	-	1,871	-	6,094
Operational & maintenance expenses	-	11,402	-	37,148
	-	**85,987**	**-**	**280,162**

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

	2020 ₦ million	2019 ₦'million	2020 $'000	2019 $'000
Overlifts	-	(7,028)	-	(22,898)
Exchange (loss)/gain	(2,383)	588	(6,621)	1,916
Gain on disposal of oil and gas assets	-	9,462	-	30,830
Tariffs	-	1,074	-	3,498
	(2,383)	**4,096**	**(6,621)**	**13,346**

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 its ownership share of production. Overlifts are initially measured at the market price of oil at the date of lifting and recognised in profit or loss. 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.

(Loss)/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

	2020 ₦ million	2019 ₦'million	2020 $'000	2018 $'000
Depreciation (Note 17)	1	857	3	2,791
Depreciation of right of use assets	-	907	-	2,955
Auditor's remuneration	-	120	-	389
Professional and consulting fees	630	3,157	1,751	10,285
Directors' emoluments (executive)	-	735	-	2,393
Directors' emoluments (non-executive)	1,201	1,048	3,337	3,416
Donations	-	68	-	221
Employee benefits (Note 11.1)	1,856	7,347	5,157	23,941
Flights and other travel costs	75	2,607	211	8,495
Rentals	-	198	-	645
Other general expenses	1,291	-	3,587	-
	5,054	**17,044**	**14,046**	**55,531**

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.

11.1 Salaries and employee related costs include the following:

	2020 ₦ million	2019 ₦'million	2020 $'000	2019 $'000
Short term employee benefits:				
Basic salary	-	2,712	-	8,839
Housing allowances	-	500	-	1,630
Other allowances	-	462	-	1,614
Post-employment benefits:				
Defined contribution expenses	-	500	-	1,630
Defined benefit expenses	-	309	-	1,005
Other employee benefit:				
Share-based payment expenses (Note 28.4)	1,856	2,864	5,157	9,223
	1,856	**7,347**	**5,157**	**23,941**

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

12. Impairment/(reversal) of losses on financial assets

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Impairment loss on NPDC receivables	-	-	-	-
Impairment loss on trade receivables (Mercuria)	-	68	-	221
Impairment loss on trade receivables (NGMC)	-	219	-	712
	-	287	-	933
Receivables written off during the year as uncollectible	-	14,871	-	48,439
	-	15,158	-	49,327

Reversal of impairment on NPDC receivables	-	(2,036)	-	(6,628)
Reversal of impairment loss on intercompany receivables	-	(322)	-	(1,053)
Reversal of impairment loss on trade receivables (NGMC)	-	-	-	-
Reversal of impairment loss on cash and bank balances (fixed deposits)	-	(13)	-	(39)
	-	(2,371)	-	(7,720)
Exchange difference	-	(3)	-	-
Total impairment loss allowance	**-**	**12,784**	**-**	**41,652**

13. Fair value (loss)/gain

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Realised fair value losses on crude oil hedges	-	(1,584)	-	(5,160)
Unrealised fair value gain	-	(2,385)	-	(7,770)
	-	**(3,969)**	**-**	**(12,930)**

Fair value gain/(loss) on derivatives represents changes in the fair value of hedging receivables charged to profit or loss.

14. Finance income/(cost)

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Finance income				
Interest income	277	4,702	770	15,321
Finance cost				
Interest on bank loans	-	8,890	-	28,966
Interest on lease liabilities	-	164	-	534
Unwinding of discount on provision for decommissioning	-	1,075	-	3,501
	-	10,129	-	33,001
Finance income/(cost) – net	**277**	**(5,427)**	**770**	**(17,680)**

Finance income represents interest on short-term fixed deposits.

15. Taxation

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

15.1 Income tax expense

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Current tax:				
Petroleum profit tax	-	5,741	-	18,704
Education tax	-	900	-	2,933
Total current tax	-	6,641	-	21,637
Deferred tax:				
Deferred tax expense in profit or loss	-	6,843	-	22,296
Total tax expense in statement of profit or loss	-	13,484	-	43,934
Deferred tax recognised in other comprehensive income	-	(171)	-	(558)
Total tax charge for the period	-	13,313	-	43,376
Effective tax rate	-	**17%**	-	**17%**

15.2 Reconciliation of effective tax rate

The Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated annual tax rate used for the year ended 31 December 2020 is 30%. As at 31 December 2019, the applicable tax rate was 85%, 65.75% and 30%.

The effective tax rate for the period was nil (2019: 17%).

A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Profit before taxation	(7,160)	79,613	(19,897)	259,411
Tax rate of 85%, 65.75% and 30%	(2,148)	67,671	(5,969)	220,499
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Income not subject to tax	557	(18,684)	1,548	(60,877)
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)	-	(150,953)
Impact of tax losses	1,591	-	4,421	
Education tax	-	900	-	2,933
Total tax credit in statement of profit or loss	**-**	**13,484**	**-**	**43,934**

15.3 Current tax liabilities/(assets)

The movement in the current tax liabilities is as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
As at 1 January	4,882	(723)	15,901	(2,356)
Tax charge	-	6,641	-	21,637
Transfer to Seplat West	(4,882)		(15,901)	
Tax paid	-	(1,036)	-	(3,380)
As 31 December	**-**	**4,882**	**-**	**15,901**

15.4 Deferred tax

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

Deferred tax assets	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Deferred tax asset to be recovered after more than 12 months	-	147,513	-	481,634
	-	147,513	-	481,634

Deferred tax liabilities	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Deferred tax liabilities to be recovered after more than 12 months	-	(109,904)	-	(359,126)
Net deferred tax (liabilities)/assets	**-**	**37,609**	**-**	**122,508**

15.5 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 2020 ₦ million	Transfer to Seplat West ₦ million	(charged)/Credited to profit or loss ₦ million	Balance at 31 December 2020 ₦ million
Tax losses	-	-	-	-
Other cumulative timing differences:	-	-	-	-
Unutilised capital allowance	122,647	(122,647)	-	-
Provision for decommissioning obligation	(3)	3	-	-
Provision for defined benefit plan	2,725	(2,725)	-	-
Share based payment reserve	5,670	(5,670)	-	-
Unrealised foreign exchange (gain)/loss on trade and other receivables	1,046	(1,046)	-	-
Overlift/(underlift)	11,219	(11,219)	-	-
Impairment provision on trade and other receivables	4,021	(4,021)	-	-
	147,325	(147,325)	-	-
Effect of Exchange differences	188	(188)	-	-
	147,513	(147,513)	**-**	**-**

	Balance at 1 January 2020 $'000	Transfer to Seplat West $'000	(Charged)/Credited to profit or loss $'000	Balance at 31 December 2020 $'000
Tax losses	-	-	-	-
Other cumulative timing differences:			-	-
Unutilised capital allowance	401,027	(401,027)	-	-
Defined benefit plan	-	-	-	-
Share based payment	8,896	(8,896)	-	-
Unrealised foreign exchange (gain)/loss on trade and other receivables	18,519	(18,519)	-	-
Overlift/(underlift)	3,433	(3,433)	-	-
Impairment provision on trade and other receivables	36,622	(36,622)	-	-
Total charged to profit or loss	13,137	(13,137)	-	-
	481,634	(481,634)	-	-

	Balance at 1 January 2019 ₦ million	(Charged)/ credited to profit or loss ₦ million	Credited to other comprehensive income ₦ million	Balance at 31 December 2019 ₦ 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 2019 $'000	(Charged)/credited to profit or loss $'000	Credited to other comprehensive income $'000	Balance at 31 December 2019 $'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

15.6 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 2020	Transfer to Seplat West	(Charged)/credited to profit or loss	Balance at 31 December 2020
	₦ million	₦ million	₦ million	₦ million
Tax losses	-	-	-	-
Other cumulative timing differences:				
Fixed assets	113,546	(113,546)	-	-
Effect of exchange difference	(6)	6	-	-
	113,540	**(113,540)**	**-**	**-**

	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 2020	Transfer to Seplat West	(Charged)/Credited to profit or loss	Balance at 31 December 2020
	$'000	$'000	$'000	$'000
Tax loss	-	-	-	-
Other cumulative timing differences:				
Fixed assets	370,993	(370,993)	-	-
	370,993	**(370,993)**	**-**	**-**

	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

15.7 Deferred tax recognised in profit or loss

	As at 31 Dec 2020 ₦'million	As at 31 Dec 2019 ₦'million	As at 31 Dec 2020 $'000	As at 31 Dec 2019 $'000
Credited to profit or loss;				
Unutilised capital allowance	-	6,579	-	21,435
Provision for defined benefit	-	1,014	-	3,303
Share based payment plan	-	2,376	-	7,741
Overlift	-	5,973	-	19,463
Tax losses	-	-	-	-
Charged to Profit or loss;	-		-	
Provision for decommissioning obligation	-	(821)	-	(2,674)
Unrealised foreign exchange loss/(gain) on trade and other receivables	-	(212)	-	(690)
Fixed assets	-	(21,910)	-	(71,388)
Impairment provision on trade and other receivables	-	158	-	514
Exchange difference	-	-	-	-
	-	**(6,843)**	-	**(22,296)**
Charged to other comprehensive income				
Deferred tax credit/(expense) on remeasurement	-	171	-	558
	-	171	-	558

16. Computation of cash generated from operations

	Notes	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
(Loss)/profit before tax		(7,160)	79,613	(19,897)	259,411
Adjusted for:					
Depletion, depreciation and amortization		1	27,821	3	90,647
Depreciation of Right-of-use assets		-	907	-	2,955
Impairment of losses on financial assets		-	12,784	-	41,652
Interest income		(277)	(4,702)	(770)	(15,321)
Interest expense on bank loans		-	8,890	-	28,966
Interest on lease liabilities		-	164	-	534
Unwinding of discount on provision for decommissioning		-	1,075	-	3,501
Fair value loss on derivative financial instruments		-	2,385	-	7,770
Unrealised foreign exchange gain		2,383	(588)	6,621	(1,916)
Share based payment expenses		1,856	2,864	5,157	9,223
Defined benefit expenses		-	309	-	1,005
Gain on disposal of oil and gas properties		-	(9,462)	-	(30,830)
Changes in working capital: (excluding the effects of exchange differences)					
Trade and other receivables		172,668	(113,396)	479,749	(369,472)
Inventories		-	6,083	-	19,817
Prepayments		(2)	(11,478)	(5)	(37,396)
Contract assets		-	(2,199)	-	(7,163)
Trade and other payables		(62,412)	73,668	(173,410)	240,029
Contract liabilities		-	5,003	-	16,301
Restricted cash		(7,696)	(1,007)	(21,383)	(3,280)
Net cash from operating activities		**99,361**	**78,734**	**276,065**	**256,433**

Notes to the separate financial statements - continued

17. Property, plant and equipment

17.1 Oil and gas properties

Cost	Production and field facilities ₦ million	Assets under construction ₦ million	Total ₦ million	Production and field facilities $'000	Assets under construction $'000	Total $'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

Cost	Production and field facilities ₦ million	Assets under construction ₦ million	Total ₦ million	Production and field facilities $'000	Assets under construction $'000	Total $'000
At 1 January 2020	387,829	29,311	417,140	1,263,286	95,475	1,358,761
Transfers to Seplat West Ltd	(387,829)	(29,311)	(417,140)	(1,263,286)	(95,475)	(1,358,761)
At 31 December 2020	-	-	-	-	-	-
Depreciation						
At 1 January 2020	167,252	-	167,252	544,794	-	544,794
Transfers to Seplat West Ltd	(167,252)	-	(167,252)	(544,794)	-	(544,794)
At 31 December 2020	-	-	-	-	-	-
NBV						
At 31 December 2020	-	-	-	-	-	-

Notes to the separate financial statements - continued

17.2 Disposal of oil and gas properties

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Purchase consideration for disposal of oil and gas assets				
Net book value of Production and Field Facilities;				
Cost	-	28,126	-	91,643
Depreciation	-	(6,522)	-	(21,244)

17.3 Purchase consideration

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'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 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 was nil (2019: 12.3%).

Borrowing costs capitalised during the year was nil (2019: ₦8 billion, $26 million).

17.4 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 2020	1,518	2,979	5,725	1,200	21	1,194	12,637
Additions	15	274	-	-	-	-	289
Transfer to Seplat West Ltd	(1,518)	(2,979)	(5,725)	(1,200)	(21)	(1,194)	(12,637)
Exchange difference	1	15	-	-	-	-	16
At 31 December 2020	16	289	-	-	-	-	305
Depreciation							
At 1 January 2020	1,391	2,187	4,562	895	-	20	9,055
Transfer to Seplat West Ltd	(1,391)	(2,187)	(4,562)	(895)	-	(20)	(9,055)
Charge for the year	1	-	-	-	-	-	1
At 31 December 2020	1	-	-	-	-	-	1
NBV							
At 31 December 2020	**15**	**289**	**-**	**-**	**-**	**-**	**304**
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

	Plant & machinery	Motor vehicle	Office Furniture & IT equipment	Leasehold improvements	Land	Buildings	Total
Cost	$'000	$'000	$'000	$'000		$'000	$'000
At 1 January 2020	4,945	9,704	18,647	3,908	68	3,890	41,162
Additions	41	761	-	-	-	-	802
Transfer to Seplat West Ltd	(4,945)	(9,704)	(18,647)	(3,908)	(68)	(3,890)	(41,162)
At 31 December 2020	41	761	-	-	-	-	802
Depreciation							
At 1 January 2020	4,532	7,124	14,858	2,916	-	66	29,496
Charge for the year	3	-	-	-	-	-	3
Transfer to Seplat West Ltd	(4,532)	(7,124)	(14,858)	(2,916)	-	(66)	(29,496)
At 31 December 2020	3	-	-	-	-	-	3
NBV							
At 31 December 2020	**38**	**761**	**-**	**-**	**-**	**-**	**799**
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**

17.5 Depletion, depreciation and amortisation

	2020	2019	2020	2019
	₦ million	₦ million	$'000	$'000
Oil and gas properties	-	26,523	-	86,417
Amortisation of intangible asset	-	441	-	1,439
Charged to cost of sales	-	26,964	-	87,856
Charged to general and administrative expense	-	857	-	2,791
Total depletion, depreciation and amortisation	**-**	**27,821**	**-**	**90,647**

18. Intangible assets

Cost	₦ million	$'000
At 1 January 2020	9,070	29,543
Transfer to Seplat West Ltd	(9,070)	(29,543)
At 31 December 2020	**-**	**-**
Amortisation Charge		
At 1 January 2020	517	1,685
Transfer to Seplat West Ltd	(517)	(1,685)
At 31 December 2020	**-**	**-**
NBV		
At 31 December 2020	**-**	**-**
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**

19. Right of use asset

	2020	2019	2020	2019
	₦ million	₦ million	$'000	$'000
As at 1 January	3,397	4,216	11,064	13,734
Additions during the year	-	88	-	285
Less: depreciation for the period	-	(907)	-	(2,955)
Transfer to Seplat West Ltd	(3,397)	-	(11,064)	-
As at 31 December	**-**	**3,397**	**-**	**11,064**

20. Prepayments

	2020	2019	2020	2019
Non-current	₦ million	₦ million	$'000	$'000
Rent	-	301	-	979
Advances to suppliers	-	18,927	-	61,654
	-	19,228	-	62,633
Current				
Rent	-	283	-	921
Crude oil hedge	-	839	-	2,730
Other prepayments	2	357	5	1,163
	2	1,479	5	4,814
	2	**20,707**	**5**	**67,447**

20.1 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, there was no advance paid to suppliers (2019: ₦18.9 billion, $61.6 million).

20.2 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. Investment in subsidiaries

	2020	2019	2020	2019
	₦ million	₦ million	$'000	$'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
Eland Oil and Gas Limited	149,719	149,719	487,683	487,683
Seplat West Limited	443,371	-	1,444,204	-
	593,425	**150,054**	**1,932,983**	**488,779**

21.1 Interest in other entities

Name of entity	Country of incorporation & place of business	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
		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	100	149,719	149,719	487,683	487,683
Seplat West Limited	Nigeria	100	-	443,371	-	1,444,204	-

21.2 Reconciliation of investment in subsidiary

	2020	2020
	₦ million	$'000
At 1 January 2020	150,054	488,779
Increase in Investment (Seplat West)	10	33
Capital contribution (Note 31)	443,361	1,444,171
At 31 December 2020	593,425	1,932,983

	2019	2019
	₦ 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

21.3 Purchase consideration - cash outflow

	2019	2019
	₦ million	$'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

22. Investment in Joint ventures

	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	₦ million	₦ million	$'000	$'000
Cost	79,806	46,055	210,016	150,016

22.1 Reconciliation of investment in joint venture

	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	₦ million	₦ million	$'000	$'000
As 1 January	**46,055**	-	**150,016**	-
Reclassified from investment in subsidiary (Anoh Gas Processing Limited)	-	10	-	33
Loss on disposal of investment in subsidiary (AGPC)	-	(5)	-	(17)
Additional investment in joint venture (AGPC)	21,595	46,051	60,000	150,000
Exchange difference	12,156	(1)	-	-
At 31 December	**79,806**	**46,055**	**210,016**	**150,016**

22.2 Reconciliation of additional investment in joint venture

	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
	₦'million	₦'million	$'000	$'000
Cash paid in the current period	21,595	31,627	60,000	103,050
Amount reclassified from other receivables	-	14,424	-	46,950
	21,595	**46,051**	**60,000**	**150,000**

Name of entity	Country of incorporation and place of business	Percentage of ownership interest		Carrying amount			
		As at 31 Dec 2020	As at 31 Dec 2019	As at 31Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
		%	%	₦'million	₦'million	$'000	$'000

ANOH Gas Processing Company Limited	Nigeria	50	50	**79,806**	**46,055**	**210,016**	**150,016**

23. Inventories

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Tubulars, casings and wellheads	-	24,315	-	79,205

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 was nil (2019: ₦0.9 billion, $3 million). There was no write down or reversal of previously recognised write down of inventory for the year ended 31 December 2020.

24. Trade and other receivables

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Trade receivables	-	32,555	-	106,043
Nigerian Petroleum Development Company (NPDC) receivables	-	52,189	-	169,997
Intercompany receivables	313	311,903	824	1,015,971
Advances on investments	-	12,512	-	40,757
Advances to related parties	-	-	-	-
Advances to suppliers	-	4,347	-	14,160
Receivables from Joint Venture (Anoh)	178	3,848	469	12,536
Other receivables	10	6,121	27	19,940
	501	**423,475**	**1,320**	**1,379,404**

Other receivables are transactions outside the usual operating activities of the company.

24.1 Reconciliation of trade receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Balance as at 1 January	32,555	27,203	106,043	88,608
Additions during the year	-	8,787	-	28,620
Receipts for the year	-	(3,025)	-	(9,856)
Transfer to Seplat West	(32,555)	-	(106,043)	
Exchange differences	-	(2)	-	-
Gross carrying amount	-	32,963	-	107,372
Less: impairment allowance	-	(408)	-	(1,329)
Balance as at 31 December	**-**	**32,555**	**-**	**106,043**

24.2 Reconciliation of impairment allowance trade receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Loss allowance as at 1 January	408	122	1,329	396
Increase/(decrease) in loss allowance during the period	-	287	-	933
Transfer to Seplat West	(408)		(1,329)	
Exchange difference	-	(1)	-	-
Loss allowance as at 31 December	-	408	-	1,329

Increase in expected credit loss on trade receivables to due to increase in the receivable balance at the end of the period.

24.3 Reconciliation of NPDC receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Balance as at 1 January	52,189	-	169,997	-
Additions during the year	-	339,930	-	1,107,587
Receipts for the year	-	(287,308)	-	(936,130)
Transfer to Seplat West	(52,189)		(169,997)	-
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

24.4 Reconciliation of impairment allowance NPDC receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Loss allowance as at 1 January	448	2,475	1,460	8,086
Increase in loss allowance during the period	-	12,836		41,813
Transfer to Seplat West Ltd	(448)	-	(1,460)	
Receivables written off during the year as uncollectible	-	(14,871)	-	(48,439)
Exchange difference	-	8	-	-
Loss allowance as at 31 December	-	448	-	1,460

24.5 Reconciliation of intercompany receivables

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Balance as at 1 January	311,903	256,874	1,015,971	836,723
Additions during the year	297	350,120	824	1,140,782
Receipts for the year	(153,135)	(293,501)	(425,478)	(956,311)
Transfer to Seplat West Ltd	(181,281)	-	(590,493)	-
Exchange difference	22,529	15		-
Gross carrying amount	313	313,508	824	1,021,194
Less: impairment allowance	-	(1,605)	-	(5,223)
Balance as at 31 December	**313**	**311,903**	**824**	**1,015,971**

25. Contract assets

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Revenue on gas sales (Note 25.1)	**-**	**6,527**	**-**	**21,259**

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 crystallises. 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.

25.1 Reconciliation of contract assets

The movement in the Company's contract assets is as detailed below:

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
As at 1 January	6,527	4,327	21,259	14,096
Additions during the year	-	52,275	-	170,327
Receipts for the year	-	(50,077)	-	(163,164)
Transfer to Seplat West Ltd	(6,527)	-	(21,259)	
Exchange difference	-	2	-	-
As at 31 December	**-**	**6,527**	**-**	**21,259**

26. 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.

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Crude oil hedges	-	308	-	1,002

27. 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.

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Cash on hand	-	2	-	8
Short term fixed deposits	151	7,304	397	23,794
Cash at bank	61,799	73,972	162,627	240,949
Gross cash and cash equivalent	61,950	81,278	163,024	264,751
Loss allowance	-	(15)	-	(51)
Net cash and cash equivalents per statement of cash flow	61,950	81,263	163,024	264,700
Restricted cash	10,671	2,056	28,081	6,698
Cash and bank balance	**72,621**	**83,319**	**191,105**	**271,398**

Included in restricted cash, is a balance of $7.2 million (N2.7 billion) 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 three (3) 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.

An additional $20.8 million, N 7.9 billion, of funds deposited in Access bank Plc bank accounts in the ordinary course of business are being unilaterally restricted by Access bank Plc in connection with the Court case between Seplat Petroleum Development Company Plc and Access Bank Plc.

28. Share capital

28.1 Authorised and issued share capital

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'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				
581,840,856 (2019: 575,321,598) issued shares denominated in Naira of 50 kobo per share	293	289	1,855	1,845

Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Company's share capital.

28.2 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 2020	575,321,598	289	84,045	8,194	92,528
Share based payments	-	-	-	1,856	1,856
Vested shares	6,519,258	4	2,872	(2,876)	-
Closing balance as at 31 December 2020	**581,840,856**	**293**	**86,917**	**7,174**	**94,384**

	Number of shares Shares	Issued share capital $'000	Share premium $'000	Share based payment reserve $'000	Total $'000
Opening balance as at 1 January 2020	575,321,598	1,845	503,742	30,426	536,013
Share based payments	-	-	-	5,157	5,157
Vested shares	6,519,258	10	7,981	(7,991)	-
Closing balance as at 31 December 2020	**581,840,856**	**1,855**	**511,723**	**27,592**	**541,170**

28.3 Share Premium

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Share premium	**86,917**	**84,045**	**511,723**	**503,742**

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 6,519,258 shares vested with a fair value of $7.99 million. The excess of $7.98 million above the nominal value of ordinary shares have been recognised in share premium.

28.4 Employee share based payment scheme

As at 31 December 2020, the company had awarded 60,487,999 shares (2019: 48,400,563 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 (2019 Deferred Bonus and 2020 LTIP Scheme) awarded during the reporting period. During the reporting period, 4,700,028 shares had vested out of which 381,117 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 81.4%) resulted in a further reduction in the number of shares vested by 1,379,283. The total number of shares forfeited during the period amount to 1,760,400. The number of shares that eventually vested during the year after the forfeiture and conditions above is 6,519,258 (Dec 2019: 6,824,573 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, 2018/2019 deferred bonus awards and 2020 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.

Seplat Deferred Bonus Award

25% of each Executive Director's 2019 bonus (paid in 2020) 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.
- 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:

	2020 ₦'million	2019 ₦'million	2020 $'000	2019 $'000
Expense arising from equity-settled share-based payment transactions	1,856	2,864	5,157	9,223

There were no cancellations to the awards in 2020. 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
2019 Deferred Bonus	30 Apr 2020	30 Apr 2020	31 Dec 2021	Partially	214,499

2020 Long term incentive Plan	30 Apr 2020	30 Apr 2020	1 May 2023	Partially	10,762,880
2020 Long term incentive Plan	2 Dec 2020	2 Dec 2020	2 Dec 2023	Partially	1,110,057
					60,487,999

iii. 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 2020.

Share award scheme (all awards)	2020 Number	2020 WAEP ₦	2019 Number	2019 WAEP ₦
Outstanding at 1 January	12,386,617	474	12,350,871	310
Granted during the year	4,700,028	395	10,802,067	387
Exercise during the year	(6,519,258)	-	(6,824,573)	-
Forfeited during the year	(1,760,400)	-	(3,941,748)	-
Outstanding at 31 December	8,806,987	**843**	**12,386,617**	**474**
Vested and exercisable at 31 December			-	-

Share award scheme (all awards)	2020 Number	2020 WAEP $	2019 Number	2019 WAEP $
Outstanding at 1 January	12,386,617	1.54	12,350,871	1.01
Granted during the year	4,700,028	1.04	10,802,067	1.26
Exercised during the year	(6,519,258)	-	(6,824,573)	-
Forfeited during the year	(1,760,400)	-	(3,941,748)	-
Outstanding at 31 December	8,806,987	2.22	12,386,617	1.54
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	2020 Number	2020 WAEP ₦	2019 Number	2019 WAEP ₦
Outstanding at 1 January	136,091	572	315,603	451
Granted during the year	291,129	525	292,509	522
Forfeited during the year	-	-	-	-
Exercised during the year	(341,069)	-	(472,021)	-
Outstanding at 31 December	86,151	236	136,092	572
Vested and exercisable at 31 December	-	-	-	-

Deferred Bonus Scheme	2020 Number	2020 WAEP $	2019 Number	2019 WAEP $
Outstanding at 1 January	136,091	1.86	315,603	1.47
Granted during the year	291,129	1.38	292,509	1.70
Forfeited during the year	-	-		
Exercised during the year	(341,069)	-	(472,021)	-
Outstanding at 31 December	86,151	0.62	136,092	1.86
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)	2020	2020	2019	2019

	Number	WAEP ₦	Number	WAEP ₦
Outstanding at 1 January	12,250,525	209	12,035,268	361
Granted during the year	4,700,028	390	10,509,557	362
Exercised during the year	(6,178,189)	-	(6,352,552)	-
Forfeited during the year	(1,760,400)	-	(3,941,748)	-
Outstanding at 31 December	12,478,836	509	12,250,525	209
Vested and exercisable at 31 December			-	-

Long term incentive Plan (LTIP)	2020 Number	2020 WAEP $	2019 Number	2019 WAEP $
Outstanding at 1 January	12,250,525	0.68	12,035,268	1.18
Granted during the year	4,700,028	1.03	10,509,557	1.18
Exercised during the year	(6,178,189)	-	(6,352,552)	-
Forfeited during the year	(1,760,400)	-	(3,941,748)	-
Outstanding at 31 December	12,478,836	1.34	12,250,525	0.68
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 2020 range from 0.3 to 3 years (2019: 0.3 to 2.3 years).

The weighted average fair value of awards granted during the year range from ₦142.8 to ₦235.98, (2019: ₦362.26 to ₦521.9), $0.32 to $0.68 (2019: $1.18 to $1.70).

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 2020:

	2018 LTIP	2019 LTIP	2019 Deferred Bonus	2020 LTIP
Weighted average fair values at the measurement date				
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	41%	35%	56%	43%
Risk-free interest rate (%)	0.83%	0.76%	0.63%	0.44%
Expected life of share options	3.00	3.00	1.67	3.00
Share price at grant date ($)	1.93	1.7	0.62	0.44
Share price at grant date (₦)	521.51	521.9	190.15	135.38
Model used	Monte Carlo	Monte Carlo	Black Scholes	Monte Carlo

29. 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.

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Capital contribution	5,932	5,932	40,000	40,000

30. 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.

31. Summary of Net assets transferred

During the year, Seplat Plc transferred the assets and liabilities of OML 4, OML 38 and OML 41 to Seplat West Limited (see note 2 significant changes in the current accounting period) resulting in a net transfer of $1.4 billion (₦443 billion), which was recognised as an additional investment in subsidiary (Note 21).

Summary of Net assets transferred from Seplat Plc to Seplat West Ltd

Assets	At 1 January 2020	At 1 January 2020
Non-current assets	₦ million	$'000
Oil & Gas properties	249,888	813,967
Other property, plant and equipment	3,581	11,666
Right-of-use assets	3,397	11,064
Intangible assets	8,552	27,858
Prepayment	19,228	62,633
Deferred tax asset	37,610	122,508
	322,256	**1,049,696**
Current assets		
Inventories	24,316	79,205
Trade and other receivables	275,789	898,335
Prepayments	1,478	4,814
Contract assets	6,527	21,259
Derivative financial instruments	308	1,002
Cash and bank balances	77,583	252,713
	386,001	**1,257,328**
Total assets	**708,257**	**2,307,024**
Liabilities		
Non-current liabilities		
Interest bearing loans and borrowings	193,349	629,800
Lease liabilities	2,367	7,709
Provision for decommissioning	34,988	113,968
Defined benefit plan	3,011	9,808
	233,715	**761,285**
Current liabilities		
Interest bearing loans and borrowings	21,295	69,366
Contract liabilities	5,004	16,301
Current tax liabilities	4,882	15,901
	31,181	101,568
Total liabilities	**264,896**	**862,853**
Net assets transferred	**443,361**	**1,444,171**

32. Interest bearing loans and borrowings

32.1 Net debt reconciliation

During the year, the Company became a holding Company and transferred the interest-bearing loans and borrowings to Seplat West Limited (See significant changes on page 8).

Below is the net debt reconciliation on non-current and current interest-bearing loans and borrowings for 2019:

	Borrowings due within 1 year	Borrowings due above 1 year	Total	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦ million	₦ million	₦ million	$'000	$'000	$'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

32.2 Amortised cost of borrowings

	2020	2019	2020	2019
	₦'million	₦'million	$'000	$'000
Senior loan notes	-	107,237	-	349,278
Revolving loan facilities	-	107,407	-	349,888
	-	214,644	-	699,166

$350 million Senior notes - March 2018

Interest bearing loans and borrowings include 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 each year on 1 April and 1 October, and principal repayable as a bullet at maturity. The notes are scheduled to mature in June 2023. The interest accrued up at the reporting date is ₦12.5 billion ($34.7 million) using an effective interest rate of 10.3%. Transaction costs of ₦2.1 billion ($7 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 nil (December 2019: ₦107.2 billion, $349.3 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.

$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.

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

33. Provision for decommissioning obligation

	₦ million	$ '000
At 1 January 2020	34,988	113,968

Transfer to Seplat West Ltd	(34,988)	(113,968)
At 31 December	-	-
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	
	2020 In years	2019 In years
Seplat Petroleum Development Company:		
OML 4	-	2027 – 2037
OML 38	-	2027 – 2034
OML 41	-	2037

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.

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 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:

ii. Liability recognised in the financial position

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Defined benefit obligation	-	3,594	-	11,707
Fair value of plan assets	-	(583)	-	(1,899)
	-	3,011	-	9,808

iii. Amount recognised in profit or loss

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Current service cost	-	602	-	1,961
Interest cost on defined benefit obligation	-	364	-	1,186
	-	966	-	3,147
Return on plan assets	-	(129)	-	(420)
	-	837	-	2,727

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Charged to profit or loss	-	309	-	1,005
Charged to receivables	-	528	-	1,722
Balance as at 31 December	-	837	-	2,727

iv. Re-measurement (gains)/losses in other comprehensive income

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Remeasurement losses due to changes in financial and demographic assumptions	-	(508)	-	(1,655)
Remeasurement gains due to experience adjustment	-	111	-	362
Remeasurement gain on plan assets	-	(51)	-	(166)
	-	(448)	-	(1,459)
Deferred tax credit/(expense) on remeasurement losses	-	381	-	1,240
	-	67	-	219

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Recharged to receivables	-	(247)	-	(803)
(Charged)/credited to other comprehensive income	-	(201)	-	(656)
Remeasurement (losses)/gain due to changes in financial and demographic assumptions	-	(448)	-	(1,459)

v. 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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Credited/(charged) to other comprehensive income	-	171	-	558
Charged to receivables	-	210	-	682
Deferred tax on remeasurement losses	-	381	-	1,240

vi. Changes in the present value of the defined benefit obligation are as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Defined benefit obligation as at 1 January	3,594	2,324	11,707	7,568
Current service cost	-	602	-	1,961
Interest cost on benefit obligation	-	364	-	1,186
Remeasurement losses due to changes in financial and demographic assumptions	-	508	-	1,655
Transfer to Seplat West Limited	(3,594)	-	(11,707)	-
Remeasurement gains due to experience adjustment	-	(111)	-	(362)
Benefits paid by the employer	-	(86)	-	(280)
Exchange differences	-	(7)	-	(21)
Defined benefit obligation at 31 December	-	3,594	-	11,707

vii. The changes in the fair value of plan assets is as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Balance as at 1 January	(583)	(505)	(1,899)	(1,645)
Return on plan assets	-	(129)	-	(420)
Transfer to Seplat West Limited	583		1,899	
Remeasurement loss on plan assets	-	51	-	166
Balance as at 31 December	-	(583)	-	(1,899)

The net liability disclosed above relates to funded plans as follows:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Present value of funded obligations	-	3,594	-	11,707
Fair value of plan assets	-	(583)	-	(1,899)
Deficit of funded plans	-	3,011	-	9,808

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:

			2019			2019
	Quoted ₦ million	Not quoted ₦ million	Total ₦ million	Quoted $'000	Not quoted $'000	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

viii. The principal assumptions used in determining defined benefit obligations for the Company's plans are shown below:

	2020 %	2019 %
Discount rate	-	14.00
Average future pay increase	-	12.00
Average future rate of inflation	-	12.00

ix. Mortality in service

	Number of deaths in year out of 10,000 lives	
Sample age	2020	2019
25	-	7
30	-	7
35	-	9
40	-	14
45	-	26

x. Withdrawal from service

	Rates	
Age band	2020	2019
Less than or equal to 30	-	1.0%
31 – 39	-	1.5%
40 – 44	-	1.5%
45 – 55	-	1.0%
56 – 60	-	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)

		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)

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Within the next 12 months (next annual reporting period)	-	198	-	646
Between 2 and 5 years	-	1,403	-	4,569
Between 5 and 10 years	-	5,421	-	17,658
Beyond 10 years	-	127,029	-	413,775
	-	134,051	-	436,648

The weighted average liability duration for the Plan is 11.35 years.

f) 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:

g) **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.

i. 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.

ii. 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.

iii. 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

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Trade payable	177	16,282	466	53,034
Accruals and other payables	939	61,242	2,474	199,490
Pension payable	-	(14)	-	(48)
NDDC levy	-	6	-	21
Royalties	-	5,813	-	18,936
Overlift	-	13,227	-	43,085
Intercompany payable	199,941	119,113	526,160	387,992
	201,057	**215,669**	**529,100**	**702,510**

36. Contract liabilities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000

Contract liabilities	-	5,005	-	16,301

36.1 Reconciliation of contract liabilities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Opening balance	5,005	-	16,301	-
Transfer to Seplat West Ltd	(5,005)	-	(16,301)	-
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.

37. (Loss)/Earnings per share (LPS)/EPS

Basic

Basic (LPS)/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

Diluted (LPS)/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.

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
(Loss)/Profit for the year	(7,160)	66,129	(19,896)	215,477
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	579,638	569,228	579,638	569,228
Outstanding share-based payment (shares)	8,807	12,387	8,807	12,387
Weighted average number of ordinary shares adjusted for the effect of dilution	588,445	581,615	588,445	581,615
	₦	₦	$	$
Basic (loss)/earnings per share	(12.35)	116.17	(0.03)	0.38
Diluted (loss)/earnings per share	(12.17)	113.70	(0.03)	0.37

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 2020, the final proposed dividend for the Company is ₦19 ($0.05), 2019: ₦15.35 ($0.05).

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Cash dividends on ordinary shares declared and paid:				
Dividend for 2020: ₦37.32 ($0.10) per share 583,260,187 shares in issue (2019: ₦30.7 ($0.10) per share, 575,321,598 shares in issue)	20,998	18,019	58,342	58,708
Proposed dividend on ordinary shares:				
Final proposed dividend for the year 2020: ₦19 ($0.05) (2019: ₦15.35 ($0.05)	11,082	8,831	29,163	28,766

per share

As at 31 December 2020, ₦10.61 billion,$29.4 million) (2019: ₦9 billion,$29.4 million) of interim dividend was paid at ₦18.03 ($0.05) per share as at 30 June 2020 and the remaining dividend ₦10.61 billion ($29.3 million) was paid at ₦19.29 ($0.05) per share as at 30 November 2020. 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 10.21% 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.

1. 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 period amounted to $900 thousand, ₦342 million (2019: $1.05 million, ₦322 million).

2. Entities controlled by key management personnel (Contracts>$1million in 2020)

Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited):

Company 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 $5.7 million, ₦ 2.1 billion (2019: $9.44 million, ₦2.89 billion). Payables amounted to $591 thousand, ₦ 225 million in the current period (2019: Receivable: Nil).

3. Entities controlled by key management personnel (Contracts<$1million in 2020)

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 $296 thousand, ₦106 million during the period (2019: $0.93 million, ₦ 286 million). Payables amounted to $15,273, ₦ 5.8 million (2019: Nil).

Stage leasing (Ndosumili Ventures Limited):

A subsidiary of Platform Petroleum Limited (an entity in which Austin Avuru has an equity interest). The company provides transportation services to Seplat. This amounted to $714 thousand, ₦257million (2019: $1.45million, ₦445 million). Payables amounted to $23,572, ₦8.9 million (2019: Nil).

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:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Salaries and other short-term employee benefits	-	728	-	2,373
Post-employment benefits	-	95	-	308
Share based payment expenses	-	166	-	540
	-	989	-	3,221

40.2 Chairman and Directors' emoluments

	2020	2019	2020	2019

Notes to the separate financial statements - continued

	₦ million	₦ million	$'000	$'000
Chairman (Non-executive)	-	354	-	1,155
Chief Executive Officer	-	763	-	2,486
Executive Directors	-	800	-	2,606
Non-Executive Directors	-	702	-	2,287
Total	-	**2,619**	-	**8,535**

2019 Executive Director emoluments includes 2018 bonus paid in 2019.

40.3 Highest paid Director

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Highest paid Director	-	440	-	1,434

Emoluments are inclusive of income taxes.

40.4 Number of directors

The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2020 Number	2019 Number
Zero - ₦19,896,500	-	-
₦19,896,501 - ₦115,705,800	-	-
₦115,705,801 - ₦157,947,600	-	-
Above ₦157,947,600	4	3
	4	3

	2020 Number	2019 Number
Zero - $65,000	-	-
$65,001 - $378,000	-	-
$378,001 - $516,000	-	-
Above $516,000	4	3
	4	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:

	2020 Number	2019 Number
₦1,989,650 - ₦4,897,600	9	9
₦4,897,601- ₦9,795,200	121	142
₦9,795,201 - ₦14,692,800	156	132
Above ₦14,692,800	172	180
	458	**463**

	2020 Number	2019 Number
$6,500 - $16,000	9	9

$16,001 - $32,000	121	142
$32,001 - $48,000	156	132
Above $48,000	172	180
	458	**463**

40.6 Number of persons employed during the year

The average number of persons (excluding Directors) in employment during the year was as follows:

	2020 Number	2019 Number
Senior management	27	19
Managers	101	100
Senior staff	209	200
Junior staff	121	144
	458	**463**

40.7 Employee cost

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to the following:

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Salaries & wages	-	7,015	-	22,851
	-	**7,015**	**-**	**22,851**

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 2020 is ₦23.2million, $61,194 (2019: ₦11 billion, $35.5 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 2020 ₦ million	31 Dec 2019 ₦ million	31 Dec 2020 $'000	31 Dec 2019 $'000
Property, plant and equipment	-	31,022	-	101,050

42. Events after the reporting period

On 1 February 2021, ANOH Gas Processing Company Limited, a joint venture of the Company, successfully raised $260 million (N98.8 billion) in debt to fund completion of its ANOH Gas Processing Plant.

Statement of value added
For the year ended 31 December 2020

	2020 ₦ million	%	2019 ₦ million	%	2020 $'000	%	2019 $'000	%
Revenue from contracts with customers	-		200,733		-		654,037	
Other income - net	(2,383)		4,096		(6,621)		13,346	
Finance income	277		4,702		770		15,321	
Cost of goods and other services:								
Local	(1,918)		(50,773)		(5,332)		(165,422)	
Foreign	(1,279)		(33,848)		(3,554)		(110,282)	
Valued added	**(5,303)**	**100%**	**124,910**	**100%**	**(14,737)**	**100%**	**407,000**	**100%**

Applied as follows:

	2020 ₦ million	%	2019 ₦ million	%	2020 $'000	%	2019 $'000	%
To employees: - as salaries and labour related expenses	1,856	(35%)	7,347	6%	5,157	(35%)	23,941	6%
To external providers of capital: - as interest	-	-	10,129	8%	-	-	33,001	8%
To Government: - as Company taxes	-	-	6,641	5%	-	-	21,637	5%
Retained for the Company's future: - For asset replacement, depreciation, depletion & amortisation	1	-	27,821	22%	3	-	90,647	22%
Deferred tax (charges)/credit	-	-	6,843	5%	-	-	22,297	5%
Profit for the year	(7,160)	135%	66,129	53%	(19,897)	135%	215,477	53%
Valued added	(5,303)	100%	124,910	100%	(14,737)	100%	407,000	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 2020

	2020 ₦ million	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million
Revenue from contracts with customers	-	200,733	217,174	127,655	51,995
(Loss)/profit before taxation	(7,160)	79,613	85,429	28,759	(29,261)
Income tax (expense)/credit	-	(13,484)	(35,748)	67,657	4,421
(loss)/profit for the year	(7,160)	66,129	49,681	96,416	(24,840)

	2020 ₦ million	2019 ₦ million	2018 ₦ million	2017 ₦ million	2016 ₦ million
Capital employed:					
Issued share capital	293	289	286	283	283
Share premium	86,917	84,045	82,080	82,080	82,080
Share based payment reserve	7,174	8,194	7,298	4,332	2,597
Capital contribution	5,932	5,932	5,932	5,932	5,932
Retained earnings	254,070	282,228	234,148	194,526	193,499
Foreign translation reserve	191,216	196,535	196,552	203,072	106,670
Total equity	545,602	577,223	526,296	**490,225**	391,061
Represented by:					
Non-current assets	673,535	518,366	328,870	359,097	277,618
Current assets	73,124	539,423	514,131	474,837	404,274
Non-current liabilities	-	(233,715)	(173,276)	(125,880)	(137,722)
Current liabilities	(201,057)	(246,851)	(143,429)	(217,829)	(153,109)
Net assets	**545,602**	**577,223**	**526,296**	**490,225**	**391,061**

Five-year financial summary - continued

As at 31 December 2020

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Revenue from contracts with customers	-	654,037	709,493	417,428	202,446
(Loss)/profit before taxation	(19,897)	259,411	279,093	94,056	(138,911)
Income tax (expense)/credit	-	(43,934)	(116,788)	221,233	14,499
(Loss)/profit for the year	(19,897)	215,477	162,305	315,289	(124,412)

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Capital employed:					
Issued share capital	1,855	1,845	1,834	1,826	1,826
Share premium	511,723	503,742	497,457	497,457	497,457
Share based payment reserve	27,592	30,426	27,499	17,809	12,135
Capital contribution	40,000	40,000	40,000	40,000	40,000
Retained earnings	1,225,958	1,304,197	1,147,526	1,045,985	730,740
Total equity	1,807,128	**1,880,210**	**1,714,316**	**1,603,077**	**1,282,158**
Represented by:					
Non-current assets	2,143,798	1,688,491	1,071,233	1,174,286	910,221
Current assets	192,430	1,757,082	1,674,694	1,552,758	1,325,488
Non-current liabilities	-	(761,285)	(564,416)	(411,642)	(451,549)
Current liabilities	(529,100)	(804,078)	(467,195)	(712,325)	(502,002)
Net assets	**1,807,128**	**1,880,210**	**1,714,316**	**1,603,077**	**1,282,158**

Supplementary financial information (unaudited)

For the year ended 31 December 2020

43. Capitalised costs related to oil producing activities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Capitalised costs:				
Unproved properties	-	-	-	-
Proved properties	-	417,140	-	1,358,761
Total capitalised costs	-	417,140	-	1,358,761
Accumulated depreciation	-	(167,252)	-	(544,794)
Net capitalised costs	-	249,888	-	813,967

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.

44. Results of operations for oil producing activities

	2020 ₦ million	2019 ₦ million	2020 $'000	2019 $'000
Revenue from contracts with customers	-	138,530	-	451,364
Other income - net	-	4,096	-	13,346
Production and administrative expenses	-	(96,032)	-	(301,574)
Depreciation & amortisation	-	(21,328)	-	(80,806)
Profit before taxation	-	25,266	-	82,330
Taxation	-	(13,484)	-	(43,934)
Profit after taxation	-	**11,782**	-	**38,396**

45. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

46. 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 2020 N/$	31 December 2019 N/$
Fixed assets – opening balances	Historical rate	Historical	Historical
Fixed assets - additions	Average rate	359.91	306.91
Fixed assets - closing balances	Closing rate	380	307
Current assets	Closing rate	380	307
Current liabilities	Closing rate	380	307
Equity	Historical rate	Historical	Historical
Income and Expenses:	Overall Average rate	359.91	306.91