RESILIENCE AND STRENGTH

SEPLAT PETROLEUM DEVELOPMENT COMPANY PLC

2020 HALF-YEARLY FINANCIAL RESULTS

29 JULY 2020

www.seplatpetroleum.com

Seplat Petroleum Development Company Plc

Unaudited results for the six months ended 30 June 2020

Lagos and London, 29 July 2020: 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 unaudited results for the six months ended 30 June 2020.

Highlights

Operational

- Working interest production comfortably within guidance at 51,177 boepd despite market volatility
- Eland OML40/Ubima assets produced 10,861 bopd, 32% of Group oil volumes, integration progressing well
- Low unit cost of production at US$7.60/boe, with cost-cutting initiatives ongoing, particularly at OML40/Ubima
- Liquids production of 34,117 bopd, gas production of 99 MMscfd
- ANOH project remains on track for Q4 2021 first gas, financing RFP launched
- Amukpe-Escravos Pipeline delayed due to access to the Escravos terminal, expected operational in H2 2020

Financial

- Cash increased to US$343 million despite lower revenues, US$29 million 2019 dividend, and US$86 million capex
- Net debt steady at US$457 million with most maturities after 2021
- Revenue US$234 million, down 34.2% due to lower oil prices and demand
- IAS 36 impairment provision of US$146 million (non-cash) in line with IAS 36 COVID-19 impact assessment
- Provision reverses operating profit of US$33 million to operating loss of US$113 million

Business continuity

- Business continuity and re-opening plan successfully mitigating the impact of COVID-19 lockdowns
- Oil field operations largely unaffected, 28-day rotations in force

Outlook

- Full-year production guidance reiterated at 47-57 kboepd, subject to market conditions. We expect to narrow the guidance range in Q3
- Oil hedging: 1.5MMbbl at US$45/bbl Q3 2020, 1.5MMbbl at US$30/bbl Q4 2020, 1.0MMbbl at US$30/bbl Q1 2021
- Full-year capex of US$120 million (US$86m already invested) to include two gas wells and related infrastructure

Austin Avuru, Chief Executive Officer, said:

“Seplat has delivered a robust performance despite the unprecedented crises we have experienced since March. Our continued resilience is possible as a result of our financial strength, our careful management of risk and our prudent approach to capital allocation. Unlike many in our industry, we were able to protect our 2019 dividend and increase our capital investment to ensure continued growth.

Our oil hedging strategy and gas revenues continue to protect the business from price volatility, we are achieving substantial cost reductions from our suppliers and are managing our own costs even more carefully in this challenging period. Thanks to the excellent relationships we have with our Government partners and supply chain, our NPDC receivables have fallen and we are managing our payments equitably. The cash position is also robust because our careful management of debt has ensured that the majority of obligations mature in 2022 and 2023. We are operating within our covenants on all our lines of debt.

As part of our commitment to our host communities, we have provided medical and food assistance where needed and will continue to do whatever we can to support those upon whom we depend for our business.

I was heartbroken to learn of the deaths of seven contractors in July at the operations on OML40. Health and safety is a top priority for the Seplat Group; we will learn whatever we can from the ongoing investigation into the matter and will take whatever steps are necessary to ensure such a tragedy is never repeated.

This is my final set of results as Chief Executive of the Company I helped to found ten years ago. I thank all my staff, past and present, for working to make Seplat a major force in Nigerian energy production. I hand a robust and successful company over to Roger Brown in the confidence that he and everyone at Seplat will make its second decade even more successful than its first.”

Summary of performance

	US$ million			₦ billion	
	6M 2020	6M 2019	% change	6M 2020	6M 2019
Revenue	233.5	355.1	(34.2%)	80.1	108.9
Gross profit	37.7	207.0	(81.8%)	12.9	63.5
Impairment of assets *	(160.9)	(40.1)	301%	(55.2)	(12.3)
Operating profit (loss)	(112.9)	139.1	(181%)	(38.7)	42.7
Profit (loss) before deferred tax	(145.3)	120.4	(221%)	(49.8)	37.0
Operating cash flow	176.2	255.2	(31%)	63.5	78.3
Working interest production (boepd)	51,177	48,004	6.6%		
Average realised oil price (US$/bbl)	35.94	65.16	(44.8%)		
Average realised gas price (US$/Mscf)	2.88	2.75	4.7%		

*Includes US$146.0 million IAS36 impairment on revaluation of assets and US$14.8 million impairment of financial asset

Outlook for 2020

We maintain our previous guidance of 47,000 to 57,000 boepd and remain confident of market recovery in the coming months. The business is hedged against low oil prices using put options and a significant proportion of our revenues now come from gas, which offers additional protection from oil price volatility. The Company has low production costs and continues to focus on cost savings in line with Government partner directives to reduce costs, to maintain profitability even at the lower prices we have seen this year.

We have significant cash resources available and will continue to manage our finances prudently in 2020, expecting now to invest US$120 million of capital expenditure across the full year (of which US$86 million has already been invested), including two new gas wells to be drilled in H2. The timely completion of the ANOH project remains a major priority, despite the COVID-19 crisis and we recently launched a financing RFP that has already generated significant expressions of interest.

Seplat's hedging policy continues to focus upon assuring appropriate levels of cash flow in times of oil price weakness and volatility. The H2 2020 hedging programme consists of put options at a strike price of US$45.0/bbl protecting a volume of 1.5 MMbbl for the third quarter of 2020, with an additional 1.5 MMbbl being hedged more recently for the final quarter at US$30/bbl.

Seplat has been tested in previous adverse conditions, including a lengthy shut-in, and we are confident that the stronger and more diverse business we operate today will be even more resilient against the unprecedented market events of 2020.

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Results call

At 09:00am (London/Lagos) on Wednesday 29 July 2020, 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/.

Conference call pre-register link:

https://secure.emincote.com/client/seplat/seplat005/vip_connect

Webcast live event link:

https://secure.emincote.com/client/seplat/seplat005

Archive link:

https://secure.emincote.com/client/seplat/seplat005

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 a leading supplier of gas to the domestic power generation market. For further information please refer to the Company website, http://seplatpetroleum.com/

Operating review

Working interest production for the six months ended 30 June 2020

		6M 2020			6M 2019		
		Liquids[1]	Gas	Oil equivalent	Liquids	Gas	Oil equivalent
	Seplat %	bopd	MMscfd	boepd	bopd	MMscfd	boepd
OMLs 4, 38 & 41	45.0%	19,592	99	36,652	20,626	145	45,656
OML 40	45.0%	9,814	-	9,814	-	-	-
Ubima	88.0%	1,047	-	1,047	-	-	-
OPL 283	40.0%	863	-	863	1,175	-	1,175
OML 53	40.0%	2,801	-	2,801	1,173	-	1,173
Total		34,117	99	51,177	22,974	145	48,004

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

Average working-interest production for the first half of 2020 was well within guidance at 51,177 boepd, up 6.6% on H1 2019 and reflecting the first-time contribution of the acquired Eland assets.

Within this, liquids production was up 48.5% to 34,117 bopd, while gas production increased from 88 MMscfd in the first three months of 2020 to 99 MMscfd for the six-month period (H1 2019: 145 MMscfd).

During the period, there was a 76% uptime for the Trans Forcados Pipeline and the produced liquid volumes from OMLs 4, 38 and 41 were subject to 8.6% reconciliation losses.

Oil business performance

Seplat's oil operations produced an average 34,117 bopd on a working-interest basis in H1 2020. This 48.5% increase reflects a maiden contribution of 10,861 bopd (31.8% of Group volumes) from the recently acquired OML 40 and Ubima assets, as well as higher production from OML 53 compared to H1 2019.

The average price realised was US$34.94/bbl (H1 2019: US$65.16/bbl). The Company has hedged 1.5 MMbbl / quarter at US$45/bbl for the first three quarters of 2020 and 1.5 MMbbl at US$30/bbl for the final quarter of the year, using put options.

We continue to address costs across the oil business and are renegotiating supplier contracts in line with directives from our Government partners to achieve cost savings of at least 30%. At OML40 we have successfully reduced barging costs from US$14/bbl to US$9/bbl and believe further cuts will be achievable with the use of larger barges to evacuate liquids from Gbetiokun.

During the period, Seplat completed five oil wells (Sapele-35, Ovhor-6ST, Ovhor-20, Ohaji South-5, Ohaji South-6). Eland completed the Gbetiokun-5 well, which is producing c.5,000 bopd from two strings and the Extended Well Test for Ubima is in progress with a production of c.1,200 bopd, which is expected to continue until the end of 2020.

OPEC+ quota

Following disruption to the oil market caused by the pandemic and market competition between Saudi Arabia and Russia, the Organization of Petroleum Exporting Countries and its allies (OPEC+) agreed in April 2020 to cut supply by 9.7 million barrels per day from May to June 2020, to stimulate oil prices that had collapsed as a result of the disruption. However, Nigeria did not fully comply with the OPEC+ cut and so it exceeded its production quotas in May and June.

On 6 June, at the same time as OPEC+ agreed to extend the record output cuts by another month to further support oil price recovery, it was also decided that Nigeria and other countries that had not complied with the May and June cuts would be penalised with extra cuts from July to September 2020.

Nigeria had previously reaffirmed its commitment under the existing global agreement of 9.7 MMbbl cuts and had already committed to making additional cuts from July to September to compensate for exceeding its quotas in May and June. As a result, Seplat has been advised of production quota cuts of between 20%-30% across its assets in July and August. Seplat is compliant with the required quota for July and the quota for August is similar to Seplat's average output for the first half of the year. In the context of our full-year expectations, the impact of these quota cuts is not expected to be significant and therefore Group guidance of 47 kboepd – 57 kboepd is maintained.

Integration of Eland

The integration of Eland is progressing well. The OML40 and Ubima fields contributed around 32% of Group oil volumes in H1 and we continue to address cost cutting at OML40 including successfully reducing barging costs from US$14/bbl to US$9/bbl and believe further cuts will be achievable with the use of larger barges to evacuate liquids from Gbetiokun.

As previously indicated, the integration process is expected to take a year to complete. We have been conducting detailed reviews to assess how best to combine the operations of Eland and Seplat in the most optimal manner. Technical reviews have focused upon the operational and exploration aspects of both businesses with a focus on how to implement best practices from each across the wider Group, as well as how to reduce operating and exploration costs where possible. Non-technical reviews are designed to identify how to merge the organisations and their supporting infrastructure for aspects such as IT, HR, payroll, and offices.

In addition, we are looking at ways to help Eland's joint venture Elcrest implement whatever best practices may be beneficial from the wider experience of Seplat, for example in health and safety, operations management, community relations and external affairs etc.

Update on Amukpe-Escravos export route

The Amukpe-Escravos pipeline is set to provide a third and more secure underground transportation option for liquids production from OMLs 4, 38 and 41. Final completion works on the 160kbopd pipeline have been much slower than anticipated as the contractor has been unable to access Escravos due to some cases of COVID-19 at the terminal.

Minimal outstanding works include fire water installation, piping completion, software and instrumentation deployment and the installation of a gantry crane. We expect the pipeline to be completed in the second half of 2020 and become fully operational to the initial permitted volume for the Seplat / NPDC joint venture of 40 kbopd. Once completed, we believe it will significantly improve the assets' production uptime and reduce losses from crude theft and reconciliation.

Gas business performance

Seplat's working-interest production for the first half of 2020 was 99 MMscfd at an average selling price of US$2.88/Mscf (H1 2019: 145 MMscfd, US$2.75/Mscf).

Oben Gas Plant

The Company successfully completed a 15-day turnaround maintenance for the Oben Gas Plant in March. Gas production was affected during the maintenance period and this impact was exacerbated by third-party infrastructure downtime of 24% due to associated condensate handling challenges.

The Oben-48 gas well, drilled in late 2019, came onstream in the first quarter of 2020. Two gas wells planned for the year will be drilled and completed in the second half. The initial well potential for both wells combined is expected to be 75 MMscfd.

Sapele Gas Plant

Decommissioning of the existing gas plant reached 85% completion in the period, with only the last producing module and associated equipment outstanding. Complete decommissioning, due to be completed in the second quarter of 2020, has been delayed to the second half.

For the new plant, production of main process packages and fabrication have commenced with contracting ongoing for the balance of plant equipment. The project is expected to be completed in the second half of 2022, with Sapele's processing capacity increasing from 60 MMscfd to 75 MMscfd. The upgraded facility will achieve West African Gas Pipeline (WAGP) specifications.

ANOH Gas Processing Plant

The ANOH Gas Processing Plant development at OML 53 will comprise a 300 MMscfd midstream gas processing plant in its first phase.

The contractors for the civil foundation works, plant roads and drainages have mobilised to site with work progressing as planned. However, the fabrication of the gas process modules has slipped slightly due to effects of COVID-19 and a recovery schedule has been put in place to close the gap to completion in line with the original work plan.

Having reviewed the construction schedule and progress on the OB3 gas pipeline, the project completion date has been revised from Q1 2021 to Q4 2021, as previously reported. The Company has assessed the effect of COVID-19 on equipment delivery and at present we do not believe it will delay the revised first-gas date of Q4 2021.

Looking ahead, we will collaborate with the upstream operator Shell Petroleum Development Company (SPDC) to spud the first ANOH well in November as planned, to ensure the upstream first-gas target is in alignment with the midstream project delivery schedule.

The total ANOH project cost is budgeted at US$700 million and NGC and Seplat have already made equity investments of US$150 million and US$180 million respectively. The final equity injection of a further US$90 million (including US$30 million due from Seplat) is expected in the second half of 2020. The accompanying debt funding of US$320 million was launched in April to a range of potential lenders and the response has been strong. We expect all the lenders to complete their credit committee approvals in August, with documentation to be fully signed and conditions precedent to be satisfied in Q4 2020.

COVID-19 response

The direct impact of COVID-19 has been far less severe in Nigeria than in many other countries. As of 24 July 2020, the Nigeria Centre for Disease Control had reported less than 39,000 cases and 833 fatalities. We are keeping the situation under daily review and will respond accordingly to any significant developments.

As we continue to monitor developments, the health and safety of our employees, communities, partners and other stakeholders remain our top priority. We have implemented preventative measures across all Seplat sites, designed to protect our stakeholders whilst ensuring we can continue to provide the energy and fuels that Nigeria needs.

Although we have implemented a partial and carefully managed re-opening of our head office in Lagos, many employees continue to work from home and are supported by our robust technology platforms, enabling all staff to interact with our internal and external stakeholders. Our IT platforms, including Company-issued laptops for home use, comply with world-class data protection and confidentiality protocols.

Our field operations continue to work with essential-only staffing based upon 28-day rotations instead of the usual 14-day rotations. All field staff are given regular health checks and undergo a period of quarantine before arriving at the field.

Seplat continues to provide support for its local host communities. At a national level, Seplat was one of 33 organisations that donated a combined total of US$30 million to support the Federal Government's efforts at curbing the spread of the pandemic. In addition, Seplat has provided food assistance, medical and protective equipment worth ₦50 million to help local State authorities.

We will continue to monitor the rapidly changing dynamics and the impact of COVID-19 to comply with all State and Federal Government directives to help protect the health and safety of our stakeholders.

Accident at OML 40

On 7 July 2020, a tragic accident involving seven fatalities occurred because of an explosion during planned maintenance work by contractors at the Benin River Valve Station on OML 40 in Delta State. Our thoughts and prayers remain with the families and friends of all those who lost their lives. The NPDC/Elcrest joint venture is providing support where possible.

There were no other casualties and the flash fire was quickly extinguished. Field operations at Gbetiokun, 30km away, were unaffected.

A detailed investigation by a combined team of NPDC / Elcrest, and led by NPDC as the operator, has begun and no further comment will be possible until the results of this investigation have been published.

Management transition and appointment of CFO

As previously announced, our founder Austin Avuru will step down as Chief Executive Officer on 31 July 2020. He will remain a member of the Board. His position as CEO will be taken by Roger Brown, who has been Seplat's Chief Financial Officer since 2013.

Emeka Onwuka will join 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 acted 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.

Financial review

Revenue, production, and commodity prices

The price of oil recovered strongly in Q2 2020, with Brent averaging around US$41/bbl in June. The increase was driven by the recovery in global oil demand following the easing of COVID-19 lockdown measures around the world, along with OPEC+ imposing further production cuts that contributed to a gradual rebalancing of the global oil market.

Total revenue for the period was US$233.5 million, down 34.2% from the US$355.1 million achieved in 2019. Crude oil revenue was US$180.1 million (H1 2019: US$216.0 million) a 16.6% reduction compared to 2019, reflecting lower realised oil prices of US$34.94/bbl for the period (H1 2019: US$65.16/bbl). A US$49.3million oil underlift was recorded under other income in the period, compared to US$5.7 million in H1 2019.

Total working-interest sales volume for the period was 9.3 MMboe (H1 2019: 8.7 MMboe) with the total volume of crude lifted in the period being 5.0 MMbbl, compared to 3.3 MMbbl in 2019. The higher volume was due to a maiden contribution from OML40 and Ubima, and higher production from OML 53. The Company experienced reconciliation losses of 8.6% for the six-month period, and we expect these to fall when the Amukpe-Escravos underground pipeline comes onstream.

Gas sales revenue decreased by 25.9% to US$53.5 million (H1 2019: US$72.2 million), due to lower gas sales volumes of 18 Bscf compared to 26 Bscf in H1 2019. The lower volumes reflect higher downtime at third-party infrastructure and a planned 15-day shutdown of the Oben Gas Plant for turnaround maintenance in March. There were no gas processing revenues in H1 2020, compared with the one-off gas processing revenue of $66.9 million in H1 2019, which was the Oben gas plant tolling payment by the NPDC. Gas sales contributed 22.9% of total Group revenue in the period (H1 2019: 20.3%) and the average realised gas price was US$2.88/Mscf (H1 2019: US$2.75/Mscf).

Cost-cutting initiatives

To adapt to current market conditions and as directed by its Nigerian Government partners, the Company seeks to significantly reduce costs by at least 30% across the business. Towards opex and G&A reduction, IT, administrative and travel costs have been reduced to the essentials and all third-party and service contracts are currently being renegotiated in line with Government directives to reduce costs. Drilling of oil wells has been suspended, with all non-essential capex under review, to consider only activities that can be supported in the new oil price environment.

Gross profit

Gross profit decreased to US$37.7 million (H1 2019: US$207.0 million) due to lower revenues and higher non-production costs primarily consisting of royalties and DD&A, which were US$119.7 million compared to US$96.6 million in the prior year. Eland revenues and costs are included in H1 2020 but not reflected in H1 2019. Production evacuation from the Gbetiokun and Ubima fields resulted in barging and trucking costs of US$10.7 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 equivalent basis, production opex was higher at US$7.60/boe (H1 2019: US$5.41/boe). Cost cutting was implemented on OML40 and Ubima during Q2 and the benefits will be reflected from Q3 onwards.

Higher general and administrative expenses of US$47.6 million (H1 2019: US$42.1 million) relate to one-off termination payments of US$2.3 million made to the Directors of Eland following its acquisition, as well as the inclusion of Eland staff and office costs. These were partially offset by lower professional fees and travel costs during the period.

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, the Company decided to book a provision of US$146.0 million in Q1 2020 across its non-financial assets.

Operating loss

The operating loss of US$112.9 million (H1 2019: US$139.1 million profit) resulted mainly from the US$146.0 million IAS 36 impairment charge detailed above and a US$14.9 million net charge against a deposit receivable made for a potential investment that the Company will no longer pursue. This was offset by adjustment for a US$49.4 million underlift position (shortfalls of crude lifted below the share of production, which is priced at date of lifting and recognised as other income) and the US$6.6 million fair value gain in relation to the Company's oil price hedges.

Tax

The Company's tax position for the first half of 2020 was a credit of US$35.1 million, compared to a tax expense of US$1.4 million for the same period in 2019. The tax credit is made up of a deferred tax credit of US$39.0 million and a current tax charge of US$3.9 million. The deferred tax credit is mainly driven by the underlift position and tax loss for the period.

Net result

The net finance charge was US$34.8 million, compared to US$18.9 million in 2019. The loss before tax adjustments was US$145.3 million (H1 2019: US$120.4 million profit before tax). The net loss for the period was US$110.2 million (H1 2019: US$122.2 million net profit). The resultant basic loss per share was US$0.19 (H1 2019 EPS: US$0.21).

Cash flows from operating activities

Net cash flows from operating activities, after movements in working capital, were US$165.8 million (H1 2019: US$255.2 million). An income tax payment of US$10.4 million was made in the period. Seplat received a total of US$111 million towards the settlement of outstanding dollar-denominated cash calls and US$66 million (Naira equivalent) to offset Naira cash calls.

The NPDC receivable balance now stands at US$174.4 million, down from US$222.4 million at the end of 2019. Seplat maintains a good dialogue with the NPDC to ensure that receivables are settled promptly. The Group continues to receive the proceeds of gas sales from NPDC in lieu of Naira cash calls for ongoing operations.

Cash flows from investing activities

Capital expenditures in the period were US$85.9 million and included US$64.6 million drilling costs in relation to the completion of development wells, pre-drill and ongoing drilling operations costs for two development wells and associated facilities development, and engineering costs of US$18.9 million. Gas project costs included the Sapele Gas Plant upgrade project.

The Group received total proceeds of US$4.7 million in the period under the revised OML55 commercial arrangement with BelemaOil for the monetisation of 68 kbbls. The joint venture payment of US$30.0 million reflects an additional equity contribution towards the ANOH Gas Processing Plant project.

After adjusting for interest receipts of US$1.8 million, the net cash outflow from investing activities for the period was US$109.5 million, compared to a net cash outflow in 2019 of US$262.7 million, when AGPC's cash balance deconsolidated from the Group in April 2019.

Cash flows from financing activities

Net cash outflows from financing activities were US$54.8 million (H1 2019: US$147.0 million). This reflects a further US$10.0 million drawn from the Westport RBL facility, interest and other financing charges totalling US$34.9 million and the payment of US$26.5 million for the 2019 final dividend, net of withholding taxes.

Net debt reconciliation at 30 June 2020	US$ million	Coupon	Maturity
Senior Notes *	352.4	9.25%	June 2023
Revolving Credit Facility *	347.2	Libor+6.00%	June 2022 / December 2023
Westport RBL *	99.8	Libor+8%	November 2023
Total borrowings	799.2		
Cash and cash equivalents	342.6		
Net debt	**456.8**		

*including amortised interest

Overall, Seplat's aggregate indebtedness was US$799.2 million as at 30 June 2020, with cash at bank of US$342.6 million, leaving net debt at US$456.8 million.

Hedging strategy

Seplat's hedging policy aims to assure appropriate levels of cash flow in times of oil price weakness and volatility. The 2020 hedging programme consists of put options at a strike price of US$45.0/bbl protecting a volume of 4.5 MMbbl (in aggregate) for the first three quarters of 2020. An additional 1.5 MMbbl has been hedged for the final quarter at US$30/bbl. Following the oil price crash at the end of Q1 2020 and in line with IFRS, these hedges were fair-valued, leading to a mark-to-market gain of US$6.6 million. Similarly, in July we hedged 1.0 MMbbl for Q1 2021 at US$30/bbl.

The Board and management team continue to closely monitor prevailing oil market dynamics and will consider further measures to provide to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility.

Principal risks and uncertainties

The Board of Directors is responsible for setting the overall risk management strategy of the Company and the determination of what level of risk is acceptable for Seplat to bear. The principal risks and uncertainties facing Seplat at the year-end are detailed in the risk management section of the 2019 Annual Report and Accounts. The board has identified the principal risks for the remainder of 2020 to be:

- Third party infrastructure downtime and the corresponding impact on oil and gas production levels
- Niger Delta stability and geo-political risk
- Oil price volatility
- JV receivable and future cash call funding
- Liquidity risk

Important notice

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

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

Responsibility Statement

The Directors confirm that to the best of their knowledge:

a) The condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Report';

b) The interim management report includes a fair review of the information required by UK DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) The interim management report includes a fair review of the information required by UK DTR 4.2.8R disclosure of related parties' transactions and changes therein.

The Directors of Seplat Plc are as listed in the Group's 2019 Annual Report and Accounts. A list of current Directors is included on the company website: www.seplatpetroleum.com.

By order of the Board,

A. B. C. Orjiako	A. O. Avuru	R.T. Brown
FRC/2013/IODN/00000003161	FRC/2013/IODN/00000003100	FRC/2014/ANAN/00000017939
Chairman	Chief Executive Officer	Chief Financial Officer
29 July 2020	29 July 2020	29 July 2020

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE MEMBERS OF SEPLAT PETROLEUM DEVELOPMENT COMPANY PLC

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Seplat Petroleum Development Company Plc, ("the Company") and its subsidiaries (together "the Group") as at 30 June 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

The directors are responsible for the preparation and fair presentation of these interim condensed consolidated financial information in accordance with the International Accounting Standard 34 "Interim financial reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2020, and of its financial performance and its cash flows for the period then ended in accordance with the International Accounting Standard 34 "Interim financial reporting".

Pedro Omontuemhen

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0690990

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

29 July 2020

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

Half-yearly results

For the six months ended 30 June 2020

(Expressed in Nigerian Naira)

Interim condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 30 June 2020

	Notes	Half year ended 30 June 2020 Unaudited ₦'million	Half year ended 30 June 2019 Unaudited ₦'million	3 Months ended 30 June 2020 Unaudited ₦'million	3 Months ended 30 June 2019 Unaudited ₦'million
Revenue from contracts with customers	7	80,106	108,970	37,698	60,029
Cost of sales	8	(67,189)	(45,436)	(35,538)	(21,481)
Gross profit		12,917	63,534	2,160	38,548
Other income	9	17,622	2,644	1,976	7,660
General and administrative expenses	10	(16,336)	(12,916)	(5,940)	(6,648)
Impairment loss on financial assets	11.1	(5,101)	(12,318)	(7,917)	(12,362)
Impairment loss on non-financial assets	11.2	(50,086)	-	-	-
Fair value gain/(loss)	12	2,272	1,735	(3,954)	5,488
Operating (loss)/profit		(38,712)	42,679	(13,675)	32,686
Finance income	13	601	1,810	254	1,023
Finance cost	13	(12,536)	(7,610)	(5,593)	(2,724)
Finance cost-net		(11,935)	(5,800)	(5,339)	(1,701)
Share of profit from joint venture accounted for using the equity method		809	77	287	77
(Loss)/profit before taxation		(49,838)	36,956	(18,727)	31,062
Income tax credit/(expense)	14	12,056	(437)	15,572	(4,502)
(Loss)/Profit from continuing operations		**(37,782)**	**36,519**	**(3,155)**	**26,560**
Profit from discontinued operation		-	977	-	914
(Loss)/profit for the period		**(37,782)**	**37,496**	**(3,155)**	**27,474**
Attributable to:					
Equity holders of the parent		(28,256)	37,496	(3,635)	27,474
Non-controlling interests		(9,526)	-	480	-
		(37,782)	**37,496**	**(3,155)**	**27,474**
(Loss)/Earnings per share from continuing operations					
Basic (loss)/earnings per share (₦)	27	**(65.32)**	**64.21**	**(5.45)**	**46.70**
Diluted (loss)/earnings per share (₦)	27	**(64.24)**	**62.34**	**(5.36)**	**45.34**
(Loss)/Earnings per share for the period					
Basic (loss)/earnings per share (₦)	27	**(65.32)**	**65.92**	**(5.45)**	**48.30**
Diluted (loss)/earnings per share (₦)	27	**(64.24)**	**64.01**	**(5.36)**	**46.90**

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Interim condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 30 June 2020

	Notes	Half year ended 30 June 2020 Unaudited ₦'million	Half year ended 30 June 2019 Unaudited ₦'million	3 Months ended 30 June 2020 Unaudited ₦'million	3 Months ended 30 June 2019 Unaudited ₦'million
(Loss)/profit for the period		**(37,782)**	**37,496**	**(3,155)**	**27,474**
Other comprehensive income:					
Items that may be reclassified to profit or loss (net of tax):					
Foreign currency translation difference		95,635	284	1,723	213
Total comprehensive (loss)/income for the period		**57,853**	**37,780**	**(1,432)**	**27,687**
Attributable to:					
Equity holders of the parent		66,879	37,780	(1,912)	27,687
Non-controlling interests		(9,026)	-	480	-
		57,853	**37,780**	**(1,432)**	**27,687**

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

Interim condensed consolidated statement of financial position

As at 30 June 2020

		30 June 2020	31 Dec 2019
		Unaudited	Audited
Assets	Notes	₦' million	₦'million
Non-current assets			
Oil & gas properties	15	568,370	478,372
Other property, plant and equipment		5,078	4,360
Right-of-use assets		4,109	4,026
Intangible assets	16	12,671	53,592
Other assets		42,672	40,190
Investment accounted for using equity accounting	17	69,828	49,448
Long-term prepayments		22,543	19,309
Deferred tax	14	94,483	68,367
Total non-current assets		**819,754**	**717,664**
Current assets			
Inventories		28,764	25,944
Trade and other receivables	18	117,863	149,436
Prepayments		2,199	1,965
Contract assets	19	3,410	6,527
Derivative financial instruments	20	2,752	457
Cash and bank balances	21	123,678	102,240
Total current assets		**278,666**	**286,569**
Total assets		**1,098,420**	**1,004,233**
Equity and Liabilities			
Equity			
Issued share capital	22.1	293	289
Share premium	22.2	87,308	84,045
Share based payment reserve		6,547	8,194
Capital contribution		5,932	5,932
Retained earnings		220,813	259,690
Foreign currency translation reserve		298,045	202,910
Non-controlling interest		(16,278)	(7,252)
Total shareholders' equity		**602,660**	**553,808**
Non-current liabilities			
Interest bearing loans and borrowings	23.1	253,152	207,863
Lease Liabilities		1,555	2,617
Provision for decommissioning obligation		53,930	45,411
Defined benefit plan		3,619	3,012
Total non-current liabilities		**312,256**	**258,903**
Current liabilities			
Interest bearing loans and borrowings	23.1	35,427	34,486
Lease Liabilities		605	212
Trade and other payables	24	135,109	143,925
Contingent liability		2,475	2,215
Contract liabilities	25	5,560	5,005
Current tax liabilities		4,328	5,679
Total current liabilities		**183,504**	**191,522**
Total liabilities		**495,760**	**450,425**
Total shareholders' equity and liabilities		**1,098,420**	**1,004,233**

Interim condensed consolidated statement of financial position - continued

As at 30 June 2020

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The Group financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (The Group) for half year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 29 July 2020 and were signed on its behalf by

A. B. C. Orjiako	A. O. Avuru	R.T. Brown
FRC/2013/IODN/00000003161	FRC/2013/IODN/00000003100	FRC/2014/ANAN/00000017939
Chairman	Chief Executive Officer	Chief Financial Officer
29 July 2020	29 July 2020	29 July 2020

Interim condensed consolidated statement of changes in equity

For the half year ended 30 June 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 for the period	-	-	-	-	37,496	-	-	37,496
Other comprehensive income	-	-	-	-	-	284	-	284
Total comprehensive income for the period	-	-	-	-	37,496	284	-	37,780
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(9,026)	-	-	(9,026)
Share based payments	-	-	1,610	-	-	-	-	1,610
Total	-	-	1,610	-	(9,026)	-	-	(7,416)
At 30 June 2019 (unaudited)	**286**	**82,080**	**8,908**	**5,932**	**221,193**	**203,437**	**-**	**521,836**
At 1 January 2020	289	84,045	8,194	5,932	259,690	202,910	(7,252)	553,808
Loss for the period	-		-	-	(28,256)	-	(9,526)	(37,782)
Other comprehensive income	-	-	-	-	-	95,135	500	95,635
Total comprehensive income/(loss) for the period	-	-	-	-	(28,256)	95,135	(9,026)	57,853
Transactions with owners in their capacity as owners:								
Dividend	-	-	-	-	(10,621)			(10,621)
Share based payments	4	3,263	(1,647)	-	-	-	-	1,620
Total	4	3,263	(1,647)	-	(10,621)	-	-	(9,001)
At 30 June 2020 (unaudited)	**293**	**87,308**	**6,547**	**5,932**	**220,813**	**298,045**	**(16,278)**	**602,660**

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim condensed consolidated statement of cash flows
For the half year ended 30 June 2020

	Notes	Half year ended 30 June 2020 ₦'Million Unaudited	Half year ended 30 June 2019 ₦' million Unaudited
Cash flows from operating activities			
Cash generated from operations	26	63,460	78,334
Income tax paid		(3,559)	-
Net cash inflows from operating activities		59,901	78,334
Cash flows from investing activities			
Investment in oil and gas properties		(30,118)	(8,019)
Investment in other property, plant and equipment		(915)	(600)
Receipts from other asset		1,710	5,137
Investment in joint venture		(10,830)	(31,627)
Cash on loss of control of subsidiary		-	(47,336)
Interest received		601	1,810
Net cash outflows from investing activities		(39,552)	(80,635)
Cash flows from financing activities			
Repayments of loans		-	(30,690)
Proceeds from loans		3,610	-
Dividend paid		(9,559)	(9,026)
Lease payment		(1,247)	-
Interest paid on bank financing		(12,596)	(5,396)
Net cash outflows from financing activities		(19,792)	(45,112)
Net increase/(decrease) in cash and cash equivalents		557	(47,413)
Cash and cash equivalents at beginning of the period		100,184	178,460
Effects of exchange rate changes on cash and cash equivalents		18,330	159
Cash and cash equivalents at end of the period		**119,071**	**131,206**

For the purposes of the cash flow statements, the restricted cash balance of N4.6 billion has been excluded from the cash and cash equivalents at the end of the period. These amounts are subject to legal restrictions and are therefore not available for general use by the Group.

The above interim condensed consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Notes to the interim condensed consolidated financial statements

1. Corporate Structure and business

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

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

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.iv) 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).

Notes to the interim condensed consolidated financial statements

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

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.

Notes to the interim condensed consolidated financial statements

2. Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 30 June 2020:

Oil prices has further 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 prices 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 was particularly affected by the following events and transactions during the six months to 30 June 2020:

- the Group recognised impairment loss of N50.1 billion 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 16).
- The group experienced a decline in the revenue from crude oil majorly due to the global COVID-19 pandemic.
- Decrease in contingent liability (see note 30)

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 interim condensed consolidated financial statements. These accounting policies have been applied to all the periods presented, unless otherwise stated. The interim financial statements are for the Group consisting of Seplat and its subsidiaries.

3.2 Basis of preparation

The interim condensed consolidated financial statements of the Group for the half year ended 30 June 2020 have been prepared in accordance with the accounting standard IAS 34 Interim financial reporting. This interim condensed consolidated financial statement does not include all the notes normally included in an annual financial statement of the Group. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Group during the interim reporting period.

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

The accounting policies adopted are consistent with those of the previous financial year end corresponding interim reporting period, except for the adoption of new and amended standard which is set out below.

3.3 New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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 consolidated financial statements of the Group, but may impact future periods should the Group 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 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) Sale or Contribution of Assets between an investor and its Associate or Joint Venture-Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 In IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

These amendments 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 New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group does not expect the new accounting standards and interpretations to have a material impact on its current or future reporting periods. Details of these new standards and interpretations are set out below:

- IFRS 17 Insurance Contracts - Effective for annual periods beginning on or after 1 January 2023
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 - Effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 16 Property, Plant and Equipment - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IAS 8 Accounting Policies and Accounting Estimates - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IAS 37 Onerous Contracts - Costs of Fulfilling a Contract - Effective date for annual periods beginning on or after 1 January 2022

3.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020.

This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2019.

Notes to the interim condensed consolidated financial statements

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 interim condensed consolidated financial statements are presented in Nigerian Naira.

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 particular foreign operation is recognised in profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4. Significant accounting judgements estimates and assumptions

4.1 Judgements

Management judgements at the end of the half year are consistent with those disclosed in the 2019 Annual financial statements. The following are some of the judgements which have the most significant effect on the amounts recognised in this interim consolidated financial statement.

iii. 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 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.

iv. 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.

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 ₦8.0 billion, 2019: ₦10.8 billion.

Notes to the interim condensed consolidated financial statements

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

vii. Contingent liability

A contingent liability of $7.2 million was recognised on the acquisition of Eland Group for a pending investigation into the UK's Controlled Foreign Company (CFC) tax regime. This amount is the present value of estimated probability of exposure from the pending case. On 25 April 2019, the European Commission released its decision in relation to the Group/Company finance exemption in the UK's CFC rules finding that the exemption constitutes unlawful state aid if the exempted profits arise in connection with UK activity. It is expected that that HM Revenue and Customs will have reached a decision on this case within the next 12 months. The potential undiscounted amount of all future payments that the group could be required to make, if there was an adverse decision related to the investigation, it is estimated at $45.4 million. As at 30 June 2020, there has been no change in the probability of the outcome of the lawsuit.

viii. Defined benefit plan

The Group has placed reliance on the actuarial valuations carried out at the previous year and reporting period as it does not expect material differences in the assumptions used for that period and the current period assumptions. All assumptions are reviewed annually.

ix. Revenue recognition

Definition of contracts

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

Performance obligations

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

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

Significant financing component

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

a) The difference, if any, between the amount of promised consideration and cash selling price and;
b) The combined effect of both the following:
    - The expected length of time between when the Group transfers the crude to Mercuria and when payment for the crude is received and;
    - The prevailing interest rate in the relevant market.

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

Transactions with Joint Operating arrangement (JOA) partners

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

Barging costs

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

Exploration and evaluation assets

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

4.2. Estimates and assumptions

The key assumptions concerning the future and the other key source of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed in the most recent 2019 annual financial statements.

The following are some of the estimates and assumptions made.

i. Contingencies

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

ii. Contingent consideration

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

iii. Defined benefit plans (pension benefits)

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

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

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

Notes to the interim condensed consolidated financial statements

iv. Oil and gas reserves

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

v. Share-based payment reserve

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

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

vi. Provision for decommissioning obligations

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

vii. 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.

x. Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Multiple scenario weightings were also considered in determining the expected credit losses.

xi. Impairment of non-financial assets

The Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are extracted from the Competent Person's Report covering the economic limit of the assets and do not include significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the oil price. The key assumptions used to determine the recoverable amount for the CGUs, including a sensitivity analysis, are disclosed and further explained in Note 16.

Notes to the interim condensed consolidated financial statements

5. Financial risk management

5.1 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

5.1.1 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 cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions as well as credit exposures to customers and Joint venture partners, i.e. NPDC receivables and NGC receivables.

i. Risk management

The Group is exposed to credit risk from its sale of crude oil to Mecuria. The off-take agreement with Mercuria runs for five years until 31 July 2020 with a 30 day payment term. 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 its sale of gas to Nigerian Gas Marketing Company (NGMC) Limited, a subsidiary of NNPC, its sole gas customer during the period. The credit 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 Group's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

ii. 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. 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 30 June 2020	Effect on other components of equity before tax 30 June 2020
	N'million	N'million
Increase/decrease in loss given default		
+10%	(111)	-
-10%	111	-

	Effect on profit before tax 31 Dec 2019	Effect on other components of equity before tax 31 Dec 2019
	N'million	N'million
Increase/decrease in loss given default		
+10%	(46)	-
-10%	46	-

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 30 June 2020	Effect on other components of equity before tax 30 June 2020
	N'million	N'million
Increase/decrease in probability of default		
+10%	(200)	-
-10%	201	-

	Effect on profit before tax 31 Dec 2019	Effect on other components of equity before tax 31 Dec 2019
	N'million	N'million
Increase/decrease in probability of default		
+10%	(49)	-

-10%	49	-

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	Effect on other components of equity before tax
	30 June 2020	30 June 2020
	N'million	N'million
Increase/decrease in forward looking macroeconomic indicators		
+10%	(76)	-
-10%	76	-

	Effect on profit before tax	Effect on other components of equity before tax
	31 Dec 2019	31 Dec 2019
	N 'million	N 'million
Increase/decrease in forward looking macroeconomic indicators		
+10%	(46)	-
-10%	46	-

5.1.2 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 deposit 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
30 June 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	11,684	12,247	11,052	127,368	162,351
Variable interest rate borrowings						
Citibank N.A. London	6.00% + Libor	-	9,627	4,813	-	14,440
Nedbank Limited, London Branch	6.00% + Libor	-	9,627	4,813	-	14,440
Stanbic Ibtc Bank Plc	6.00% + Libor	-	4,813	2,407	-	7,220
The Standard Bank of South Africa Limited	6.00% + Libor	-	4,813	2,407	-	7,220
RMB International (Mauritius) Limited	6.00% + Libor	-	9,627	4,813	-	14,440
The Mauritius Commercial Bank Ltd	6.00% + Libor	-	9,627	4,813	-	14,440
JP Morgan Chase Bank, N.A London	6.00% + Libor	-	7,220	3,610	-	10,830
Standard Chartered Bank	6.00% + Libor	-	7,220	3,610	-	10,830
Natixis	6.00% + Libor	-	7,220	3,610	-	10,830
Societe Generale Bank, London Branch	6.00% + Libor	-	3,610	1,805	-	5,415
Zenith Bank Plc	6.00% + Libor	-	3,610	1,805	-	5,415
United Bank for Africa Plc	6.00% + Libor	-	3,610	1,805	-	5,415
First City Monument Bank Limited	6.00% + Libor	-	3,610	1,805	-	5,415
Stanbic Ibtc Bank Plc	8.00% + Libor	1,805	8,574	4,061	-	14,440
The Mauritius Commercial Bank Ltd	8.00% + Libor	1,552	7,373	3,493	-	12,418
The Standard Bank Of South Africa Limited	8.00% + Libor	1,156	5,487	2,599	-	9,242
Total variable interest borrowings		16,197	117,915	63,321	127,368	324,801
Other non - derivatives						
Trade and other payables**		135,109	-	-	-	135,109
Lease liability		605	847	708	-	2,160
		135,714	847	708	-	137,269
Total		**151,911**	**118,762**	**64,029**	**127,368**	**462,070**

Notes to the interim condensed consolidated financial statements

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

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

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5.1.3 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	
	As at 30 June 2020	As at 31 Dec 2019	As at 30 June 2020	As at 31 Dec 2019
	₦'million	₦'million	₦'million	₦'million
Financial assets at amortised cost				
Trade and other receivables*	126,879	35,225	126,879	35,225
Contract assets	3,410	21,259	3,410	21,259
Cash and bank balances	123,678	102,240	123,678	102,240
	253,967	158,724	253,967	158,724
Financial assets at fair value				
Derivative financial instruments	2,752	457	2,752	457
	2,752	457	2,752	457
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	288,579	242,349	279,230	229,805
Trade and other payables	94,798	106,260	94,798	106,260
	383,377	348,609	374,028	336,065

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

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.

5.1.4 Fair Value Hierarchy

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

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

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

Recurring fair value measurements

Financial Assets

31 Dec 2020	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million
Financial assets:			
Derivative financial instruments	2,752	-	-

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

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 1.

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

The fair value of the Group's contingent consideration is determined using the discounted cash flow model. The cash flows were determined based on probable future oil prices. The estimated future cash flow was discounted to present value using a discount rate. The contingent consideration is in level 3.

The valuation process

The finance & planning team of the Group performs the valuations of financial and non-financial assets required for financial reporting purposes. 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. 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 period ended 30 June 2020, revenue from the gas segment of the business constituted 23% of the Group's revenue. Management believes that the gas segment of the business will continue to generate higher profits in the foreseeable future. It also decided that more investments will be made toward building the gas arm of the business. This investment will be used in establishing more offices, creating a separate operational management and procuring the required infrastructure for this segment of the business. The gas business is positioned separately within the Group and reports directly to the ('chief operating decision maker'). As this business segment's revenues and results, and its cash flows, will be largely independent of other business units within the Group, it is regarded as a separate segment.

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

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

The Group accounting policies are also applied in the segment reports.

6.1 Segment profit disclosure

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 Months ended 30 June 2020 ₦'million	3 Months ended 30 June 2019 ₦'million
Oil	(52,330)	(2,330)	(8,935)	(1,271)
Gas	14,548	38,849	5,780	27,831
Total profit from continued operations for the period	**(37,782)**	**36,519**	**(3,155)**	**26,560**

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Oil

	Half year ended 30 June 2020	Half Year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	₦'million	₦'million	₦'million	₦'million
Revenue from contract with customers				
Crude oil sales	61,768	66,293	26,868	30,161
Operating profit before depreciation, amortisation and impairment	26,728	17,053	59,343	11,639
Depreciation and impairment	(79,909)	(13,223)	(79,241)	(6,784)
Operating loss	**(53,181)**	**3,830**	**(19,898)**	**4,855**
Finance income	601	1,810	254	1,023
Finance costs	(12,536)	(7,610)	(5,593)	(2,724)
Share of profit from joint venture accounted for using equity accounting	-	77	-	77
Loss/profit before taxation	(65,116)	(1,893)	(25,237)	3,231
Income tax credit/(expense)	12,786	(437)	16,302	(4,502)
loss for the period	**(52,330)**	**(2,330)**	**(8,935)**	**(1,271)**

Gas

	Half year ended 30 June 2020	Half Year ended 30 June 2019	3 Months ended 30 June 2020	3 Months ended 30 June 2019
	₦'million	₦'million	₦'million	₦'million
Revenue from contract with customer				
Gas sales	18,338	22,150	10,830	9,341
Gas processing	-	20,527	-	20,527
	18,338	**42,677**	**10,830**	**29,868**
Operating profit before depreciation, amortisation and impairment	16,128	40,867	7,871	28,896
Depreciation and amortization	(1,659)	(2,018)	(1,648)	(1,065)
Operating profit	14,469	38,849	6,223	27,831
Share of profit from joint venture Accounted for using equity method	809	-	287	-
Profit before taxation	**15,278**	**38,849**	**6,510**	**27,831**
Income tax expense	(730)	-	(730)	-
Profit for the period	**14,548**	**38,849**	**5,780**	**27,831**

6.1.1 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.

	Half year ended 30 June 2020	Half year ended 30 June 2020	Half year ended 30 June 2020	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2019
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Geographical markets						
Nigeria	21,673	18,338	40,011	6,992	42,677	49,669
Switzerland	40,095	-	40,095	59,301	-	59,301
Revenue from contract with customers	61,768	18,338	80,106	66,293	42,677	108,970
Timing of revenue recognition						
At a point in time	61,768	-	61,768	66,293	-	66,293
Over time	-	18,338	18,338	-	42,677	42,677
Revenue from contract with customers	**61,768**	**18,338**	**80,106**	**66,293**	**42,677**	**108,970**

Notes to the interim condensed consolidated financial statements

	3 Months ended 30 June 2019 Oil ₦'million	3 Months ended 30 June 2019 Gas ₦'million	3 Months ended 30 June 2019 Total ₦'million	3 Months ended 30 June 2019 Oil ₦'million	3 Months ended 30 June 2019 Gas ₦'million	3 Months ended 30 June 2019 Total ₦'million
Geographical markets						
Nigeria	12,427	10,830	23,257	3,327	29,868	33,195
Switzerland	14,441	-	14,441	26,834	-	26,834
Revenue from contract with customers	26,868	10,830	37,698	30,161	29,868	60,029
Timing of revenue recognition						
At a point in time	26,868	-	26,868	30,161	-	30,161
Over time	-	10,830	10,830	-	29,868	29,868
Revenue from contract with customers	**26,868**	**10,830**	**37,698**	**30,161**	**29,868**	**60,029**

The Group's transactions with its major customer, Mercuria, constitutes more than 50% (₦40 billion) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC (₦18.3 billion) accounted for more than 80% of the total revenue from the gas segment and the Group as a whole.

6.1.2 Impairment loss on financial assets by reportable segments

	Half year ended 30 Jun 2020 Oil ₦'million	Half year ended 30 Jun 2020 Gas ₦'million	Half year ended 30 Jun 2020 Total ₦'million	Half year ended 30June 2019 Oil ₦'million	Half year ended 30 June 2019 Gas ₦'million	Half year ended 30 June 2019 Total ₦'million
Impairment loss	(5,101)	-	(5,101)	(12,269)	(49)	(12,318)

	3 Months ended 30 Jun 2020 Oil ₦'million	3 Months ended 30 Jun 2020 Gas ₦'million	3 Months ended 30 Jun 2020 Total ₦'million	3 Months ended 30 Jun 2019 Oil ₦'million	3 Months ended 30 Jun 2019 Gas ₦'million	3 Months ended 30 Jun 2019 Total ₦'million
Impairment loss	(7,917)	-	(7,917)	(12,313)	(49)	(12,362)

6.1.3 Impairment loss on non-financial assets by reportable segments

	Half year ended 30 Jun 2020 Oil ₦'million	Half year ended 30 Jun 2020 Gas ₦'million	Half year ended 30 Jun 2020 Total ₦'million	Half year ended 30June 2019 Oil ₦'million	Half year ended 30 June 2019 Gas ₦'million	Half year ended 30 June 2019 Total ₦'million
Impairment loss	(50,086)	-	(50,086)	-	-	-

6.2 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
30 June 2020	946,616	151,804	1,098,420
31 December 2019	763,322	240,911	1,004,233

Notes to the interim condensed consolidated financial statements

6.3 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
30 June 2020	444,516	51,244	495,760
31 December 2019	434,334	16,091	450,425

7. Revenue from contracts with customers

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Crude oil sales	61,768	66,293	26,868	30,161
Gas sales	18,338	22,150	10,830	9,341
Gas processing	-	20,527	-	20,527
	80,106	108,970	37,698	60,029

The major off-takers for crude oil are Mercuria and Shell West. 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. Subsequent to NPDC 55% stake in the gas plant, Seplat has ceased to process gas for NPDC.

8. Cost of sales

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Royalties	17,519	15,277	7,119	7,025
Depletion, depreciation and amortisation	23,555	14,381	14,534	7,377
Crude handling fees	8,864	7,721	2,289	3,262
Nigeria Export Supervision Scheme (NESS) fee	44	73	15	41
Niger Delta Development Commission Levy	1,737	1,261	605	630
Barging and Trucking	3,666	-	3,666	-
Operational & maintenance expenses	11,804	6,723	7,310	3,146
	67,189	**45,436**	**35,538**	**21,481**

Operational & maintenance expenses mainly relates to maintenance costs, warehouse operations expenses, gas flare penalty fees, security expenses, community expenses, clean-up costs, fuel supplies and catering services. Barging and Trucking relates to costs for the OML 40 Gbetiokun field and OMl 17 Ubima field respectively.

9. Other income

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Underlift	16,929	1,735	1,712	6,603
Gains on foreign exchange	672	403	247	551
Tariffs	-	506	-	506
Others	21	-	17	-
	17,622	**2,644**	**1,976**	**7,660**

Notes to the interim condensed consolidated financial statements

Underlifts are shortfalls of crude lifted below the share of production. It may exist when the crude oil lifted by the Group during the period is less than its ownership share of production. The shortfall is initially measured at the market price of oil at the date of lifting and recognised as other income. At each reporting period, the shortfall is remeasured at the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss as other income. Gains on foreign exchange are principally as a result of translation of naira denominated monetary assets and liabilities. Others relates to income derived from sales of sundry assets.

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

10. General and administrative expenses

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Depreciation and amortisation	967	389	475	189
Depreciation of right-of-use assets	582	471	396	283
Professional and consulting fees	1,947	2,744	558	749
Auditor's remuneration	27	13	27	13
Directors' emoluments (executive)	327	300	(497)	100
Directors' emoluments (non-executive)	601	487	281	249
Employee benefits	6,150	3,711	2,485	2,886
Share-based benefits	1,636	1,933	1,000	768
Flights and other travel costs	476	1,103	210	449
Rentals	90	242	45	123
Other general expenses	3,533	1,523	960	839
	16,336	**12,916**	**5,940**	**6,648**

Directors' emoluments have been split between executive and non-executive directors. ₦497m credits for Directors emoluments relates to excess accruals reversed in the current period (2019: nil). Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others. Rentals for the six months ended 30 June 2020 relate to expenses on short term leases for which no right-of-use assets and lease liability were recognised for the period presented.

11. Impairment loss

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Impairment losses on financial assets-net (Note 11.1)	5,101	12,318	7,917	12,362
Impairment loss on non-financial assets (Note 11.2)	50,086	-	-	-
	55,187	**12,318**	**7,917**	**12,362**

Notes to the interim condensed consolidated financial statements

11.1 Impairment losses on financial assets-net

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Impairment losses:				
Impairment loss on trade receivables	93	49	151	49
Impairment loss on other financial assets	5,159	-	7,766	-
	5,252	49	7,917	49
Reversal of impairment losses:				
Reversal of impairment loss on trade receivables	(151)	-	-	-
Reversal of impairment loss on other financial assets	-	(116)	-	(72)
	(151)	**(116)**	**-**	**(72)**
Write-off of impairment losses:				
Write-off of NPDC receivables	-	12,385	-	12,385
	5,101	**12,318**	**7,917**	**12,362**

11.2 Impairment loss on non-financial assets

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Impairment loss on oil and gas properties	**50,086**	**-**	**-**	**-**

During the period, the group recognised impairment loss of N50.1 billion 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.

12. Fair value gain/(loss)

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Realised fair value gain/(loss) on derivatives	-	(1,583)	-	-
Unrealised fair value loss on derivatives	2,272	(2,356)	(3,954)	(199)
Unrealised Fair value gain on contingent consideration	-	5,674	-	5,687
	2,272	**1,735**	**(3,954)**	**5,488**

Fair value gain/(loss) on derivatives represents changes arising from the valuation of the crude oil economic hedge contracts charged to profit or loss. Fair value gain/(loss) on contingent consideration arises in relation to remeasurement of contingent consideration on the Group's acquisition of participating interest in OML 53. The contingency criteria were not achieved, and as a result, the contingent consideration has been derecognized in 2019.

13. Finance income/(cost)

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Finance income				
Interest income	601	1,810	254	1,023
Finance cost				
Interest on bank loans	(11,961)	(6,791)	(5,292)	(2,370)
Other financing charges	-	(113)	-	-
Interest on lease liabilities	(77)	(81)	(39)	(42)
Unwinding of discount on provision for decommissioning	(498)	(625)	(262)	(312)
	(12,536)	**(7,610)**	**(5,593)**	**(2,724)**
Finance (cost) - net	**(11,935)**	**(5,800)**	**(5,339)**	**(1,701)**

Finance income represents interest on short-term fixed deposits. Other financing charges include term loan arrangement and participation fees, bank activity fee, annual bank charges, technical bank fee, agency fee and analytical services in connection with annual service charge.

14. Taxation

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 average annual tax rate used for the period to 30 June 2020 is 85% and 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 23.3% (2019: 1.18%)

The major components of income tax expense in the interim condensed consolidated statement

	Half year ended 30 June 2020 ₦'million	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2020 ₦'million	3 months ended 30 June 2019 ₦'million
Current tax:				
Current tax expense on profit for the period	1,140	730	921	(391)
Education tax	185	116	150	(130)
Total current tax	1,325	846	1,071	**(521)**
Deferred tax:				
Deferred tax (income)/expense in profit or loss	(13,381)	(409)	(16,643)	5,023
Total tax (income)/expense in statement of profit or loss	**(12,056)**	**437**	**(15,572)**	**4,502**

14.1 Deferred tax

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

	As at 30 June 2020 ₦'million	As at 31 Dec 2019 ₦'million
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	94,483	182,352
	94,483	182,352

	As at 30 June 2020 ₦'million	As at 31 Dec 2019 ₦'million
Deferred tax liabilities		
Deferred tax liability to be settled after more than 12 months	-	(113,985)
	-	(113,985)
Net deferred tax asset	94,483	**68,367**

	Balance as at 1 Jan 2020 ₦'million	Charged /credited to profit or loss ₦'million	Exchange difference ₦'million	Balance as at 30 June 2020 ₦'million
Tax losses	(1,131)	-	(185)	(1,316)
Other cumulative timing difference:		-	-	-
Fixed assets	(110,582)	(20,353)	(20,928)	(151,863)
Unutilised capital allowance	124,433	23,683	23,682	171,798
Provision for decommissioning	296	21	57	374
Provision for defined benefit	2,725	1,055	542	4,322
Share based payment plan	5,670	-	1,015	6,685
Unrealized foreign exchange	1,046	4,497	436	5,979
Overlift/(underlift)	10,866	(8,526)	1,491	3,831
Acquired in business combination	27,686	-	4,870	32,556
Impairment provision on trade and other receivables	3,399	3,636	797	7,832
Unrecognised deferred tax asset	6,050	-	1,067	7,117
Derivative financial instruments	(2,282)	-	(410)	(2,692)
Exchange difference	191	9,368	301	9,860
	68,367	**13,381**	**12,735**	**94,483**

15. Oil & Gas Properties

During the six months ended 30 June 2020, the Group acquired assets amounting to ₦ 30.1 billion. In addition, the Group recognised impairment loss on its oil and gas properties amounting to ₦ 2.3 billion.

See Note 16 for details of impairment recognised.

16. Intangible asset

Cost	Goodwill ₦'million	License ₦'million	Total ₦'million
At 1 January 2020	9,068	45,041	54,109
Additions	-	-	-
Exchange differences	1,595	7,922	9,517
At 30 June 2020	**10,663**	**52,963**	**63,626**
Amortisation			
At 1 January 2020	-	517	517
Charge for the period	-	-	-
Impairment	10,131	37,705	47,836
Exchange differences	532	2,069	2,602
At 30 June 2020	**10,663**	**40,292**	**50,955**
Net Book Value (NBV)			
At 30 June 2020	**-**	**12,671**	**12,671**

During the six months ended 30 June 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 30 June 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.

The recoverable amount of the oil and gas production assets CGU of ₦ 747.8million as at 30 June 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 January 2020. The pre-tax discount rate applied to cash flow projections is 15%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of ₦ 50.1 billion in the current period against intangible assets (goodwill and the fair value of the identified intangible asset on business combination) amounting to ₦ 47.8 billion and oil and gas properties amounting to ₦ 2.3 billion; both with a carrying amount of ₦ 627.8 billion as at 30 June 2020. The impairment charge is recorded in the statement of profit or loss.

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

The calculation of value in use for oil and gas properties is most sensitive to the following assumptions:

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.

A rise in the pre-tax discount rate to 17.5% (i.e., +2.5%) would result in a further impairment of ₦15.2 billion.

Oil price

Oil price are based on published industry research. A further decline in oil price by 10% would result in a further impairment of ₦25.3 billion.

17. Investment accounted for using equity method

	30 June 2020 ₦'million	31 Dec 2019 ₦'million
Investment in joint venture	69,824	49,445
Investment in associate	4	3
	69,828	**49,448**

During the six months ended 30 June 2020, the Group contributed additional investment amounting to N10.8 billion in ANOH Gas Processing Company Limited.

18. Trade and other receivables

	30 June 2020 ₦'million	31 Dec 2019 ₦'million
Trade receivables	26,708	37,465
Nigerian Petroleum Development Company (NPDC) receivables	62,952	68,264
National Petroleum Investment Management Services (NAPIMS) receivables	9,675	354
Underlift	3,826	3,445
Advances to suppliers	7,381	9,015
Receivables from ANOH	4,126	3,945
Other receivables	3,195	26,948
Total	**117,863**	**149,436**

18.1 Trade receivables

Included in trade receivables is an amount due from Nigerian Gas Marketing Company (NGMC) and Central Bank of Nigeria (CBN) totaling ₦12.7 billion (Dec 2019: ₦16 billion) with respect to the sale of gas. Also included in trade receivables is an amount of ₦7 billion (Dec 2019: ₦16 billion) due from Mecuria for sale of crude.

18.2 NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is ₦63 billion (Dec 2019: ₦68.3 billion). The outstanding NPDC receivables at the end of the reporting period has been netted against the gas receipts payable to NPDC as Seplat has a legally enforceable right to settle outstanding amounts on a net basis.

18.3 Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is an escrow deposit of $40 million 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.

Included in other receivables is an escrow deposit of ₦2.8 billion (2019: ₦5 billion). This amount relates to excess cash not utilised on acquisition of Eland Oil and Gas.

18.4 Reconciliation of trade receivables

	30 June 2020	31 Dec 2019
	₦'million	₦'million
Gross carrying amount	27,301	38,116
Less: Impairment allowance	(593)	(651)
Balance as at 30 June 2020	**26,708**	**37,465**

18.5 Reconciliation of NPDC receivables

	30 June 2020	31 Dec 2019
	₦'million	₦'million
Gross carrying amount	63,737	68,712
Less: Impairment allowance	(785)	(448)
Balance as at 30 June 2020	**62,952**	**68,264**

18.6 Reconciliation of NAPIMS receivables

	30 June 2020	31 Dec 2019
	₦'million	₦'million
Gross carrying amount	10,028	377
Less: Impairment allowance	(353)	(23)
Balance as at 30 June 2020	**9,675**	**354**

18.7 Reconciliation of other receivables

	30 June 2020	31 Dec 2019
	₦'million	₦'million
Gross carrying amount	13,442	32,703
Less: Impairment allowance	(10,247)	(5,755)
Balance as at 30 June 2020	**3,195**	**26,948**

19. Contract assets

	30 June 2020	31 Dec 2019
	₦'million	₦'million
Revenue on gas sales	3,410	6,527

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. The Group has recognised an asset in relation to a contract with NGMC for the delivery of gas supplies which NGMC has received but which has not been invoiced as at the end of the reporting period.

The terms of payments relating to the contract is between 30- 45 days from the invoice date. However, invoices are raised after delivery between 14-21 days when the receivable amount has been established and the right to the receivables crystallizes. 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.

19.1 Reconciliation of contract assets

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

	30 June 2020	31 Dec 2019
	₦'million	₦'million
Balance as at 1 January	6,527	4,327
Addition during the period	22,632	49,092
Receipts for the period	(25,746)	(46,893)
Price adjustment	(3)	-
Exchange difference	-	1
Closing balance	3,410	6,527

20. Derivative financial instruments

The Group uses its derivatives for economic hedging purposes and not as speculative investments. The fair value of the derivative financial instrument as at 30 June 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.

	30 June 2020	31 Dec 2019
	₦'million	₦'million
Foreign currency options-crude oil hedges	2,752	457
	2,752	**457**

21. 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.

	30 June 2020	31 Dec 2019
	₦'million	₦'million
Cash on hand	-	3
Short-term fixed deposits	28,266	29,741
Cash at bank	90,833	70,463
Gross cash and cash equivalent	119,099	100,207
Loss allowance	(28)	(23)
Net cash and cash equivalents per cash flow statement	119,071	100,184
Restricted cash	4,607	2,056
Cash and bank balance	123,678	102,240

The restricted cash balance above is an amount set aside in the Stamping Reserve account for the revolving credit facility (RCF). The amount is to be used for the settlement of all fees and costs payable for the purposes of stamping and registering the Security Documents at the stamp duties office and at the Corporate Affairs Commission (CAC). The amounts are restricted for a period of four (4) years, which is the contractual period of the RCF. These amounts are subject to legal restrictions and are therefore not available for general use by the Group. These amounts have therefore been excluded from cash and bank balances for the purposes of cash flow.

22. Share Capital

22.1 Authorised and issued share capital

	30 June 2020 ₦'million	31 Dec 2019 ₦'million
Authorised ordinary share capital		
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500
Issued and fully paid		
583,260,187 (2019: 575,321,598) issued shares denominated in Naira of 50 kobo per share	293	289

The Group's issued and fully paid as at the reporting date consists of 583,260,187 ordinary shares of ₦0.50k each, all with voting rights. Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

22.2 Movement in share capital and other reserves

	Number of shares Shares	Issued share capital ₦'million	Share Premium	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	-	-	-	1,620	1,620
Vested shares	7,938,589	4	3,263	(3,267)	-
Closing balance as at 30 June 2020	**583,260,187**	**293**	**87,308**	**6,547**	**94,148**

The impact of the vested shares on the issued share capital is rounded up to zero.

22.3 Share premium

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 7,938,589 shares vested with a fair value of N3.3 billion. The excess of N3.3 billion above the nominal value of ordinary shares have been recognised in share premium.

22.4 Employee share-based payment scheme

As at 30 June 2020, the Group had awarded 64,380,401 shares (Dec 2019: 48,400,563 shares) to certain employees and senior executives in line with its share-based incentive scheme. During the reporting period, 7,938,589 shares had vested (Dec 2019: 10,802,067 shares).

23. Interest bearing loans and borrowings

23.1 Net debt reconciliation

Below is the net debt reconciliation on interest bearing loans and borrowings for 30 June 2020:

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦'million	₦'million	₦'million
Balance as at 1 January 2020	34,486	207,863	242,349
Addition	-	3,610	3,610
Interest accrued	11,961	-	11,961
Interest repayment	(11,968)	-	(11,968)
Transfers	(5,118)	5,118	-
Exchange differences	6,066	36,561	42,627
Carrying amount as at 30 June 2020	35,427	253,152	288,579

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

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦'million	₦'million	₦'million
Balance as at 1 January 2019	3,031	133,799	136,830
Interest accrued	8,890	-	8,890
Interest capitalized	6,308	-	6,308
Principal repayment	(3,029)	(27,661)	(30,690)
Interest repayment	(10,364)	-	(10,364)
Other financing charges	(2,696)	-	(2,696)
Proceeds from loan financing	19,151	87,194	106,345
Acquired on business combination	13,187	14,509	27,696
Carrying amount as at 31 December 2019	34,486	207,863	242,349

$350 million Senior notes - March 2018

Interest bearing loans and borrowings include revolving loan facility and senior notes. In March 2018 the Group issued ₦107 billion, $350 million, senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes were expected to mature in June 2023. The interest accrued at the reporting date is ₦6 billion, $17.4 million using an effective interest rate of 9.9%. Transaction costs of ₦2.1 billion, $6.86 million have been included in the amortised cost balance at the end of the reporting period. The amortised cost for the senior notes at the reporting period is ₦127.2 billion, $352.4 million (December 2019: ₦107.2 billion, $349.3 million).

$350 million Revolving credit facility - December 2019

The Group's parent company on 20 December 2019 also entered into a four-year revolving loan agreement with interest payable semi-annually. There is a two-year moratorium on the principal which ends on 31 December 2021. The revolving loan has an initial contractual interest rate of 6% +Libor (7.9%) and a settlement date of 31 December 2023.

The interest rate of the facility is variable. The interest accrued at the reporting period is ₦4.5 billion, $13.2 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 ₦125.3 billion $347 million.

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

The Group through its subsidiary Westport on 5th December 2019 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 settlement date of 29 November 2023.

Notes to the interim condensed consolidated financial statements

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. In July 2019, following a redetermination, the commitments under the facility increased from N 23billion ($75.0 million) to N38.4 billion ($125.0 million). 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 June 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%.

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 ₦36.1 billion ($100 million) as at year end. The interest accrued at the reporting period is ₦1.5 billion ($4.4 million) using an effective interest rate of 8.8%. 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 ₦36 billion ($99.8 million).

24. Trade and other payables

	30 June 2020 ₦'million	31 Dec 2019 ₦'million
Trade payable	52,836	31,977
Accruals and other payables	68,329	84,498
NDDC levy	2,530	8
Royalties payable	8,122	9,096
Overlift	3,292	18,346
	135,109	**143,925**

Included in accruals and other payables are field accruals of ₦ 35.6 billion, 2019: ₦39 billion, and other vendor payables of ₦7.57 billion, Dec 2019: ₦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.

25. Contract liabilities

	30 June 2020 ₦'million	31 Dec 2019 ₦'million
Contract liabilities	**5,560**	**5,005**

25.1 Reconciliation of contract liabilities

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

	30 June 2020 ₦'million	31 Dec 2019 ₦'million
Balance as at 1 January	5,005	-
Addition during the period	-	5,005
Adjustments	(325)	-
Exchange difference	880	-
Closing balance	**5,560**	**5,005**

Contract liabilities represents take or pay volumes contracted with Azura which is yet to be utilized.

* Adjustment is as a result of price negotiation with Azura.

Notes to the interim condensed consolidated financial statements

26. Computation of cash generated from operations

	Half year ended 30-June-20 ₦'million	Half year ended 30-June-19 ₦'million
Profit before tax:		
Continuing operations	(49,838)	36,956
Discontinued operations	-	977
Adjusted for:		
Depletion, depreciation and amortization	24,522	14,770
Depreciation of right-of-use asset	582	471
Impairment losses on trade and other receivables	5,101	12,318
Impairment losses on oil and gas assets	50,086	-
Interest income	(601)	(1,810)
Interest expense on bank loans	11,961	6,791
Interest on lease liabilities	77	81
Unwinding of discount on provision for decommissioning	498	625
Fair value loss on contingent consideration	-	(5,674)
Unrealised fair value (gain)/loss on derivatives	(2,272)	2,356
Unrealised foreign exchange loss	1,903	(403)
Share based payment expenses	1,620	2,045
Share of profit in joint venture accounted for using the equity method	(809)	(77)
Defined benefit expenses	-	405
Gain on deconsolidation of subsidiary	-	(805)
Changes in working capital:		
Trade and other receivables	52,485	(52,306)
Net working capital on loss of control of subsidiary	-	46,104
Prepayments	272	(9,382)
Contract assets	4,264	823
Trade and other payables	(35,258)	20,795
Contract liabilities	(325)	1,821
Restricted Cash	(2,551)	(714)
Inventories	1,743	2,167
Net cash inflow from operating activities	**63,460**	**78,334**

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

Basic

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

Diluted

Diluted EPS is calculated by dividing the profit after taxation attributable to the parent entity by the weighted average number of ordinary shares outstanding during the year plus all the dilutive potential ordinary shares (arising from outstanding share awards in the share-based payment scheme) into ordinary shares.

Notes to the interim condensed consolidated financial statements

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 Months ended 30 June 2019
	₦'million	₦'million	₦'million	₦'million
(Loss)/Profit from continuing operations	(37,782)	36,519	(3,155)	26,560
Profit from discontinued operations	-	977	-	914
(Loss)/Profit for the period	**(37,782)**	**37,496**	**(3,155)**	**27,474**
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	578,436	568,775	578,436	568,775
Outstanding share-based payments (shares)	9,679	17,016	9,679	17,016
Weighted average number of ordinary shares adjusted for the effect of dilution	588,115	585,791	588,115	585,791
Basic earnings per share from continuing operations	₦	₦	₦	₦
Basic (loss)/earnings per shares	(65.32)	64.21	(5.45)	46.70
Diluted (loss)/earnings per shares	(64.24)	62.34	(5.36)	45.34
Basic earnings per share for the period				
Basic (loss)/earnings per shares	(65.32)	65.92	(5.45)	48.30
Diluted (loss)/earnings per shares	(64.24)	64.01	(5.36)	46.90
(Loss)/Profit used in determining basic/diluted earnings per share	**(37,782)**	**37,496**	**(3,155)**	**27,474**

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.

28. Dividend

A final dividend of ₦18.05 (2019: ₦15.87) per fully paid shares was declared and approved in the period. In line with the Finance Act 2019 which became effective on 1 February 2020, withholding tax amounting to ₦1.06 billion has been deducted from the aggregate amount of the dividend declared and approved amounting to ₦10.62 billion. Cash dividend amounting to ₦9.56 billion was paid during the period.

29. Related party relationships and transactions

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

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

xii. 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 N162 million (2019: N 242 million)

xiii. 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 N614 million (2019: N454 million). Payables amounted to N883 million, in the current period (Payables in 2019: N1.9 billion)

xiv.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 N31 million, during the period (2019: N264 million).

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 N124 million (2019: N445million). Receivables and payables were nil in the current period.

30. Commitments and contingencies

30.1 Contingent liabilities

The Company is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities is ₦1.9 billion (Dec 2019: ₦14 billion). The contingent liability for the period 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.

31. Events after the reporting period

On 7July 2020, 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.

In addition, the Group received hedging cash of N8b from the second quarter Hedges after period end.

Despite the impact of COVID-19 which is affecting the global demand for oil prices, there have been an 8% increase in oil price. The Group is currently monitoring the oil prices and taking adequate steps to manage its business and financial impact.

32. Exchange rates used in translating the accounts to Naira

The table below shows the exchange rates used in translating the accounts into Naira.

	Basis	30 June 2020	30 June 2019	31 Dec 2019
		₦/$	₦/$	₦/$
Fixed assets – opening balances	Historical rate	Historical	Historical	Historical
Fixed assets - additions	Average rate	324.98	306.88	306.91
Fixed assets - closing balances	Closing rate	361.00	306.90	307.00
Current assets	Closing rate	361.00	306.90	307.00
Current liabilities	Closing rate	361.00	306.908	307.00
Equity	Historical rate	Historical	Historical	Historical
Income and Expenses:	Overall Average rate	324.98	306.87	306.91

Half-yearly results

For the six months ended 30 June 2020

(Expressed in US dollars)

Interim condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 30 June 2020

	Notes	Half year ended 30 June 2020 Unaudited $'000	Half year ended 30 June 2019 Unaudited $'000	3 Months ended 30 June 2020 Unaudited $'000	3 Months ended 30 June 2019 Unaudited $'000
Revenue from contracts with customers	7	233,549	355,086	103,056	195,569
Cost of sales	8	(195,892)	(148,053)	(98,505)	(69,975)
Gross profit		**37,657**	**207,033**	**4,551**	**125,594**
Other income	9	51,376	8,615	3,235	24,962
General and administrative expenses	10	(47,645)	(42,084)	(15,651)	(21,650)
Impairment loss on financial assets	11.1	(14,872)	(40,136)	(15,447)	(40,280)
Impairment loss on non-financial asset	11.2	(146,028)	-	-	-
Fair value gain/(loss)	12	6,623	5,655	(12,535)	17,885
Operating (loss)/profit		(112,889)	139,083	(35,847)	106,511
Finance income	13	1,752	5,901	685	3,334
Finance cost	13	(36,549)	(24,795)	(15,186)	(8,873)
Finance cost-net		(34,797)	(18,894)	(14,501)	(5,539)
Share of profit from joint venture accounted for using the equity method		2,359	254	752	254
(Loss)/profit before taxation		(145,327)	120,443	(49,596)	101,226
Income tax credit/(expense)	14	35,149	(1,426)	45,968	(14,677)
(Loss)/Profit from continuing operations		(110,178)	119,017	(3,628)	86,549
Profit/(loss) from discontinued operation		-	3,182	-	2,974
(Loss)/profit for the period		**(110,178)**	**122,199**	**(3,628)**	**89,523**
Attributable to:					
Equity holders of the parent		(82,405)	122,199	(5,028)	89,523
Non-controlling interests		(27,773)	-	1,399	-
		(110,178)	**122,199**	**(3,628)**	**89,523**
Other comprehensive income/(loss):					
Foreign currency translation difference		-	-	-	-
Total comprehensive (loss)/income from continuing operations		(110,178)	119,017	(3,628)	86,549
Total comprehensive income from discontinuing operations		-	3,182	-	2,974
Total comprehensive (loss)/income for the period		**(110,178)**	**122,199**	**(3,628)**	**89,523**
(Loss)/Earnings per share from continuing operations					
Basic (loss)/earnings per share ($)	27	**(0.19)**	**0.21**	**(0.01)**	**0.15**
Diluted (loss)/earnings per share ($)	27	**(0.19)**	**0.20**	**(0.01)**	**0.15**
Earnings per share for the period					
Basic (loss)/earnings per share ($)	27	**(0.19)**	**0.21**	**(0.01)**	**0.16**
Diluted (loss)/earnings per share ($)	27	**(0.19)**	**0.21**	**(0.01)**	**0.15**

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

Interim condensed consolidated statement of financial position

As at 30 June 2020

	Notes	30 June 2020 Unaudited	31 Dec 2019 Audited
Assets		$'000	$'000
Non-current assets			
Oil & gas properties	15	1,574,432	1,558,213
Other property, plant and equipment		14,065	14,201
Right-of-use assets		11,382	13,115
Intangible assets	16	35,099	174,566
Other assets		118,204	130,915
Investment accounted for using equity accounting	17	193,430	161,071
Long-term prepayments		62,445	62,892
Deferred tax	14	261,727	222,697
Total non-current assets		**2,270,784**	**2,337,670**
Current assets			
Inventories		79,681	84,508
Trade and other receivables	18	326,503	486,762
Prepayments		6,091	6,397
Contract assets	19	9,446	21,259
Derivative financial instruments	20	7,624	1,486
Cash and bank balances	21	342,595	333,028
Total current assets		**771,940**	**933,440**
Total assets		**3,042,724**	**3,271,110**
Equity and Liabilities			
Equity			
Issued share capital	22.1	1,856	1,845
Share premium	22.2	513,257	503,742
Share based payment reserve		25,623	30,426
Capital contribution		40,000	40,000
Retained earnings		1,137,329	1,249,156
Foreign currency translation reserve		2,391	2,391
Non-controlling interest		(51,394)	(23,621)
Total shareholders' equity		**1,669,062**	**1,803,939**
Non-current liabilities			
Interest bearing loans and borrowings	23.1	701,251	677,075
Lease Liabilities		4,308	8,518
Provision for decommissioning obligation		149,390	147,921
Defined benefit plan		10,026	9,808
Total non-current liabilities		**864,975**	**843,322**
Current liabilities			
Interest bearing loans and borrowings	23.1	98,137	112,333
Lease Liabilities		1,674	692
Trade and other payables	24	374,268	468,804
Contingent liability		7,217	7,217
Contract liabilities	25	15,402	16,301
Current tax liabilities		11,989	18,502
Total current liabilities		**508,687**	**623,849**
Total liabilities		**1,373,662**	**1,467,171**
Total shareholders' equity and liabilities		**3,042,724**	**3,271,110**

Interim condensed consolidated statement of financial position - continued

As at 30 June 2020

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The Group financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (The Group) for half year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 29 July 2020 and were signed on its behalf by

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
29 July 2020

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
29 July 2020

R.T. Brown
FRC/2014/ANAN/00000017939
Chief Financial Officer
29 July 2020

Interim condensed consolidated statement of changes in equity

For the half year ended 30 June 2020

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translating 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 period	-	-	-	-	122,199	-	-	122,199
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	122,199	-	-	122,199
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(29,412)	-	-	(29,412)
Share based payments	-	-	6,667	-	-	-	-	6,667
Total	-	-	6,667	-	(29,412)	-	-	(22,745)
At 30 June 2019 (unaudited)	**1,834**	**497,457**	**34,166**	**40,000**	**1,123,741**	**3,141**	**-**	**1,700,339**

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translating reserve	Non-controlling interest	Total equity
At 1 January 2020	1,845	503,742	30,426	40,000	1,249,156	2,391	(23,621)	1,803,939
Loss for the period	-	-	-	-	(82,405)	-	(27,773)	(110,178)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(82,405)	-	(27,773)	(110,178)
Transactions with owners in their capacity as owners:								
Dividend	-	-	-	-	(29,422)	-	-	(29,422)
Share based payments	11	9,515	(4,803)	-	-	-		4,723
Total	11	9,515	(4,803)	-	(29,422)	-	-	(24,699)
At 30 June 2020 (unaudited)	**1,856**	**513,257**	**25,623**	**40,000**	**1,137,329**	**2,391**	**(51,394)**	**1,669,062**

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim condensed consolidated statement of cash flows

For the half year ended 30 June 2020

	Notes	Half year ended 30 June 2020 $'000 Unaudited	Half year ended 30 June 2019 $'000 Unaudited
Cash flows from operating activities			
Cash generated from operations	26	176,220	255,235
Income tax paid		(10,376)	-
Net cash inflows from operating activities		165,844	255,235
Cash flows from investing activities			
Payment for acquisition of oil and gas properties		(83,429)	(26,128)
Payment for acquisition of other property, plant and equipment		(2,535)	(1,954)
Receipts from other asset		4,737	16,737
Investment in Joint venture		(30,000)	(103,050)
Cash on loss of control of subsidiary		-	(154,240)
Interest received		1,752	5,901
Net cash outflows from investing activities		**(109,475)**	**(262,734)**
Cash flows from financing activities			
Repayments of loans		-	(100,000)
Proceeds from loans		10,000	-
Dividend paid		(26,480)	(29,412)
Lease payment		(3,453)	-
Interest paid on loans		(34,892)	(17,583)
Net cash outflows from financing activities		**(54,825)**	**(146,995)**
Net increase/ (decrease) in cash and cash equivalents		1,544	(154,494)
Cash and cash equivalents at beginning of the period		326,330	581,305
Effects of exchange rate changes on cash and cash equivalents		1,959	707
Cash and cash equivalents at end of the period		**329,833**	**427,518**

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

The above interim condensed consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Notes to the interim condensed consolidated financial statements

1 Corporate Structure and business

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

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in 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 $259.4 million.

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

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

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

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

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

Elcrest Exploration and Production Company Limited (Elcrest) who became an indirect subsidiary of the Group purchased a 45 percent interest in OML 40 in 2012. Elcrest 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.iv) 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).

Notes to the interim condensed consolidated financial statements

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

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.

2 Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 30 June 2020:

Oil prices has further 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 prices 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 was particularly affected by the following events and transactions during the six months to 30 June 2020:

- the Group recognised impairment loss of $146 million 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 16).
- The group experienced a decline in the revenue from crude oil majorly due to the global COVID-19 pandemic.
- Decrease in contingent liability (see note 30)

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 interim condensed consolidated financial statements. These accounting policies have been applied to all the periods presented, unless otherwise stated. The interim financial statements are for the Group consisting of Seplat and its subsidiaries.

3.2 Basis of preparation

The interim condensed consolidated financial statements of the Group for the half year ended 30 June 2020 have been prepared in accordance with the accounting standard IAS 34 Interim financial reporting. This interim condensed consolidated financial statement does not include all the notes normally included in an annual financial statement of the Group. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Group during the interim reporting period.

The financial statements have been prepared under the going concern assumption and historical cost convention, except for contingent liability and consideration, and financial instruments measured at fair value on initial recognition, defined benefit plans – plan assets measured at fair value and assets and liabilities acquired on business combination. The financial statements are presented in United States Dollars, and all values are rounded to the nearest 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.

The accounting policies adopted are consistent with those of the previous financial year end corresponding interim reporting period, except for the adoption of new and amended standard which is set out below.

3.3 New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

i. 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 consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations

ii. 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 consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

iii. 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.

iv. Sale or Contribution of Assets between an investor and its Associate or Joint Venture-Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 In IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

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

v. 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 New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group does not expect the new accounting standards and interpretations to have a material impact on its current or future reporting periods. Details of these new standards and interpretations are set out below:

- IFRS 17 Insurance Contracts - Effective for annual periods beginning on or after 1 January 2023
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 - Effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 16 Property, Plant and Equipment - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IAS 8 Accounting Policies and Accounting Estimates - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IAS 37 Onerous Contracts - Costs of Fulfilling a Contract - Effective date for annual periods beginning on or after 1 January 2022

3.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020.

This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2019.

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 interim condensed consolidated financial statements are presented in US Dollars.

1. 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.

2. 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 particular foreign operation is recognised in profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4 Significant accounting judgements estimates and assumptions

4.1 Judgements

Management judgements at the end of the half year are consistent with those disclosed in the 2019 Annual financial statements. The following are some of the judgements which have the most significant effect on the amounts recognised in this interim consolidated financial statement.

1. 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 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.

2. 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.

3. 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 controlling power over Elcrest due to its representation on 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.

4. Contingent liability

A contingent liability of $7.2 million was recognised on the acquisition of Eland Group for a pending investigation into the UK's Controlled Foreign Company (CFC) tax regime. This amount is the present value of estimated probability of exposure from the pending case. On 25 April 2019, the European Commission released its decision in relation to the Group/Company finance exemption in the UK's CFC rules finding that the exemption constitutes unlawful state aid if the exempted profits arise in connection with UK activity. It is expected that that HM Revenue and Customs will have reached a decision on this case within the next 12 months. The potential undiscounted amount of all future payments that the group could be required to make, if there was an adverse decision related to the investigation, it is estimated at $45.4 million. As at 30 June 2020, there has been no change in the probability of the outcome of the lawsuit.

5. Defined benefit plan

The Group has placed reliance on the actuarial valuations carried out at the previous year and reporting period as it does not expect material differences in the assumptions used for that period and the current period assumptions. All assumptions are reviewed annually.

6. Revenue recognition

Definition of contracts

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

Performance obligations

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

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

Significant financing component

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

a) The difference, if any, between the amount of promised consideration and cash selling price and;
b) The combined effect of both the following:
    - The expected length of time between when the Group transfers the crude to Mercuria and when payment for the crude is received and;
    - The prevailing interest rate in the relevant market.

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

Transactions with Joint Operating arrangement (JOA) partners

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

Barging costs

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

Exploration and evaluation assets

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

4.2 Estimates and assumptions

The key assumptions concerning the future and the other key source of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed in the most recent 2019 annual financial statements.

The following are some of the estimates and assumptions made.

7. 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.

8. Contingent consideration

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

9. 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.

10. 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.

11. 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 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.

12. 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.

13. 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.

14. 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. Multiple scenario weightings were also considered in determining the expected credit losses.

15. Impairment of non- financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are extracted from the Competent Person's Report covering the economic limit of the assets and do not include significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the oil price. The key assumptions used to determine the recoverable amount for the CGUs, including a sensitivity analysis, are disclosed and further explained in Note 16.

5 Financial risk management

5.1 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

5.1.1 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 cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions as well as credit exposures to customers and Joint venture partners, i.e. NPDC receivables and NGC receivables.

i.Risk management

The Group is exposed to credit risk from its sale of crude oil to Mecuria. The off-take agreement with Mercuria runs for five years until 31 July 2020 with a 30 day payment term. 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 its sale of gas to Nigerian Gas Marketing Company (NGMC) Limited, a subsidiary of NNPC, its sole gas customer during the period. The credit 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 Group's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

ii.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. 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	Effect on other components of equity before tax
	30 June 2020	30 June 2020
	$'000	$'000
Increase/decrease in loss given default		
+10%	(338)	-
-10%	338	-

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	Effect on profit before tax 31 Dec 2019	Effect on other components of equity before tax 31 Dec 2019
	$'000	$'000
Increase/decrease in loss given default		
+10%	(145)	-
-10%	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 30 June 2020	Effect on other components of equity before tax 30 June 2020
	$'000	$'000
Increase/decrease in probability of default		
+10%	(3,716)	-
-10%	3719	-

	Effect on profit before tax 31 Dec 2019	Effect on other components of equity before tax 31 Dec 2019
	$'000	$'000
Increase/decrease in probability of default		
+10%	(159)	-
-10%	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 30 June 2020	Effect on other components of equity before tax 30 June 2020
	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators		
+10%	(238)	-
-10%	400	-

	Effect on profit before tax	Effect on other components of equity before tax
	31 Dec 2019	31 Dec 2019
	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators		
+10%	(145)	-
-10%	145	-

5.1.2 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 deposit 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 $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
30 June 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	32,365	33,925	30,615	352,821	449,726
Variable interest rate borrowings						
Citibank N.A. London	6.00% + Libor	-	26,667	13,333	-	40,000
Nedbank Limited, London Branch	6.00% + Libor	-	26,667	13,333	-	40,000
Stanbic Ibtc Bank Plc	6.00% + Libor	-	13,333	6,667	-	20,000
The Standard Bank of South Africa Limited	6.00% + Libor	-	13,333	6,667	-	20,000
RMB International (Mauritius) Limited	6.00% + Libor	-	26,667	13,333	-	40,000
The Mauritius Commercial Bank Ltd	6.00% + Libor	-	26,667	13,333	-	40,000
JP Morgan Chase Bank, N.A London	6.00% + Libor	-	20,000	10,000	-	30,000
Standard Chartered Bank	6.00% + Libor	-	20,000	10,000	-	30,000
Natixis	6.00% + Libor	-	20,000	10,000	-	30,000
Societe Generale Bank, London Branch	6.00% + Libor	-	10,000	5,000	-	15,000
Zenith Bank Plc	6.00% + Libor	-	10,000	5,000	-	15,000
United Bank for Africa Plc	6.00% + Libor	-	10,000	5,000	-	15,000
First City Monument Bank Limited	6.00% + Libor	-	10,000	5,000	-	15,000
Stanbic Ibtc Bank Plc	8.00% + Libor	5,000	23,750	11,250	-	40,000
The Mauritius Commercial Bank Ltd	8.00% + Libor	4,300	20,425	9,675	-	34,400
The Standard Bank Of South Africa Limited	8.00% + Libor	3,200	15,200	7,200	-	25,600
Total variable interest borrowings		44,865	326,634	175,406	352,821	899,726
Other non - derivatives						
Trade and other payables**		374,268	-	-	-	374,268
Lease liability		1,674	2,346	1,962		5,982
		375,942	2,346	1,962	-	380,250
Total		**420,807**	**328,980**	**177,368**	**352,821**	**1,279,976**

Notes to the interim condensed consolidated financial statements

	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).

Notes to the interim condensed consolidated financial statements

5.1.3 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	
	As at 30 June 2020	As at 31 Dec 2019	As at 30 June 2020	As at 31 Dec 2019
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Trade and other receivables*	351,471	114,740	351,471	114,740
Contract assets	9,446	21,259	9,446	21,259
Cash and bank balances	342,595	333,028	342,595	333,028
	703,512	469,027	703,512	469,027
Financial assets at fair value				
Derivative financial instruments	7,624	1,486	7,624	1,486
	7,624	1,486	7,624	1,486
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	799,388	789,408	773,490	748,551
Trade and other payables	262,599	346,125	262,599	346,125
	1,061,987	1,135,533	1,036,089	1,094,676

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

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.

5.1.4 Fair Value Hierarchy

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

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

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

Recurring fair value measurements

Financial Assets

31 Dec 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets:			
Derivative financial instruments	7,624	-	-

31 Dec 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial assets:			
Derivative financial instruments	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 1.

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

The fair value of the Group's contingent consideration is determined using the discounted cash flow model. The cash flows were determined based on probable future oil prices. The estimated future cash flow was discounted to present value using a discount rate. The contingent consideration is in level 3.

The valuation process

The finance & planning team of the Group performs the valuations of financial and non-financial assets required for financial reporting purposes. 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 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 period ended 30 June 2020, revenue from the gas segment of the business constituted 23% of the Group's revenue. Management believes that the gas segment of the business will continue to generate higher profits in the foreseeable future. It also decided that more investments will be made toward building the gas arm of the business. This investment will be used in establishing more offices, creating a separate operational management and procuring the required infrastructure for this segment of the business. The gas business is positioned separately within the Group and reports directly to the ('chief operating decision maker'). As this business segment's revenues and results, and its cash flows, will be largely independent of other business units within the Group, it is regarded as a separate segment.

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

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

The Group accounting policies are also applied in the segment reports.

6.1 Segment profit disclosure

	Half year ended 30 June 2020 $'000	Half year ended 30 June 2019 $'000	3 Months ended 30 June 2020 $'000	3 Months ended 30 June 2019 $'000
Oil	(152,593)	(7,582)	(19,063)	(4,137)
Gas	42,415	126,599	15,434	90,686
Total profit from continued operations for the period	**(110,178)**	**119,017**	**(3,629)**	**86,549**

Notes to the interim condensed consolidated financial statements

Oil

	Half year ended 30 June 2020	Half Year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	$'000	$'000	$'000	$'000
Revenue from contract with customers				
Crude oil sales	180,085	216,020	72,696	98,252
Operating profit before depreciation, amortisation and impairment	77,903	55,572	178,263	37,926
Depreciation and impairment	(232,977)	(43,088)	(230,923)	(22,101)
Operating loss	**(155,074)**	**12,484**	**(52,660)**	**15,825**
Finance income	1,752	5,901	685	3,334
Finance costs	(36,549)	(24,795)	(15,185)	(8,873)
Share of profit from joint venture	-	254		254
loss before taxation	**(189,871)**	**(6,156)**	**(67,160)**	**10,540**
Income tax credit/(expense)	37,278	(1,426)	48,097	(14,677)
loss for the period	**(152,593)**	**(7,582)**	**(19,063)**	**(4,137)**

Gas

	Half year ended 30 June 2020	Half Year ended 30 June 2019	3 Months ended 30 June 2020	3 Months ended 30 June 2019
	$'000	$'000	$'000	$'000
Revenue from contract with customer				
Gas sales	53,464	72,176	30,360	30,427
Gas processing	-	66,890	-	66,890
	53,464	139,066	30,360	97,317
Operating profit before depreciation, amortisation and impairment	47,021	133,177	21,612	94,154
Depreciation and amortization	(4,836)	(6,578)	(4,801)	(3,468)
Operating profit	**42,185**	**126,599**	**16,811**	**90,686**
Share of profit from joint venture accounted for using equity accounting	2,359	-	752	**-**
Profit before taxation	**44,544**	**126,599**	**17,563**	**90,686**
Income tax expense	(2,129)	-	(2,129)	-
Profit for the period	**42,415**	**126,599**	**15,434**	**90,686**

6.1.1 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.

	Half year ended 30 June 2020	Half year ended 30 June 2020	Half year ended 30 June 2020	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2019
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical markets						
Nigeria	63,186	53,464	116,650	22,784	139,066	161,850
Switzerland	116,899	-	116,899	193,236	-	193,236
Revenue from contract with customers	180,085	53,464	233,549	216,020	139,066	355,086
Timing of revenue recognition						
At a point in time	180,085	-	180,085	216,020	-	216,020
Over time	-	53,464	53,464	-	139,066	139,066
Revenue from contract with customers	180,085	53,464	233,549	216,020	139,066	355,086

Notes to the interim condensed consolidated financial statements

	3 Months ended 30 June 2019 Oil $'000	3 Months ended 30 June 2019 Gas $'000	3 Months ended 30 June 2019 Total $'000	3 Months ended 30 June 2019 Oil $'000	3 Months ended 30 June 2019 Gas $'000	3 Months ended 30 June 2019 Total $'000
Geographical markets						
Nigeria	34,735	30,360	65,095	10,841	97,317	108,158
Switzerland	37,961	-	37,961	87,411	-	87,411
Revenue from contract with customers	**72,696**	**30,360**	**103,056**	**98,252**	**97,317**	**195,569**
Timing of revenue recognition						
At a point in time	72,696	-	72,696	98,252	-	98,252
Over time	-	30,360	30,360	-	97,317	97,317
Revenue from contract with customers	**72,696**	**30,360**	**103,056**	**98,252**	**97,317**	**195,569**

The Group's transactions with its major customer, Mercuria, constitutes more than 50% ($117 million) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC ($53 million) accounted for more than 80% of the total revenue from the gas segment and the Group as a whole.

6.1.2 Impairment loss on financial assets by reportable segments

	Half year ended 30 Jun 2020 Oil $'000	Half year ended 30 Jun 2020 Gas $'000	Half year ended 30 Jun 2020 Total $'000	Half year ended 30June 2019 Oil $'000	Half year ended 30 June 2019 Gas $'000	Half year ended 30 June 2019 Total $'000
Impairment loss	(14,872)	-	(14,872)	(39,975)	(161)	(40,136)

	3 Months ended 30 Jun 2020 Oil $'000	3 Months ended 30 Jun 2020 Gas $'000	3 Months ended 30 Jun 2020 Total $'000	3 Months ended 30 Jun 2019 Oil $'000	3 Months ended 30 Jun 2019 Gas $'000	3 Months ended 30 Jun 2019 Total $'000
Impairment loss	(15,447)	-	(15,447)	(40,119)	(161)	(40,280)

6.1.3 Impairment loss on non-financial assets by reportable segments

	Half year ended 30 Jun 2020 Oil $'000	Half year ended 30 Jun 2020 Gas $'000	Half year ended 30 Jun 2020 Total $'000	Half year ended 30June 2019 Oil $'000	Half year ended 30 June 2019 Gas $'000	Half year ended 30 June 2019 Total $'000
Impairment loss	(146,028)	-	(146,028)	-	-	-

6.2 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 $'000	Gas $'000	Total $'000
30 June 2020	2,622,215	420,509	3,042,724
31 December 2019	2,563,147	707,963	3,271,110

Notes to the interim condensed consolidated financial statements

6.3 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 $'000	Gas $'000	Total $'000
30 June 2020	1,231,712	141,950	1,373,662
31 December 2019	1,398,462	68,709	1,467,171

7 Revenue from contracts with customers

	Half year ended 30 June 2020 $'000	Half year ended 30 June 2019 $'000	3 months ended 30 June 2020 $'000	3 months ended 30 June 2019 $'000
Crude oil sales	180,085	216,020	72,696	98,252
Gas sales	53,464	72,176	30,360	30,427
Gas processing	-	66,890	-	66,890
	233,549	**355,086**	**103,056**	**195,569**

The major off-takers for crude oil are Mercuria and Shell West. 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. Subsequent to NPDC 55% stake in the gas plant, Seplat has ceased to process gas for NPDC.

8 Cost of sales

	Half year ended 30 June 2020 $'000	Half year ended 30 June 2019 $'000	3 months ended 30 June 2020 $'000	3 months ended 30 June 2019 $'000
Royalties	51,077	49,778	19,076	22,883
Depletion, depreciation and amortisation	68,675	46,864	40,917	24,033
Crude handling fees	25,840	25,158	5,610	10,624
Nigeria Export Supervision Scheme (NESS) fee	129	238	41	135
Niger Delta Development Commission Levy	5,063	4,110	1,579	2,054
Barging and Trucking	10,688	-	10,688	-
Operational & maintenance expenses	34,420	21,905	20,594	10,246
	195,892	**148,053**	**98,505**	**69,975**

Operational & maintenance expenses mainly relates to maintenance costs, warehouse operations expenses, gas flare penalty fees, security expenses, community expenses, clean-up costs, fuel supplies and catering services. Barging and Trucking relates to costs for the OML 40 Gbetiokun field and OMl 17 Ubima field respectively.

9 Other income

	Half year ended 30 June 2020 $'000	Half year ended 30 June 2019 $'000	3 months ended 30 June 2020 $'000	3 months ended 30 June 2019 $'000
Underlift	49,357	5,654	2,534	21,520
Gains on foreign exchange	1,959	1,312	651	1,793
Others	60	-	50	-
Tariffs	-	1,649	-	1,649
	51,376	**8,615**	**3,235**	**24,962**

Underlifts are shortfalls of crude lifted below the share of production. It may exist when the crude oil lifted by the Group during the period is less than its ownership share of production. The shortfall is initially measured at the market price of oil at the date of lifting and recognised as other income. At each reporting period, the shortfall is remeasured at the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss as other income. Gains on foreign exchange are principally as a result of translation of naira denominated monetary assets and liabilities. Others relates to income derived from sales of sundry assets.

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

10 General and administrative expenses

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	$'000	$'000	$'000	$'000
Depreciation and amortisation	2,825	1,266	1,308	613
Depreciation of right-of-use assets	1,697	1,536	1,125	923
Professional and consulting fees	5,679	8,940	1,404	2,437
Auditor's remuneration	80	42	80	42
Directors' emoluments (executive)	953	977	(1,581)	324
Directors' emoluments (non-executive)	1,752	1,587	768	812
Employee benefits	17,931	11,428	6,655	9,948
Share-based benefits	4,771	6,963	2,812	1,958
Flights and other travel costs	1,385	3,596	568	1,462
Rentals	265	789	125	401
Other general expenses	10,307	4,960	2,387	2,730
	47,645	42,084	15,651	21,650

Directors' emoluments have been split between executive and non-executive directors. $1.58m credits for Directors emoluments relates to excess accruals reversed in the current period There were no non-audit services rendered by the Group's auditors during the period. (2019: nil) Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others. Rentals for the six months ended 30 June 2020 relate to expenses on short term leases for which no right-of-use assets and lease liability were recognised for the period presented.

11 Impairment loss

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	$'000	$'000	$'000	$'000
Impairment losses of financial asset-net (Note 11.1)	14,872	40,136	15,447	40,280
Impairment loss on non-financial asset (Note 11.2)	146,028	-	-	-
	160,900	40,136	15,447	40,280

Notes to the interim condensed consolidated financial statements

11.1 Impairment losses on financial assets-net

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	$'000	$'000	$'000	$'000
Impairment loss on trade receivables	270	161	441	161
Impairment loss on other financial assets	15,042	-	15,006	-
	15,312	161	15,447	161
Reversal of impairment losses:				
Reversal of Impairment loss on trade receivables	(439)	-	-	-
Reversal of Impairment loss on other financial assets	(1)	(378)	-	(234)
	(440)	(378)	-	(234)
Write-off of impairment losses:				
Write-off of NPDC receivables	-	40,353	-	40,353
	14,872	**40,136**	**15,447**	**40,280**

11.2 Impairment loss on non-financial assets

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	$'000	$'000	$'000	$'000
Impairment loss on non-financial assets	**146,028**	**-**	**-**	**-**

During the period, the group recognised impairment loss of $146 million 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.

12 Fair value gain/(loss)

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	$'000	$'000	$'000	$'000
Realised fair value gain/(loss) on derivatives	-	(5,160)	-	-
Unrealised fair value loss on derivatives	6,623	(7,674)	(12,535)	(644)
Unrealised Fair value gain on contingent consideration	-	18,489	-	18,529
	6,623	**5,655**	**(12,535)**	**17,885**

Fair value gain/(loss) on derivatives represents changes arising from the valuation of the crude oil economic hedge contracts charged to profit or loss. Fair value gain/(loss) on contingent consideration arises in relation to remeasurement of contingent consideration on the Group's acquisition of participating interest in OML 53. The contingency criteria were not achieved, and as a result, the contingent consideration has been derecognized in 2019.

13 Finance income/(cost)

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	$'000	$'000	$'000	$'000
Finance income				
Interest income	1,752	5,901	685	3,334
Finance cost				
Interest on bank loans	(34,872)	(22,128)	(14,347)	(7,719)
Other financing charges	-	(369)	-	-
Interest on lease liabilities	(225)	(264)	(113)	(137)
Unwinding of discount on provision for decommissioning	(1,452)	(2,034)	(726)	(1,017)
	(36,549)	(24,795)	(15,186)	(8,873)
Finance (cost) - net	**(34,797)**	**(18,894)**	**(14,501)**	**(5,539)**

Notes to the interim condensed consolidated financial statements

Finance income represents interest on short-term fixed deposits. Other financing charges include term loan arrangement and participation fees, bank activity fee, annual bank charges, technical bank fee, agency fee and analytical services in connection with annual service charge

14 Taxation

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 average annual tax rate used for the period to 30 June 2020 is 85% and 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 23.3% (2019: 1.18%)

The major components of income tax expense in the interim condensed consolidated statement

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 months ended 30 June 2019
	$'000	$'000	$'000	$'000
Current tax:				
Current tax expense on profit for the period	3,325	2,377	2,651	(1,276)
Education tax	538	381	430	(424)
Total current tax	3,863	2,758	3,081	(1,700)
Deferred tax:				
Deferred tax (income)/expense in profit or loss	(39,012)	(1,332)	(49,049)	16,377
Total tax (income)/expense in statement of profit or loss	**(35,149)**	**1,426**	**(45,968)**	**14,677**

14.1 Deferred tax

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

	As at 30 June 2020	As at 31 Dec 2019
	$'000	$'000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	261,727	595,132
	261,727	595,132

	As at 30 June 2020	As at 31 Dec 2019
	$'000	$'000
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	-	(372,435)
	-	(372,435)
Net deferred tax asset	**261,727**	**222,697**

Notes to the interim condensed consolidated financial statements

	Balance as at 1 Jan 2020 $'000	Charged /credited to profit or loss $'000	Balance as at 30 June 2020 $'000
Tax losses	(3,645)	-	(3,645)
Other cumulative timing difference:			
Fixed assets	(361,334)	(59,340)	(420,674)
Unutilised capital allowance	406,848	69,048	475,896
Provision for decommissioning	974	61	1,035
Provision for defined benefit	8,897	3,076	11,973
Share based payment plan	18,519	-	18,519
Unrealized foreign exchange	3,451	13,110	16,561
Overlift/(underlift)	35,469	(24,857)	10,612
Acquired in business combination	90,182	-	90,182
Impairment provision on trade and other receivables	11,096	10,600	21,696
Unrecognised deferred tax asset	19,714	-	19,714
Derivative financial instruments	(7,456)	-	(7,456)
Exchange difference	-	27,314	27,314
	222,715	**39,012**	**261,727**

15 Oil & Gas properties

During the six months ended 30 June 2020, the Group acquired assets amounting to $83.5 million. In addition, the Group recognised impairment loss on its oil and gas properties amounting to $6.5 million.

See Note 16 for details of impairment recognised.

16 Intangible Asset

	Goodwill	License	Total
Cost	$'000	$'000	$'000
At 1 January 2020	29,538	146,713	176,251
Additions	-	-	-
At 30 June 2020	**29,538**	**146,713**	**176,251**
Amortisation			
At 1 January 2020		1,685	1,685
Charge for the period	-	-	-
Impairment	29,538	109,929	139,467
At 30 June 2020	**29,538**	**111,614**	**141,152**
Net Book Value (NBV)			
At 30 June 2020	**-**	**35,099**	**35,099**

During the six months ended 30 June 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 30 June 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.

The recoverable amount of the oil and gas production assets CGU of $2.1 billion as at 30 June 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 January 2020. The pre-tax discount rate applied to cash flow projections is 15%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of $146.02 million in the current period against intangible assets (goodwill and the fair value of the identified intangible asset on business combination) amounting to $139.5million and oil and gas properties amounting to $6.5 million; both with a carrying amount of $1.74 billion as at 30 June 2020. The impairment charge is recorded in the statement of profit or loss.

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

The calculation of value in use for oil and gas properties is most sensitive to the following assumptions:

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.

A rise in the pre-tax discount rate to 17.5% (i.e., +2.5%) would result in a further impairment of $42.0 million.

Oil price

Oil price are based on published industry research. A further decline in oil price by 10% would result in a further impairment of $70.1 million.

17 Investment accounted for using equity method

	30 June 2020	31 Dec 2019
	$'000	$'000
Investment in joint venture	193,419	161,060
Investment in associate	11	11
	193,430	**161,071**

During the six months ended 30 June 2020, the Group contributed additional investment amounting to $30 million in ANOH Gas Processing Company Limited.

18 Trade and other receivables

	30 June 2020	31 Dec 2019
	$'000	$'000
Trade receivables	73,987	122,033
Nigerian Petroleum Development Company (NPDC) receivables	174,384	222,357
National Petroleum Investment Management Services (NAPIMS) receivables	26,802	1,152
Underlift	10,599	11,224
Advances to suppliers	20,448	29,368
Receivables from ANOH	11,428	12,847
Other receivables	8,855	87,781
Total	**326,503**	**486,762**

18.1 Trade receivables

Included in trade receivables is an amount due from Nigerian Gas Marketing Company (NGMC) and Central Bank of Nigeria (CBN) totaling $35.1 million (Dec 2019: $52 million) with respect to the sale of gas. Also included in trade receivables is an amount of $19.5 million (Dec 2019: $52 million) due from Mecuria for sale of crude.

18.2 NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is $174.4 million (Dec 2019: $222.3 million). The outstanding NPDC receivables at the end of the reporting period has been netted against the gas receipts payable to NPDC as Seplat has a legally enforceable right to settle outstanding amounts on a net basis.

18.3 Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is an escrow deposit of $40 million 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.

Included in other receivables is an escrow deposit of $3 million (2019: $13 million). This amount relates to excess cash not utilised on acquisition of Eland Oil and Gas.

18.4 Reconciliation of trade receivables

	30 June 2020 $'000	31 Dec 2019 $'000
Gross carrying amount	75,936	124,151
Less: Impairment allowance	(1,949)	(2,118)
Balance as at 30 June 2020	**73,987**	**122,033**

18.5 Reconciliation of NPDC receivables

	30 June 2020 $'000	31 Dec 2019 $'000
Gross carrying amount	176,826	223,817
Less: Impairment allowance	(2,442)	(1,460)
Balance as at 30 June 2020	**174,384**	**222,357**

18.6 Reconciliation of NAPIMS receivables

	30 June 2020 $'000	31 Dec 2019 $'000
Gross carrying amount	27,840	1,229
Less: Impairment allowance	(1,038)	(77)
Balance as at 30 June 2020	**26,802**	**1,152**

18.7 Reconciliation of other receivables

	30 June 2020 $'000	31 Dec 2019 $'000
Gross carrying amount	40,744	106,571
Less: Impairment allowance	(31,889)	(18,790)
Balance as at 30 June 2020	**8,855**	**87,781**

19 Contract assets

	30 June 2020 $'000	31 Dec 2019 $'000
Revenue on gas sales	9,446	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 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 crystallizes. 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.

19.1 Reconciliation of contract assets

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

	30 June 2020	31 Dec 2019
	$'000	$'000
Balance as at 1 January	21,259	14,096
Addition during the period	67,651	159,956
Receipts for the period	(79,455)	(152,793)
Price adjustments	(9)	-
Closing balance	9,446	21,259

20 Derivative financial instruments

The Group uses its derivatives for economic hedging purposes and not as speculative investments. The fair value of the derivative financial instrument as at 30 June 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.

	30 June 2020	31 Dec 2019
	$'000	$'000
Foreign currency options-crude oil hedges	7,624	1,486
	7,624	1,486

21 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.

	30 June 2020	31 Dec 2019
	$'000	$'000
Cash on hand	1	9
Short-term fixed deposits	78,298	96,878
Cash at bank	251,612	229,522
Gross cash and cash equivalent	329,911	326,409
Loss allowance	(78)	(79)
Net cash and cash equivalents per cash flow statement	329,833	326,330
Restricted cash	12,762	6,698
Cash and bank balance	342,595	333,028

The restricted cash balance above is an amount set aside in the Stamping Reserve account for the revolving credit facility (RCF). The amount is to be used for the settlement of all fees and costs payable for the purposes of stamping and registering the Security Documents at the stamp duties office and at the Corporate Affairs Commission (CAC). The amounts are restricted for a period of four (4) years, which is the contractual period of the RCF. These amounts are subject to legal restrictions and are therefore not available for general use by the Group. These amounts have therefore been excluded from cash and bank balances for the purposes of cash flow.

22 Share Capital

22.1 Authorised and issued share capital

	30 June 2020	31 Dec 2019
	$'000	$'000
Authorised ordinary share capital		
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	3,335	3,335
Issued and fully paid		
583,260,187 (2019: 575,321,598) issued shares denominated in Naira of 50 kobo per share	1,856	1,845

The Group's issued and fully paid as at the reporting date consists of 583,260,187 ordinary shares of ₦0.50k each, all with voting rights. Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

22.2 Movement in share capital and other reserves

	Number of shares	Issued share capital	Share Premium	Share based payment reserve	Total
	Shares	$'000	$'000	$'000	$'000
Opening balance as at 1 January 2020	575,321,598	1845	503,742	30,426	536,013
Share based payments	-	-	-	4,723	4,723
Vested shares	7,938,589	11	9,515	(9,526)	-
Closing balance as at 30 June 2020	**583,260,187**	**1,856**	**513,257**	**25,623**	**540,736**

The impact of the vested shares on the issued share capital is rounded up to zero.

22.3 Share Premium

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 7,938,589 shares vested with a fair value of $9.53 million. The excess of $9.52 million above the nominal value of ordinary shares have been recognised in share premium

22.4 Employee share-based payment scheme

As at 30 June 2020, the Group had awarded 64,380,401 shares (Dec 2019: 48,400,563 shares) to certain employees and senior executives in line with its share-based incentive scheme. During the reporting period, 7,938,589 shares had vested (Dec 2019: 10,802,067 shares).

23 Interest bearing loans and borrowings

23.1 Net debt reconciliation

Below is the net debt reconciliation on interest bearing loans and borrowings for 30 June 2020:

	Borrowings due within 1 year $'000	Borrowings due above 1 year $'000	Total $'000
Balance as at 1 January 2020	112,333	677,075	789,408
Addition	-	10,000	10,000
Interest accrued	34,872	-	34,872
Interest repayment	(34,892)	-	(34,892)
Transfers	(14,176)	14,176	-
Carrying amount as at 30 June 2020	**98,137**	**701,251**	**799,388**

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

	Borrowings due within 1 year $'000	Borrowings due above 1 year $'000	Total $'000
Balance as at 1 January 2019	9,872	435,827	445,699
Interest accrued	28,966	-	28,966
Interest capitalized	20,554	-	20,554
Principal repayment	(9,872)	(90,128)	(100,000)
Interest repayment	(33,770)	-	(33,770)
Other financing charges	(8,783)	-	(8,783)
Proceeds from loan financing	62,399	284,101	346,500
Acquired on business combination	42,967	47,275	90,242
Carrying amount as at 31 December 2019	112,333	677,075	789,408

$350 million Senior notes - March 2018

Interest bearing loans and borrowings include revolving loan facility and senior notes. In March 2018 the Group issued ₦107 billion, $350 million, senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes were expected to mature in June 2023. The interest accrued at the reporting date is ₦6 billion, $17.4 million using an effective interest rate of 9.9%. Transaction costs of ₦2.1 billion, $6.86 million have been included in the amortised cost balance at the end of the reporting period. The amortised cost for the senior notes at the reporting period is ₦127.2 billion, $352.4 million (December 2019: ₦107.2 billion, $349.3 million).

$350 million Revolving credit facility - December 2019

The Group's parent company on 20 December 2019 also entered into a four-year revolving loan agreement with interest payable semi-annually. There is a two-year moratorium on the principal which ends on 31 December 2021. The revolving loan has an initial contractual interest rate of 6% +Libor (7.9%) and a settlement date of 31 December 2023.

The interest rate of the facility is variable. The interest accrued at the reporting period is ₦4.5 billion, $13.2 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 ₦125.3 billion $347 million.

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

The Group through its subsidiary Westport on 5th December 2019 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 settlement 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. In July 2019, following a redetermination, the commitments under the facility increased from N 23billion ($75.0 million) to N38.4 billion ($125.0 million). 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 June 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%.

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 ₦36.1 billion ($100 million) as at year end. The interest accrued at the reporting period is ₦1.5 billion ($4.4 million) using an effective interest rate of 8.8%. 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 ₦36 billion ($99.8 million).

24 Trade and other payables

	30 June 2020	31 Dec 2019
	$'000	$'000
Trade payable	146,361	104,161
Accruals and other payables	189,282	275,233
NDDC levy	7,008	23
Royalties payable	22,499	29,629
Overlift	9,118	59,758
	374,268	**468,804**

Included in accruals and other payables are field-related accruals $98.5 million (Dec 2019: $127 million) and other vendor payables of $20.9 million (Dec 2019: $80 million). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

25 Contract liabilities

	30 June 2020	31 Dec 2019
	$'000	$'000
Revenue on gas sales	**15,402**	**16,301**

25.1 Reconciliation of contract liabilities

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

	30 June 2020	31 Dec 2019
	$'000	$'000
Balance as at 1 January	16,301	-
Addition during the period	-	16,301
Adjustments	(899)	-
Exchange difference	-	-
Closing balance	**15,402**	**16,301**

Contract liabilities represents take or pay volumes contracted with Azura which is yet to be utilized.

* Adjustment is as a result of price negotiation with Azura.

Notes to the interim condensed consolidated financial statements

26 Computation of cash generated from operations

	Half year ended 30-June-20 $'000	Half year ended 30-June-19 $'000
(Loss)/Profit before tax		
Continuing operations	(145,327)	120,443
Discontinued operations	-	3,182
Adjusted for:		
Depletion, depreciation and amortization	71,500	48,130
Depreciation of right-of-use asset	1,697	1,536
Impairment losses on trade and other receivables	14,872	40,136
Impairment losses on oil and gas assets	146,028	-
Interest income	(1,752)	(5,901)
Interest expense on bank loans	34,872	22,128
Interest on lease liabilities	225	264
Unwinding of discount on provision for decommissioning	1,452	2,034
Fair value gain on contingent consideration	-	(18,489)
Unrealised fair value (gain)/loss on derivatives	(6,623)	7,674
Unrealised foreign exchange gain	(1,238)	(1,312)
Share based payment expenses	4,723	6,667
Share of profit in joint venture	(2,359)	(254)
Defined benefit expenses	-	1,322
Gain on deconsolidation of subsidiary	-	(2,620)
Changes in working capital:		
Trade and other receivables	145,387	(170,441)
Net working capital on loss of control of subsidiary	-	150,233
Prepayments	753	(30,571)
Contract assets	11,813	2,678
Trade and other payables	(97,667)	67,764
Contract liabilities	(899)	5,932
Restricted Cash	(6,064)	(2,325)
Inventories	4,827	7,025
Net cash inflow from operating activities	**176,220**	**255,235**

27 Loss/Earnings per share (LPS/EPS)

Basic

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

Diluted

Diluted EPS is calculated by dividing the profit after taxation attributable to the parent entity by the weighted average number of ordinary shares outstanding during the year plus all the dilutive potential ordinary shares (arising from outstanding share awards in the share-based payment scheme) into ordinary shares.

Notes to the interim condensed consolidated financial statements

	Half year ended 30 June 2020	Half year ended 30 June 2019	3 months ended 30 June 2020	3 Months ended 30 June 2019
	$'000	$'000	$'000	$'000
(Loss)/profit from continuing operations	(110,178)	119,017	(3,628)	86,549
Profit from discontinued operations	-	3,182	-	2,974
(Loss)/Profit for the period	**(110,178)**	**122,199**	(3,628)	**89,523**
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	578,436	568,775	578,436	568,775
Outstanding share-based payments (shares)	9,679	17,016	9,679	17,016
Weighted average number of ordinary shares adjusted for the effect of dilution	588,115	585,791	588,115	585,791
Basic earnings per share from continuing operations	$	$	$	$
Basic (loss)/earnings per shares	(0.19)	0.21	(0.01)	0.15
Diluted (loss)/earnings per shares	(0.19)	0.20	(0.01)	0.15
Basic earnings per share for the period				
Basic (loss)/earnings per shares	(0.19)	0.21	(0.01)	0.16
Diluted (loss)/earnings per shares	(0.19)	0.21	(0.01)	0.15
(Loss)/Profit used in determining basic/diluted earnings per share	**(110,178)**	**122,199**	**(3,628)**	**89,523**

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.

28 Dividend

A final dividend of $0.05 (2019: $0.05) per fully paid shares was declared and approved in the period. In line with the Finance Act 2019 which became effective on 1 February 2020, withholding tax amounting to $2.94 million has been deducted from the aggregate amount of the dividend declared and approved amounting to $29.42 million. Cash dividend amounting to $26.48 million was paid during the period.

29 Related party relationships and transactions

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

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

16. 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 $450 thousand (2019: $788 thousand)

17. 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 $1.7 million (2019: $1.5 million). Payables amounted to $2.4 million in the current period (Payables in 2019: $6.3 million).

18. 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 $86 thousand during the period (2019: $861 thousand).

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 $343 thousand (2019: $1.5 million). Receivables and payables were nil in the current period.

30 Commitments and contingencies

30.1 Contingent liabilities

The Company is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities is $5.3 million (Dec 2019: $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.

31 Events after the reporting period

On 7July 2020, 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.

In addition, the Group received hedging cash of $22m from the second quarter Hedges after period end.

Despite the impact of COVID-19 which is affecting the global demand for oil prices, there have been an 8% increase in oil price. The Group is currently monitoring the oil prices and taking adequate steps to manage its business and financial impact.

General information

Board of Directors		
Ambrosie Bryant Chukwueloka Orjiako	Chairman	Nigerian
Ojunekwu Augustine Avuru	Managing Director and Chief Executive Officer	Nigerian
Roger Thompson Brown	Chief Financial Officer (Executive Director)	British
Effiong Okon	Operations Director (Executive Director)	Nigerian
Madame Nathalie Delapalme	Non-Executive Director	French
Olivier Cleret De Langavant	Non-Executive Director	French
Michael Richard Alexander	Senior Independent Non-Executive Director	British
Ifueko M. Omoigui Okauru	Independent Non-Executive Director	Nigerian
Basil Omiyi	Independent Non-Executive Director	Nigerian
Charles Okeahalam	Independent Non-Executive Director	Nigerian
Lord Mark Malloch-Brown	Independent Non-Executive Director	British
Damian Dinshiya Dodo	Independent Non-Executive Director	Nigerian
Company Secretary	Edith Onwuchekwa	
Registered office and business address of Directors	16a Temple Road (Olu Holloway), Ikoyi, Lagos, Nigeria	
Registered number	RC No. 824838	
FRC number	FRC/2013/NBA/00000003660	
Auditor	Ernst & Young (10th & 13th Floor), UBA House 57 Marina Lagos	
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 Herbert Smith Freehills LLP Whitehall Solicitors Chief J.A. Ororho & Co. Ogaga Ovrawah & Co. Consolex LP Banwo-Ighodalo Latham & Watkins LLP V.E. Akpoguma & Co. Thompson Okpoko & Partners G.C. Arubayi & Co. Chukwuma Chambers Abraham Uhunmwagho & Co Walles & Tarres Solicitors Streamsowers & Kohn
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