seplat

Half-yearly results

For the six months ended 30 June 2019 (expressed in Naira and US Dollars)

30 July 2019

Seplat Petroleum Development Company Plc

Seplat Petroleum Development Company Plc

Consolidated financial results for the period ended 30 June 2019

Lagos and London, 30 July 2019: Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), a leading Nigerian indigenous oil and gas company listed on both the Nigerian Stock Exchange and London Stock Exchange, today announces its consolidated half-yearly financial results for the period ended 30 June 2019 and provides an operational update. Information contained within this release is un-audited and is subject to further review. Details of the Webcast and conference call are set out on page seven of this release.

Commenting on the results Austin Avuru, Seplat's Chief Executive Officer, said:

"Today's results further emphasise the strong cash generation potential of our low-cost production base and the good progress we are making at the large scale ANOH gas and condensate development project. Our H1 work programme has been impacted owing to unforeseen delays from rig contractors as well as the need to undertake higer levels of maintenance and asset integrity work for longer-term benefit of the assets. Both have affected production during the H1 but we have now secured the necessary rig capacity for the second half to implement the revised work programme which will drive us towards an 2019 exit working interest production rate of 62,000 boepd and bring annualised production within the unchanged guidance range of 49,000 to 55,000 boepd. Meanwhile, we remain on an extremely solid financial footing and concentrated on furthering our growth strategy as we target both organic and inorganic opportunities to grow shareholder returns."

Half-yearly results highlights

Financial performance summary

- Revenue of US$355 million up 4% year-on-year with gas tolling revenue of US$67 million recognised for the first time in relation to the processing of NPDC's gas through the Seplat sole risk funded Oben Gas Plant 375MMscfd expansion between June 2015 and end 2018
- Gross profit of US$207 million represents a 58% margin (up from 51% in H1 2018) while operating profit of US$139 million is down 12% year-on-year after adjusting for a US$40 million impairment of NDPC receivables
- Significantly lower finance costs of US$25 million (down 39% year-on-year) have kept profit before tax flat year-on-year at US$120 million with net profit from continuing operations standing at US$119 million

Robust balance sheet and cash flow generation

- Cash at bank at 30 June 2019 US$433 million; gross debt US$350 million and net cash US$83 million with US$225 million un-drawn headroom on the four year revolving credit facility
- Net cash flow from operations in H1 2019 stood at US$255 million against capex of US$28 million; FY 2019 capex guidance revised downwards to US$150 million
- FY 2019 capex guidance revised downwards to US$150 million; three planned exploration / appraisal wells targeting longer term oil and gas production together with the Oben and Sapele LPG projects have been deferred into 2020 with the current focus on shorter term oil and gas production gains

Working interest production

- Overall working interest production in H1 across all blocks stood at 22,974 bopd and 145 MMscfd, or 48,004 boepd with production uptime of 88% in the period
- FY 2019 guidance reiterated at 49,000 to 55,000 boepd on a working interest basis, comprising 24,000 to 27,000 bopd liquids and 146 to 164 MMscfd (25,000 to 28,000 boepd) gas production, as impact of H2 weighted work programme takes effect and drives working interest production to a planned exit rate of 34,000 bopd liquids and 162,000 MMscfd gas (or 62,000 boepd)

Gas business performance summary

- FID taken for the large scale ANOH gas and condensate development in March and followed by capital markets days in London and Lagos (see separately released materials on the Company website); Project to comprise of a first phase 300 MMscfd midstream gas processing development with first gas targeted for Q1 2021
- Equity investment of US$150 million from government received with US$150 million equity funding from Seplat also made into ANOH Gas Processing Company ("AGPC")
- Gas sales of US$72 million in H1 2019 and tolling fees of US$67 million take total gas derived revenue for the period to US$139 million

Project Updates

- Commissioning phase of the 160,000 bopd Amukpe to Escravos pipeline underway with hydro testing commencing in early July. Completion and export of oil to the permitted capacity of 40,000 boepd expected in Q4 2019

Board and Company Secretary changes

- Non-executive director Macaulay Agbada Ofurhie retired from the Board effective 30 July 2019, replaced by Non-executive director Madame Nathalie Delapalme ; Edith Onwuchekwa appointed as Company Secretary effective 24 June 2019

Financial overview

	US$ million			₦ billion	
	H1 2019	H1 2018	% change	H1 2019	H1 2018
Revenue	355	343	4%	109	105
Gross Profit	207	174	19%	64	53
Operating Profit	139	158	(12)%	43	48
Profit/(loss) for the Period (before deferred tax)[1]	121	105	15%	37	32
Operating cash flow	255	245	4%	78	75
Working interest production (boepd)	48,004	51,099	(6)%		
Average realised oil price (US$/bbl)	65.2	69.1	(6)%	20,009	21,131
Average realised gas price (US$/Mscf)	2.75	3.04	(10)%	844	930

(1) Profit after tax has been adjusted for US$1.3 million of non cash deferred tax asset

OPERATIONS REVIEW

Production for the first six months ended 30 June 2019

		Gross			Working Interest		
		Liquids[1]	Gas	Oil equivalent	Liquids[1]	Gas	Oil equivalent
	Seplat %	bopd	MMscfd	boepd	bopd	MMscfd	boepd
OMLs 4, 38 & 41	45.0%	45,836	322,609	101,458	20,626	145,174	45,656
OPL 283	40.0%	2,938	-	2,938	1,175	-	1,175
OML 53	40.0%	2,931	-	2,931	1,172	-	1,172
Total		51,706	322,609	107,328	22,974	145,174	48,004

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

Average working interest production during H1 2019 was 48,004 boepd (compared to 51,099 boepd in H1 2018) and comprised 22,974 bopd liquids and 145 MMscfd gas. Production uptime in the period was 88% while reconciliation losses are expected to be finalised at levels consistent with prior periods. Full year 2019 production guidance is maintained at 49,000 to 55,000 boepd on a working interest basis, comprising 24,000 to 27,000 bopd liquids and 146 to 164 MMscfd (25,000 to 28,000 boepd) gas production. Sequencing of the 2019 work programme means the corresponding production uplift will be realised progressively throughout H2. This guidance range is predicated on there being no further prolonged force majeure event.

In H1 2019, Seplat lifted and monetised an equivalent of 266 kbbls of oil from OML55, which resulted in a receipt of US$17 million. The carrying value of the investment in the balance sheet was consequently reduced to US$150 million.

Project updates

The Company's policy of creating multiple export routes for all of its assets has resulted in it actively pursuing alternative crude oil evacuation options for production at OMLs 4, 38 and 41 and potential strategies to further grow and diversify production in order to reduce any over-reliance on one particular third party operated export system. To add to the Transforcados Pipeline system and the back up export via the Warri refinery, the Amukpe to Escravos 160,000 bopd capacity pipeline is set to provide a third export option for liquids production at OMLs 4, 38 and 41. The pipeline owners, NAPIMS (a 100% subsidiary of NNPC), Pan Ocean Corporation Limited (Pan Ocean) and the pipeline contractor FENOG are responsible for completion of the pipeline, which has seen delays to date.

The completion of the project is in sight. The hydro testing of the 20 inch pipeline which involves pigging to remove any debris which has accumulated in the construction, followed by flowing water under pressure from the injection point at Amukpe to the Escravos terminal commenced in early July, and the current flow rates have confirmed the integrity of the pipeline. Final works within the Escravos terminal are underway, which includes the tie-in of the LACT measurement unit into the Chevron control system and with commissioning expected to be completed during Q3 2019 with export of oil to the permitted capacity of 40,000 boepd in Q4 2019.

It is Seplat's ultimate intention to utilise all three independent export options to ensure there is adequate redundancy in evacuation routes, reducing downtime which has adversely affected the business over a number of years, significantly de-risking the distribution of production to market.

Gas business

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

Oben processing hub – Western Niger Delta

With overall operated gas processing capacity standing at 525 MMscfd, the Company is actively engaged with counterparties to increase contracted gas sales with the intention of taking gross production towards the 400 MMscfd level on a consistent basis. Of the 525 MMscfd total processing capacity, 465 MMscfd is located at Oben with the remaining 60 MMscfd located at Sapele. The 375 MMscfd expansion at Oben (Phases I and II) was completed by Seplat as a 100% investment project. The gas processing capacity expansion is also designed to allow the Company to accept third party gas and receive a processing tariff.

During the period, agreement was reached with NPDC in the Operating Committee to back into their right to 55% of the gas plant expansion of 375MMscfd. A payment of US$168 million was agreed between the parties, with US$67 million being booked in H1 2019 as gas tolling revenues. The final balance of $101 million will be paid and reflected in the Q3 results once the transfer of NPDC's 55% interest has been concluded.

Work is on-going at the Sapele Gas Plant upgrade and which is expected to be completed in H2 2020.

ANOH processing hub (future) – Eastern Niger Delta

The ANOH gas development at OML 53 (and adjacent OML 21 with which the upstream project is unitised) is expected to underpin the next phase of growth for the gas business and Seplat's involvement positions it at the heart of one of the largest green field gas and condensate developments onshore the Niger Delta to date. Seplat is well positioned to leverage the experience gained at the Oben gas processing hub to incorporate operational and cost efficiencies. In March 2019 the Seplat Plc board took the Final Investment Decision ("FID") to proceed with the ANOH project where first gas is targeted for Q1 2021.

The project will comprise a Phase One 300 MMscfd midstream gas processing plant with accommodation space for significant future expansion. ANOH Gas Processing Company ("AGPC"), an incorporated joint venture owned 50:50 by Seplat and the Nigerian Gas Company ("NGC"), a wholly owned subsidiary of Nigerian National Petroleum Corporation ("NNPC") is delivering the midstream development and to date have each made an equity investment of US$150 million (US$300 million combined). The total project cost is budgeted at US$700 million. Seplat and NGC will each contribute a further US$60 million equity investment (US$120 million total) over the remainder of 2019 and Q1 2020 with US$280 million of debt funding to be finalised and for which very strong demand in excess of the funding target has been indicated.

The Company held capital markets days in both London and Lagos on 26 June and 12 July respectively for investors and analysts, providing a detailed overview of Seplat's gas business and the ANOH project in particular. Presentation materials and a replay of the London event can be found on the Company's website at https://seplatpetroleum.com/investors/2019-capital-markets-day-materials/

Work programme

In H1 2019 it was necessary for the Company to delay drilling of the planned new oil production wells at Sapele Shallow due to requirements for the drilling contractor to undertake certian safety upgrades on the allocated 2000 HP rig. In order to ensure adequate contracted rig capacity to execute the revised H2 drilling programme, the Company has also contracted a comparable 2000 HP rig from a different drilling contractor and has taken delivery of that rig. Work commenced on the first Sapele Shallow well in July which will be brought onstream in Q4 2019, with the remaining three wells to be batch drilled across the remainder of the year and hooked up with production to commence in early 2020. In addition to the four Sapele shallow wells, there will be two new oil production wells at the Ovhor field, one new gas well at Oben and one rig based re-entry of an existing oil well.

At OML 53 the Company brought onstream two oil production wells (Ohaji South 3 & 4) at the Ohaji South oil field and commenced a work over of an oil production well (Jisike-6) at the Jisike oil field. In Q4 the company will drill a new production well at Ohaji South. Drilling at the upstream gas field at ANOH will commence in 2020 when the first wells will be spudded by the upstream unit operator Shell.

The Company continues to high grade the large inventory of production drilling opportunities within the existing portfolio with a view to scaling up the forward work programme to efficiently capture the highest cash return production opportunities. It has now secured four rigs: two land rigs, one swamp barge and one workover rig to drill out the revised capex programme. In addition to the drilling activites, work will continue on the related infrastructure and various gas projects.

FINANCE REVIEW

Revenue

Gross revenue for H1 2019 was US$355.1 million, a 4% increase compare to the same period in 2018 (H1 2018: US$342.7 million). Crude revenue was US$216 million for the first six months, (H1 2018: US$257.3 million) a 16% reduction driven by lower realised oil prices and production. Gas revenue for the period, which includes gas tolling income of US$67 million, was US$139.1 million (H1 2018: US$85.3 million). Terms of tolling fees arising from NPDC's share of processed gas from the Oben Gas Expansion Project, which was financed on a sole risk basis by Seplat, were finalised in the period.

During the first six months the Group realised an average oil price of US$65.2/bbl (H1 2018: US$69.1/bbl) and an average gas price of US$2.75/Mscf(H1 2018: US$3.04/Mscf). Gas prices in 2019 are lower than plan, as the recently negotiated gas contracts with NGC have been structured to enable NGC take more volumes on the lower priced interruptible contract, to allow Seplat sell to other customers at higher gas prices. Over time, the average gas price will correct as gas volumes are sold to other third parties in excess of US$3/Mscf.

Working interest sales volume for the period stood at 7.7 MMboe down from 8.4 MMboe during the same period in 2018. Total gas volumes sold were 26.2 Bscf (H1 2018: 28.0 Bscf), while total liquid (crude and condensate) volumes lifted during the first six months were 3.3 MMbbls (H1 2018: 3.7 MMbbls). The company suffered higher than expected reconciliation losses of an average of 16% for the six months compared to the normal 10% losses. This was as a result of a new LACT unit installed on the TFP infrastructure by the pipeline operator which has subsequently been suspended when the Department of Petroleum Resources intervened. We expect to recover the lost volumes during H2 2019.

Gross profit

Gross profit for the first six months was US$207 million, an increase of 19% compared to the same period in 2018 (H1 2018: US$174.3 million). The movement is primarily driven by the higher gas processing revenues. Higher unit production opex which stood at US$47 million or US$5.41/boe (H1 2018: US$41 million or US$4.50/boe) was mainly driven by higher operations and maintenance costs in the period due to higher levels of asset integrity management activities being carried out.

Operating profit

Operating profit for the first six months was US$139.1 million (H1 2018: US$158.4 million) affected by the reversal of previously recognized accrued interest of US$40.1 million on NPDC receivables due to the settlement of these receivables. G&A costs were stable year-on-year at US$42.1 million (H1 2018 : US$38.5 million).

Profit for the period

Profit before tax for the period was US$120.4 million (H1 2018: US$121.3 million) after adjusting for net finance charges of US$18.9 million down from US$37.1 million in H1 2018. The positive impact of deleveraging has resulted in this year on year reduction in finance costs. The Group recognised non-cash corporate taxes and non-cash deferred tax of US$1.3 million in the period to record a net profit of US$122.2 million (H1 2018: US$48.5 million).

Cash flows and liquidity

Cash flows from operating activities for the first six months was US$255.2 million, up 4% compared to the same period in 2018 (H1 2018: US$245.4 million). Capital investments in the first six months stood at US$28.0 million (H1 2018: US$21.2 million) and reflects limited development activity in the first half of 2019 due to delays in the mobilization of the drilling rig. Consequently a revised work programme is planned over the remainder of the year with the corresponding capex budget revised down from US$200 million to US$150 million. The vast majority of the Group's capital expenditures are discretionary and it has the flexibility to align spend with cash flow on a rolling basis.

The Company has continued to receive the proceeds of gas sales from its partner NPDC in lieu of cash calls for ongoing operations.

The Group received total proceeds of US$16.7 million in the period under the revised commercial arrangement at OML 55 from partner BelemaOil for the monetisation of 266 kbbls. US$103 million reflects Seplat's equity contribution towards the ANOH gas processing project and US$154.2 million is AGPC's cash balance deconsilidated from the Group in April 2019. Consequently, after adjusting for interest receipts of US$5.9 million, net cash outflow from investing activities for the first six months was US$262.7 million (H1 2018 : US$2.1 million).

Repayment of US$100 million on the four-year RCF returned the balance drawn to zero while retaining significant headroom in the capital structure to fund any future growth initiatives. A final dividend of US$0.05/share for the full year ended 31 December 2018 was paid in the period and in doing so returned US$29.4 million to shareholders.

Overall Seplat's indebtedness at 30 June 2019, which consists of only the senior bond stood at US$350 million and cash at bank US$433.3 million (including restricted cash of US$5.8 million) to give a net debt position of US$83 million with US$225 million undrawn headroom on the RCF facility. The Group is well capitalised and fully funded to execute its organic growth plans and also well positioned to pursue inorganic growth opportunities in line with its price disciplined approach.

Hedging

The Company had in place dated Brent puts covering a volume of 2MMbbls in H1 2019 at a strike price of US$50/bbl resulting in a realised hedging loss of US$2.6 million in the period. The Company has dated Brent puts covering a volume of 2 MMbbls in H2 2019 at a strike price of US$50/bbl. The board and management continue to closely monitor prevailing oil market dynamics, and will consider further measures to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility.

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 2018 Annual Report and Accounts. The board has identified the principal risks for the remainder of 2019 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
- Successful delivery of the planned work programme

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 three months and description of principal risks and uncertainties for the remaining nine 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 2018 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
FRC/2013/IODN/00000003161
Chairman
30 July 2019

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
30 July 2019

R.T. Brown
FRC/2014/ANAN/00000017939
Chief Financial Officer
30 July 2019

Important notice

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

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

Webcast and conference call

At 02:30 pm BST (London) / 02:30 pm WAT (Lagos), Austin Avuru (CEO), Effiong Okon (Operations Director) and Roger Brown (CFO) will host a webcast and conference call to discuss the Company's results.

The webcast can be accessed via the Company's website http://seplatpetroleum.com/ or at the following address:

https://secure.emincote.com/client/seplat/seplat003

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

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

Conference title: Seplat Petroleum Half Yearly Results

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

Enquiries:

Seplat Petroleum Development Company Plc	
Roger Brown, CFO	+44 203 725 6500
Ayeesha Aliyu, Investor Relations	+234 1 277 0400
Chioma Nwachuku, GM – External Affairs and Communications	
FTI Consulting Ben Brewerton / Sara Powell seplat@fticonsulting.com	+44 203 727 1000
Citigroup Global Markets Limited Tom Reid / Luke Spells	+44 207 986 4000
Investec Bank plc Chris Sim / Jonathan Wolf	+44 207 597 4000

Notes to editors

Seplat Petroleum Development Company Plc is a leading indigenous Nigerian oil and gas exploration and production company with a strategic focus on Nigeria, listed on the Main Market of the London Stock Exchange ("LSE") (LSE:SEPL) and Nigerian Stock Exchange ("NSE") (NSE:SEPLAT).

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

Ernst & Young
10th & 13th Floors
UBA House
57 Marina
P.O. Box 2442, Marina
Lagos

Tel: + 234 (01) 631 4500
Fax: +234 (01) 463 0481
Email: services@ng.ey.com
ey.com

Report on review of interim condensed consolidated financial statements to the shareholders of Seplat Petroleum Development Company Plc

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (the Group) as at 30 June 2019 which comprise the interim condensed consolidated statement of financial position as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes.

The Company's directors are responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting and in the manner required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria (FRCN) Act, No. 6, 2011. 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 Auditors 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 are not prepared, in all material respects, in accordance with IAS 34.

Bernard Carrena, FCA
FRC/2013/ICAN/00000000670
For Ernst & Young
Lagos, Nigeria.

30 July 2019

Half-yearly results

For the six months ended 30 June 2019 (expressed in Naira)

30 July 2019

Seplat Petroleum Development Company Plc

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

for the half year ended 30 June 2019

Continuing operations	Notes	Half year ended 30 June 2019 Unaudited ₦'million	Half year ended 30 June 2018 Unaudited ₦'million	3 months ended 30 June 2019 Unaudited ₦'million	3 months ended 30 June 2018 Unaudited ₦'million
Revenue from contracts with customers	7	108,970	104,794	60,029	49,558
Cost of sales	8	(45,436)	(51,487)	(21,481)	(24,654)
Gross profit		63,534	53,307	38,548	24,904
Other income - net	9	2,644	8,493	7,660	5,276
General and administrative expenses	10	(12,916)	(11,765)	(6,648)	(6,735)
(Impairment)/ reversal of losses on financial assets - net	11	(12,318)	529	(12,362)	(140)
Fair value gain/(loss) - net	13	1,735	(2,127)	5,488	(397)
Operating profit		42,679	48,437	32,686	22,908
Finance income	14	1,810	1,330	1,023	893
Finance costs	14	(7,610)	(12,668)	(2,724)	(4,595)
Share of profit from joint venture accounted for using the equity method	17	77	-	77	-
Profit before taxation		36,956	37,099	31,062	19,206
Taxation		(437)	(22,249)	(4,502)	(10,549)
Profit from continuing operations		36,519	14,850	26,560	8,657
Profit/(loss) from discontinued operation	12.1	977	(6)	914	(100)
Profit for the period		37,496	14,844	27,474	8,557
Other comprehensive (loss)/income:					
Items that may be reclassified to profit or loss (net of tax):					
Foreign currency translation difference		284	153	213	(74)
Total comprehensive income from continuing operations		36,803	15,003	26,773	8,583
Total comprehensive income/(loss) from discontinuing operations		977	(6)	914	(100)
Total comprehensive income for the period		37,780	14,997	27,687	8,483

Earnings per share from continuing operations					
Basic earnings per share (₦)	16	64.21	26.12	46.70	15.23
Diluted earnings per share (₦)	16	62.34	26.13	45.34	15.13
Earnings per share for the period					
Basic earnings per share (₦)	16	65.92	26.11	48.30	15.05
Diluted earnings per share(₦)	16	64.01	26.12	46.90	14.95

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 2019

	Notes	As at 30 June 2019 Unaudited ₦'million	As at 31 Dec 2018 Audited ₦'million
Assets			
Non-current assets			
Oil and gas properties		380,841	399,475
Other property, plant and equipment		1,512	1,300
Right of use assets	31	3,745	-
Investment in joint venture	17	46,118	-
Other asset		46,146	51,299
Tax paid in advance		9,708	9,708
Prepayments		17,728	7,950
Deferred tax assets	15.3	42,881	42,487
Total non-current assets		548,679	512,219
Current assets			
Inventories		29,318	31,485
Trade and other receivables	18	81,993	41,874
Contract assets	20	3,504	4,327
Prepayments		1,048	3,549
Derivative financial instruments	19	337	2,693
Cash and bank balances	21	132,969	179,509
Total current assets		249,169	263,437
Total assets		797,848	775,656
Equity and liabilities			
Equity			
Issued share capital	22.1	286	286
Share premium		82,080	82,080
Share based payment reserve		8,908	7,298
Capital contribution		5,932	5,932
Retained earnings		221,193	192,723
Foreign currency translation reserve		203,437	203,153
Total shareholders' equity		521,836	491,472
Non-current liabilities			
Interest bearing loans & borrowings	23	94,734	133,799
Lease liabilities	31	1,919	-
Contingent consideration		-	5,676
Provision for decommissioning obligation		44,123	43,514
Defined benefit plan		2,223	1,819
Total non-current liabilities		142,999	184,808
Current liabilities			
Interest bearing loans and borrowings	23	12,755	3,031
Lease liabilities	31	302	-
Trade and other payables	24	108,307	87,360
Contract liabilities	25	1,821	
Current tax liabilities		9,828	8,985
Total current liabilities		133,013	99,376
Total liabilities		276,012	284,184
Total shareholders' equity and liabilities		797,848	775,656

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

Interim condensed consolidated statement of financial position
continued

As at 30 June 2019

The Group financial statements of Seplat Petroleum Development Company Plc and its subsidiaries for the half year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 30 July 2019 and were signed on its behalf by

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
30 July 2019

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
30 July 2019

R.T. Brown
FRC/2014/ANAN/00000017939
Chief Financial Officer
30 July 2019

Interim condensed consolidated statement of changes in equity continued

for the half year ended 30 June 2019

For the half year ended 30 June 2018

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
At 1 January 2018	283	82,080	4,332	5,932	166,149	200,870	459,646
Impact of change in accounting policy:							
Adjustment on initial application of IFRS 9	-	-	-	-	(1,779)	-	(1,779)
Adjusted balance at 1 January 2018	283	82,080	4,332	5,932	164,370	200,870	457,867
Profit for the period	-	-	-	-	14,844	-	14,844
Other comprehensive income	-	-	-	-	-	153	153
Total comprehensive income for the period	-	-	-	-	14,844	153	14,997
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	(8,998)	-	(8,998)
Share based payments	-	-	1,609	-	-	-	1,609
Issue of shares	3	-	(3)	-	-	-	-
Total	3	-	1,606	-	(8,998)	-	(7,389)
At 30 June 2018 (unaudited)	286	82,080	5,938	5,932	170,216	201,023	465,475

For the half year ended 30 June 2019

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Total equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
At 1 January 2019	286	82,080	7,298	5,932	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

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 flow

for the half year ended 30 June 2019

	Notes	Half year ended 30 June 2019 ₦'million Unaudited	Half year ended 30 June 2018 ₦'million Unaudited
Cash flows from operating activities			
Cash generated from operations	26	78,334	75,022
Net cash inflows from operating activities		78,334	75,022
Cash flows from investing activities			
Investment in oil and gas properties		(8,019)	(6,472)
Investment in other property, plant and equipment		(600)	-
Proceeds from disposal of other property, plant and equipment		-	1
Proceeds from sale of other assets		5,137	4,488
Investment in joint venture		(31,627)	-
Cash on loss of control of subsidiary	12.3	(47,336)	-
Interest received		1,810	1,330
Net cash used in investing activities		(80,635)	(653)
Cash flows from financing activities			
Repayments of loans	23	(30,690)	(176,758)
Proceeds from loans		-	163,670
Dividend paid		(9,026)	(8,998)
Principal repayments on crude oil advance		-	(23,177)
Interest repayments on crude oil advance		-	(530)
Payments for other financing charges		-	(465)
Interest paid on bank financing	23	(5,396)	(5,874)
Net cash used in financing activities		(45,112)	(52,132)
Net (decrease)/increase in cash and cash equivalents		(47,413)	22,237
Cash and cash equivalents at beginning of period	21	178,460	133,699
Effects of exchange rate changes on cash and cash equivalents		159	45
Cash and cash equivalents at end of period		131,206	155,981

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.

The Company's registered address is: 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

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

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was ₦50.4 billion paid at the completion of the acquisition on 31 July 2010.

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 percent 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. 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, from Chevron Nigeria Ltd for ₦43.5 billion.

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.

In order to fund the development of the ANOH gas processing plant, on 13 August 2018, the Group entered into a shareholder's agreement with Nigerian Gas Processing and Transportation Company (NGPTC). Funding is to be provided by both parties in equal proportion representing their ownership share and will be used to subscribe for the ordinary shares in ANOH. The agreement was effective on 18 April 2019, which was the date the Corporate Affairs Commission (CAC) approval was received.

Given the change in ownership structure, the Group no longer exercises control and has now deconsolidated ANOH in the consolidated financial statements. However, its retained interest qualifies as a joint arrangement and has been recognised accordingly as investment in joint venture.

The Company together with its five wholly owned subsidiaries namely, Newton Energy Limited, Seplat Petroleum Development Company UK Limited ('Seplat UK'), Seplat East Onshore Limited ('Seplat East'), Seplat East Swamp Company Limited ('Seplat Swamp') and Seplat Gas Company Limited ('Seplat gas') are collectively referred to as the Group.

Subsidiary	Date of incorporation	Country of incorporation and place of business	Principal activities
Newton Energy Limited	1 June 2013	Nigeria	Oil & gas exploration and production
Seplat Petroleum Development Company UK Limited	21 August 2014	United Kingdom	Technical, liaison and administrative support services relating to oil & gas exploration and production
Seplat East Onshore Limited	12 December 2014	Nigeria	Oil & gas exploration and production
Seplat East Swamp Company Limited	12 December 2014	Nigeria	Oil & gas exploration and production
Seplat Gas Company	12 December 2014	Nigeria	Oil & gas exploration and production and gas processing

Notes to the interim condensed consolidated financial statements continued

2. Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 30 June 2019:

- The Group's interest bearing borrowings included a four year revolving loan facility of ₦61 billion. In October 2018, the Group made principal repayments on the four-year revolving facility for a lump sum of ₦30.7 billion. In the reporting period, the Group repaid the outstanding principal amount of ₦30.7 billion on the revolving loan facility.

- The Group changed the ownership structure of its wholly owned subsidiary, ANOH Gas Processing Company Limited on 18 April 2019 as a result of NGPTC's equity investment. Subsequently, the Group has deconsolidated ANOH in its financial statements and its retained interest has been recognised as an investment in joint venture.

- The Group adopted the new leasing standard IFRS 16 Leases (see Note 31)

3. Summary of significant accounting policies

3.1 Basis of preparation

i) Compliance with IFRS

The interim condensed consolidated financial statements of the Group for the half year reporting period ended 30 June 2019 have been prepared in accordance with accounting standard IAS 34 Interim financial reporting.

This interim condensed consolidated financial statements does not include all the notes normally included in the annual financial statements of the Group. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Group during the interim reporting period.

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 standards which are set out below.

ii) Historical cost convention

The financial information has been prepared under the going concern assumption and historical cost convention, except for derivate financial instruments measured at fair value through profit or loss on initial recognition. The financial statements are presented in Nigerian Naira and United States Dollars, and all values are rounded to the nearest million (₦'million) and thousand ($'000) respectively, except when otherwise indicated.

iii) Going concern

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

iv) New and amended standards adopted by the Group

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

a. IFRS 16 Leases

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

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

The impact of the adoption of this standard and the related new accounting policy are disclosed in Note 31.

Notes to the interim condensed consolidated financial statements continued

b. Amendments to IAS 19 Employee benefit

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

c. Amendments to IAS 23 Borrowing costs

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

d. Amendments to IFRS 11 Joint arrangements

These amendments were issued in December 2017. These amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. In addition to clarifying when a previously held interest in a joint operation is remeasured, the amendments also provide further guidance on what constitutes the previously held interest. This is the entire previously held interest in the joint operation. These amendments had no impact on the consolidated financial statements of the Group as at the reporting date.

e. Amendments to IAS 12 Income taxes

These amendments were issued in December 2017. These amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits. In effect, the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. These amendments had no impact on the consolidated financial statements of the Group as at the reporting date.

f. Amendments to IFRS 9 Prepayment features with negative compensation

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

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

These amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

h. IFRIC 23 Uncertainty over income tax treatment

This interpretation was issued in June 2017. IAS 12 Income taxes specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in IAS 12 based on applicable tax laws. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the tax authority may affect an entity’s accounting for a current or deferred tax asset or liability.

Notes to the interim condensed consolidated financial statements continued

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. This interpretation had no impact on the consolidated financial statements of the Group as at the reporting date.

v) New standards, amendments and interpretations not yet adopted

The following standards and amendments are issued but not yet effective and may have a significant impact on the Group's consolidated financial statements.

a. Conceptual framework for financial reporting - Revised

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

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

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

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

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

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

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

Where the non-monetary asset constitutes a business, the investor will recognise the full gain or loss on the sale or contribution of the asset. If the asset does not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. These amendments apply prospectively.
In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2018 except:

3.2.1 Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has a joint venture (ANOH Gas Processing Company Limited) in which it has joint control with Nigerian Gas Processing and Transportation Company.

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

Notes to the interim condensed consolidated financial statements continued

3.2.2 Equity method

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

Where the Group's share of loss in a joint venture equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other party to the joint venture.

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

The carrying amount of joint venture investments is tested for impairment.

3.2.3 Change in ownership interest of subsidiary

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company using consistent accounting policies.

3.2.4 Accounting for loss of control

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

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

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

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

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

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

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

Notes to the interim condensed consolidated financial statements continued

3.3 Functional and presentation currency

Items included in the financial statements of the Company and the 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 for the UK subsidiary which is the Great Britain Pound. The interim condensed consolidated financial statements are presented in the Nigerian Naira and the US Dollars. The Group has chosen to show both presentation currencies and this is allowable by the regulator.

i) Transactions and balances

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

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 statement of financial position presented are translated at the closing rate at the reporting date.
- income and expenses for each statement of profit or loss and statement of 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 respective exchange rates that existed on 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.

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 recent 2018 Annual financial statements. The following are some of the judgements which have the most significant effect on the amounts recognised in this consolidated financial statements.

i) OMLs 4, 38 and 41

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

ii) Deferred tax asset

Deferred 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.

iii) Lease liability

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

Notes to the interim condensed consolidated financial statements continued

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

iv) Lease term

Management assessed that the purchase option in its head office lease's contract would not be exercised. If management had assessed that it will be reasonably certain that the purchase option will be exercised, the lease term used for depreciating the right-of-use-asset will have been be fifty (50) years rather than the non-cancellable lease term of five (5) years. For the lease contracts, the Group assessed that it could not reasonably determine if the leases would be renewed at the end of the lease term. As a result, the lease term used in determining the lease liability was the contractual lease term. The sensitivity of the Group's profit and net assets to purchase options is disclosed in Note 31.

v) Defined benefit plan

The Group has placed reliance on the actuarial valuations carried at the year end 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.

vi) 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 obligation

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 the customer 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.

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.

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 2018 annual financial statements.

The following are some of the estimates and assumptions made.

i) Defined benefit plans

The cost of the defined benefit retirement plan and the present value of the retirement obligation are determined using actuarial valuations.

Notes to the interim condensed consolidated financial statements continued

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. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers market yield on federal government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

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

ii) 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.

iii) 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. The Group has placed reliance on the assumptions used at the year end reporting period as it does not expect material differences for current period assumptions.

iv) Classification of joint arrangements

The joint venture arrangement in relation to ANOH requires the unanimous consent from the controlling parties for all the relevant activities. The parties to the arrangement have rights to the net assets (not direct rights to the assets or joint obligation for the liabilities incurred by the arrangement) of ANOH. The entity is therefore classified as a joint venture and the Group recognises its share of the net assets/(liabilities) as described in Note 3.2.1.

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.

Notes to the interim condensed consolidated financial statements continued

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 relevant cash outflows to mitigate any potential exchange risk.
Market risk - commodity prices	Derivative financial instruments	Sensitivity analysis	Oil price hedges
Credit risk	Cash and bank balances, trade receivables, contract assets 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 Liquidity risk

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

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

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

	Effective interest rate	Less than 1 year	1 -2 years	2 - 3 years	3 - 5 years	Total
		₦'million	₦'million	₦'million	₦'million	₦'million
30 June 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	10,689	10,720	10,788	115,559	147,756
Other non - derivatives						
Trade and other payables**		52,291	-	-	-	52,291
Lease liabilities	7.56%	-	846	953	1,430	3,229
		62,980	11,566	11,741	116,989	203,276

Notes to the interim condensed consolidated financial statements continued

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	Total
		₦'million	₦'million	₦'million	₦'million	₦'million
31 December 2018						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	10,130	10,075	10,048	122,220	152,473
Variable interest rate borrowings						
Stanbic IBTC Bank Plc	6.0% +LIBOR	312	313	312	3,789	4,726
The Standard Bank of South Africa Limited	6.0% +LIBOR	208	209	208	2,526	3,151
Nedbank Limited, London Branch	6.0% +LIBOR	434	434	434	5,263	6,565
Standard Chartered Bank	6.0% +LIBOR	390	391	390	4,736	5,907
Natixis	6.0% +LIBOR	304	304	304	3,684	4,596
FirstRand Bank Limited	6.0% +LIBOR	304	304	304	3,684	4,596
Citibank N.A. London	6.0% +LIBOR	260	261	260	3,158	3,939
The Mauritius Commercial Bank Plc	6.0% +LIBOR	260	261	260	3,158	3,939
Nomura International Plc	6.0% +LIBOR	130	130	130	1,579	1,969
		2,602	2,607	2,602	31,577	39,388
Other non - derivatives						
Trade and other payables**		48,152	-	-	-	48,152
Contingent consideration		-	5,680			5,680
		60,884	18,362	12,650	153,797	245,693

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

5.1.2 Credit risk

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

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).

The credit risk on cash and bank balances 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.

Notes to the interim condensed consolidated financial statements continued

5.2 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 2019 ₦ million	As at 31 Dec 2018 ₦ million	As at 30 June 2019 ₦ million	As at 31 Dec 2018 ₦ million
Financial assets				
Trade and other receivables*	42,018	29,466	42,018	29,466
Contract assets	3,504	4,327	3,504	4,327
Cash and bank balances	132,969	179,509	132,969	179,509
	178,491	213,302	178,491	213,302
Financial assets at fair value				
Derivative financial instruments	337	2,693	337	2,693
	337	2,693	337	2,693
Financial liabilities				
Interest bearing loans and borrowings	107,251	136,830	117,318	143,158
Contingent consideration	-	5,676	-	5,676
Trade and other payables	52,852	48,152	52,852	48,152
	160,103	190,658	170,170	196,986

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

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

Trade and other payables (excludes non-financial liabilities such as provisions, taxes, pension and other non-contractual payables), trade and other receivables (excluding prepayments, VAT receivables, cash advance and advance payments), 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.

5.2.1 Fair Value Hierarchy

As at the reporting period, the Group had classified its financial instruments into the three levels prescribed under the accounting standards. These are all recurring fair value measurements. There were no transfers of financial instruments between fair value hierarchy levels during this second quarter.

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 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 derivative financial instruments are in level 1 and interest-bearing loans and borrowings are in level 2. The carrying amounts of the other financial instruments are the same as their fair values.

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 Finance Manager (FM) who reports to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the FM and the valuation team at least once every quarter, in line with the Group's quarterly reporting periods.

Notes to the interim condensed consolidated financial statements continued

6. Segment reporting

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

For the half year ended 30 June 2019, revenue from the gas segment of the business constituted 40% 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 also its cash flows, will be largely independent of other business units within Seplat, it is regarded as a separate segment.

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

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

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

6.1 Segment profit disclosure

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Oil	(2,330)	(1,656)	(1,271)	(2,009)
Gas	38,849	16,506	27,831	10,666
Total profit after tax	36,519	14,850	26,560	8,657

				Oil
	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Revenue				
Crude oil sales	66,293	78,695	30,161	35,557
Operating profit before depreciation, amortisation and impairment	17,053	44,018	11,639	15,556
Depreciation, amortisation and impairment	(13,223)	(16,893)	(6,784)	(8,120)
Operating profit	3,830	27,125	4,855	7,436
Finance income	1,810	1,330	1,023	893
Finance expenses	(7,610)	(12,668)	(2,724)	(4,595)
Share of profit from joint venture accounted for using equity accounting	77	-	77	-
(Loss)/profit before taxation	(1,893)	15,787	3,231	3,734
Income tax expense	(437)	(17,443)	(4,502)	(5,743)
Loss for the period	(2,330)	(1,656)	(1,271)	(2,009)

Notes to the interim condensed consolidated financial statements continued

	Gas			
	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Revenue				
Gas sales	22,150	26,099	9,341	14,001
Gas tolling	20,527	-	20,527	-
	42,677	26,099	29,868	14,001
Operating profit before depreciation, amortisation and impairment	40,867	23,878	28,896	16,810
Depreciation, amortisation and impairment	(2,018)	(2,566)	(1,065)	(1,338)
Operating profit	38,849	21,312	27,831	15,472
Finance income	-	-	-	-
Finance expenses	-	-	-	-
Profit before taxation	38,849	21,312	27,831	15,472
Income tax expense	-	(4,806)	-	(4,806)
Profit for the period	38,849	16,506	27,831	10,666

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 2019	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2018	Half year ended 30 June 2018	Half year ended 30 June 2018
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦ million	₦ million	₦ million
Geographical market						
Nigeria	6,992	42,677	49,669	2,786	26,099	28,885
Switzerland	59,301	-	59,301	75,909	-	75,909
Revenue	66,293	42,677	108,970	78,695	26,099	104,794
Timing of revenue recognition						
At a point in time	66,293	-	66,293	78,695	-	78,695
Over time	-	42,677	42,677	-	26,099	26,099
Revenue	66,293	42,677	108,970	78,695	26,099	104,794

	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2018	3 months ended 30 June 2018	3 months ended 30 June 2018
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦ million	₦ million	₦ million
Geographical market						
Nigeria	3,327	29,868	33,195	2,195	14,001	16,196
Switzerland	26,834	-	26,834	33,362	-	33,362
Revenue	30,161	29,868	60,029	35,557	14,001	49,558
Timing of revenue recognition						
At a point in time	30,161	-	30,161	35,557	-	35,557
Over time	-	29,868	29,868	-	14,001	14,001
Revenue	30,161	29,868	60,029	35,557	14,001	49,558

Notes to the interim condensed consolidated financial statements continued

The Group's transactions with its major customer, Mercuria, constitutes more than 10% (₦26 billion) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC and Azura (₦16 billion and ₦7 billion) accounted for more than 10% of the total revenue from the gas segment and the Group as a whole.

6.1.2 (Impairment)/reversal of losses by reportable segments

	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2018	Half year ended 30 June 2018	Half year ended 30 June 2018
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Impairment losses recognised during the period	-	(49)	(49)	(41)	-	(41)
Reversal of previous impairment losses	116	-	116	570	-	570
Write-off of impairment losses	(12,385)	-	(12,385)	-	-	-
	(12,269)	(49)	(12,318)	529	-	529

	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2018	3 months ended 30 June 2018	3 months ended 30 June 2018
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Impairment losses recognised during the period	-	(49)	(49)	(140)	-	(140)
Reversal of previous impairment losses	72	-	72	-	-	-
Write-off of impairment losses	(12,385)	-	(12,385)	-	-	-
	(12,313)	(49)	(12,362)	(140)	-	(140)

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. The total reportable segment's assets are the same with the total Group's asset because the assets of the discontinued operations have been deconsolidated.

	Oil	Gas	Total
Total segment assets	₦'million	₦'million	₦'million
30 June 2019	502,285	295,563	797,848
31 December 2018	623,017	152,639	775,656

6.3 Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment. The total reportable segment's liabilities are the same with the total Group's liabilities because the assets of the discontinued operations have been deconsolidated.

	Oil	Gas	Total
Total segment liabilities	₦'million	₦'million	₦'million
30 June 2019	158,220	117,792	276,012
31 December 2018	257,564	26,620	284,184

Notes to the interim condensed consolidated financial statements continued

7. Revenue from contracts with customers

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Crude oil sales	66,293	78,695	30,161	35,557
Gas sales	22,150	26,099	9,341	14,001
Gas tolling	20,527	-	20,527	-
	108,970	104,794	60,029	49,558

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

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

8. Cost of sales

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Crude handling fees	7,721	8,939	3,262	4,372
Royalties	15,277	19,059	7,025	9,301
Depletion, Depreciation and Amortisation	14,381	18,591	7,377	8,887
Nigeria Export Supervision Scheme (NESS) fee	73	-	41	-
Niger Delta Development Commission levy	1,261	1,077	630	558
Rig related Expenses	-	12	-	4
Operations & Maintenance expenses	6,723	3,809	3,146	1,532
	45,436	51,487	21,481	24,654

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

9. Other income - net

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Underlift	1,735	8,483	6,603	5,855
Gains/(losses) on foreign exchange	403	10	551	(579)
Tariffs	506	-	506	-
	2,644	8,493	7,660	5,276

Shortfalls may exist between the crude oil lifted and sold to customers during the period and the participant's 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 to the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss as other income. Gains or losses on foreign exchange are principally as a result of translation of naira denominated monetary assets and liabilities into the USD functional currency.

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

Notes to the interim condensed consolidated financial statements continued

10. General and administrative expenses

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Depreciation of other property plant and equipment	389	868	189	571
Depreciation of right-of-use assets	471	-	283	-
Employee benefits	5,644	4,627	3,654	2,147
Professional and consulting fees	2,744	2,412	749	1,324
Auditor's remuneration	13	57	13	19
Directors emoluments (executive)	300	195	100	108
Directors emoluments (non-executive)	487	499	249	300
Rentals	242	300	123	188
Flights and other travel costs	1,103	718	449	475
Other general expenses	1,523	2,089	839	1,603
	12,916	11,765	6,648	6,735

Directors' emoluments have been split between executive and non-executive directors. There were no non-audit services rendered by the Group's auditors during the period. (2018: nil)

Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others. Share based payment expenses are included in the employee benefits expense.

Rentals for the six months ended 30 June 2019 relate to expenses on short term leases for which no right-of-use assets and lease liability were recognised on application of IFRS 16. See Note 31 for further details.

11. (Impairment)/reversal of losses on financial assets - net

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Impairment losses:				
Impairment loss on trade receivables	(49)	-	(49)	-
Impairment loss on NAPIMS receivables	-	(41)	-	(88)
	(49)	(41)	(49)	(88)
Reversal of impairment losses:				
Reversal of/(impairment) loss on NPDC receivables	-	570	-	(52)
Reversal of impairment loss on other receivables	116	-	72	-
	116	570	72	(52)
Write-off of impairment losses:				
Write-off of NPDC receivables	(12,385)	-	(12,385)	-
	(12,318)	529	(12,362)	(140)

The reversal of previously recognised impairment losses on NPDC receivables is due to the write-off of the outstanding receivable amount.

12. Discontinued operation

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

Notes to the interim condensed consolidated financial statements continued

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

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

ANOH was deconsolidated with effect from 18 April 2019 and is reported in the current period as a discontinued operation. The details of the deconsolidation of ANOH have been disclosed in Note 1 (corporate structure and business), Note 2 (significant changes in the current reporting period) and Note 4 (significant accounting judgements, estimates and assumptions. Financial information relating to the discontinued operation for the period to the date of deconsolidation is set out below:

12.1. Financial performance and cash flow information

The financial performance and cash flow information for the six months ended 30 June 2019 (effectively 1 January 2019 – 18 April 2019), the three months ended 30 June 2019 (effectively 1 April 2019 – 18 April 2019) and the respective comparative periods, that is, six months ended 30 June 2018 and three months ended 30 June 2018 are presented below:

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Revenue	-	-	-	-
Cost of sales	-.	-	-	-
General and administrative expenses	(11)	(4)	(7)	(115)
Loss on foreign exchange	(7)	(2)	8	15
Finance income – net	190	-	108	-
Profit/(loss) before taxation	172	(6)	109	(100)
Taxation	-	-	-	-
Profit/(loss) from discontinued operation	172	(6)	109	(100)
Gain on deconsolidation of subsidiary (Note 12.2)	805	-	805	-
Profit/(loss) from discontinued operation	977	(6)	914	(100)
Net cash inflow from operating activities	48,956	1,345	-	-
Net cash outflows from investing activities	(1,806)	(1,408)	-	-
Net cash outflows from financing activities	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	47,150	(63)	-	-

12.2. Gain on deconsolidation of subsidiary

	Half year ended 30 June 2019
	₦'million
Purchase consideration	-
Add: fair value of 50% retained interest	5
Less: Net liabilities derecognised (Note 12.3)	800
	805

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

Notes to the interim condensed consolidated financial statements continued

12.2.1. Gain on portion sold

	Half year ended 30 June 2019
	₦'million
Purchase consideration	-
Group's share of net liabilities disposed	400
	400

12.2.2. Gain on remeasurement of retained interest

	Half year ended 30 June 2019
	₦'million
Purchase consideration	-
Fair value of retained interest	5
Group's share of net liabilities retained	400
	405

The fair value of the retained interest in ANOH was determined to be ₦1 per share. This is based on the premise that the value of the Company is the same as its issued share capital. ANOH has not entered into any lease arrangements. Therefore, the adoption of IFRS 16 did not have an impact on the Group's discontinued operations.

12.3. Net liabilities derecognised

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

	As at 18 April 2019
	₦'million
Non-current assets:	
Oil and gas properties	12,141
Current assets:	
Trade and other receivables	217
Prepayments	22
Cash & bank balances	47,336
Total assets	59,716
Current liabilities:	
Trade and other payables	60,516
Total liabilities	60,516
Net liabilities derecognised	800

13. Fair value gain/(loss) - net

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Cost of hedging	(1,583)	(760)	-	(380)
Unrealised fair value loss on derivatives	(2,356)	-	(199)	-
Fair value gain/(loss) on contingent consideration	5,674	(1,367)	5,687	(17)
	1,735	(2,127)	5,488	(397)

Fair value loss on derivatives represents changes arising from the valuation of the crude oil economic hedge contracts charged to profit or loss.

Notes to the interim condensed consolidated financial statements continued

In 2018, fair value loss on contingent consideration was in relation to the remeasurement of contingent consideration on the Group's acquisition of participating interest in OML 53. The contingency criteria was set on oil price rising above $90/bbl over a one-year period and expiring on 31 January 2020. The production milestone was not achieved during the reporting period, and as a result, the contingent consideration has been derecognised.

14. Finance income/ (costs)

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Finance income				
Interest income	1,810	1,330	1,023	893
Finance costs				
Interest on bank loan	(6,791)	(11,722)	(2,370)	(4,372)
Other financing charges	(113)	-	-	-
Interest on lease liabilities	(81)	-	(42)	-
Interest on advance payments for crude oil sales	-	(530)	-	-
Unwinding of discount on provision for decommissioning	(625)	(416)	(312)	(223)
	(7,610)	(12,668)	(2,724)	(4,595)
Finance cost - net	(5,800)	(11,338)	(1,701)	(3,702)

Finance income represents interest on 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

15. 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 rates used for the period to 30 June 2019 were 85% and 65.75% for crude oil activities and 30% for gas activities. As at 31 December 2018, the applicable tax rates were 85%, 65.75% for crude oil activities and 30% for gas activities.

The effective tax rate for the reporting period was 1.18% (June 2018: 60%).

15.1. Unrecognised deferred tax assets

The unrecognised deferred tax assets relates to the Group's subsidiaries and will be recognised once the entities return to profitability. There are no expiration dates for the unrecognized deferred tax assets.

	As at 30 June 2019	As at 30 June 2019	As at 31 Dec 2018	As at 31 Dec 2018
	₦'million	₦'million	₦'million	₦'million
	Gross amount	Tax effect	Gross amount	Tax effect
Other deductible temporary differences	14,722	11,091	17,894	11,206
Tax gains	5,551	1,906	10,224	6,011
	20,273	12,997	28,118	17,217

Other deductible temporary differences relate to temporary differences arising from unutilised capital allowance, provision for decommissioning obligation, deferred benefit plan, share based payment reserve, unrealized foreign exchange gain/(loss), other income and trade and other receivables.

Notes to the interim condensed consolidated financial statements continued

15.2 Unrecognised deferred tax liabilities

There were no temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability would have been recognised in the periods presented.

15.3 Deferred tax assets

	Balance at 1 January 2019	Charged/credited to profit or loss	Balance at 30 June 2019
	₦'million	₦'million	₦'million
Tax losses	(12)	12	-
Other cumulative differences:			
Fixed assets	(85,706)	(12,946)	(98,652)
Unutilised capital allowance	116,068	14,184	130,252
Provision for decommissioning obligation	818	(818)	-
Defined benefit plan	1,540	360	1,900
Share based payment reserve	3,294	1,739	5,033
Unrealised foreign exchange loss on trade and other receivables	1,258	(4,402)	(3,144)
Other income	5,246	(1,663)	3,583
Impairment provision on trade and other receivables	2,071	1,668	3,739
Derivative financial instruments	(2,282)	2,282	
Exchange difference	192	(22)	170
	42,487	394	42,881

16. Earnings per share (EPS)

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

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 period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (arising from outstanding share awards in the share based payment scheme) into ordinary shares.

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	₦'million	₦'million	₦'million	₦'million
Profit from continuing operations	36,519	14,850	26,560	8,657
Profit/(loss) from discontinued operations	977	(6)	914	(100)
Profit for the period	37,496	14,844	27,474	8,557
	Share '000	Share '000	Share '000	Share '000
Weighted average number of ordinary shares in issue	568,775	568,497	568,775	568,497
Share awards	17,016	3,838	17,016	3,838
Weighted average number of ordinary shares adjusted for the effect of dilution	585,791	572,335	585,791	572,335
	₦	₦	₦	₦
Earnings per share from continuing operations				
Basic earnings per share	64.21	26.12	46.70	15.23
Diluted earnings per share	62.34	26.13	45.34	15.13
Earnings per share for the period				
Basic earnings per share	65.92	26.11	48.30	15.05
Diluted earnings per share	64.01	26.12	46.90	14.95

Notes to the interim condensed consolidated financial statements continued

The shares were weighted for the proportion of the number of months they were in issue during the reporting period.

17. Interest in other entities

17.1 Investment in subsidiaries

The Group's principal subsidiaries as at 30 June 2019 are set out in Note 1. Unless otherwise stated, their share capital consists solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

There were no significant judgements made in consolidating these entities. Also, there were no significant restrictions on any of the entities.

17.2 Interest in joint venture

The revised shareholders agreement between the Group and Nigerian Gas Processing and Transportation Company (ANOH) requires both parties to have equal shareholding in ANOH. With the change in the ownership structure, the Group has reassessed its retained interest in ANOH and determined that it has joint control. The Group's interest in ANOH is accounted for in the consolidated financial statements using the equity method.

Set below is the information on the material joint venture of the Group, ANOH. The Company has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The Company is a private entity hence no quoted price is available.

As at the reporting period, the Group had no capital commitment neither had it incurred any contingent liabilities jointly with its joint venture partner.

		Percentage of ownership interest		Carrying amount	
Name of entity	Country of incorporation and place of business	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
		%	%	₦'million	₦'million
ANOH Gas Processing Company Limited	Nigeria	50%	100	46,118	10

Notes to the interim condensed consolidated financial statements continued

17.2.1. Summarised statement of financial position of ANOH

	As at 30 June 2019 ₦'million
Current assets:	
Cash and bank balances	78,047
Other current assets	1,930
Total current assets	79,977
Non-current assets	20,051
Total assets	100,028
Current liabilities:	
Financial liabilities (excluding trade payables)	7,979
Other current liabilities	623
Total liabilities	8,602
Net assets	91,426
Reconciliation to carrying amounts:	
Opening net liability as at 18 April 2019	(800)
Profit for the period	154
Share issue	92,072
Dividends paid	-
Closing net assets	91,426
Group's share (%)	50%
Group's share of net asset (₦'million)	45,713
Remeasurement of retained interest (Note 12.2.2)	405
Carrying amount (₦'million)	46,118

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

	2 months ended 30 June 2019 ₦'million
Revenue	-
Cost of sales	-
General and administrative expenses	(16)
Finance income – net	170
Profit before taxation	154
Taxation	-
Profit for the period	154
Group's share (%)	50%
Group's share of profit for the period (₦'million)	77
Dividends received from joint venture	-

Notes to the interim condensed consolidated financial statements continued

17.2.3 Investment in joint venture

	As at 30 June 2019 ₦'million
Fair value of 50% retained interest (Note 12.2)	5
Additional investment	46,036
Share of profit from joint venture accounted for using the equity method (Note 17.2.2)	77
	46,118

18. Trade and other receivables

	As at 30 June 2019 ₦'million	As at 31 Dec 2018 ₦'million
Trade receivables	31,221	29,127
Underlifts	-	1,325
Advances to suppliers	6,143	1,822
Receivables from ANOH	345	-
Gas tolling receivables	20,527	-
Other receivables	23,757	9,600
Net carrying amount	81,993	41,874

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 ₦16 billion (Dec 2018: ₦14 billion) with respect to the sale of gas.

18.2. Gas tolling receivables

This relates to tolling fees receivable from NPDC for its share of gas processed through the Seplat sole funded Oben Gas Plant from June 2015 to December 2018. NPDC have agreed to buy into the sole funded gas plant effective January 2019 and therefore no tolling payment will be due beyond 31st December 2018.

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 ₦12.35 billion made for a potential investment. The funds were placed in an escrow on the 8 Jan 2019 pursuant to an agreement reached with the vendor on the final terms of the transaction. Also included here is a receivable amount of ₦9.7 billion (Dec 2018: ₦9.6 billion) on an investment that is no longer being pursued.

18.4 Reconciliation of trade receivables

	As at 30 June 2019 ₦'million	As at 31 Dec 2018 ₦'million
Balance as at 1 January	29,127	33,236
Additions during the period	74,625	217,553
Receipts for the period	(72,347)	(221,659)
Exchange difference	(9)	123
Gross carrying amount	31,396	29,253
Less: impairment allowance	(175)	(126)
Balance at the end of the period	31,221	29,127

Notes to the interim condensed consolidated financial statements continued

18.5 Reconciliation of impairment allowance trade receivables

	As at 30 June 2019	As at 31 Dec 2018
	₦'million	₦'million
Loss allowance as at 1 January	126	499
Increase/(decrease) in loss allowance during the period	49	(374)
Exchange difference	-	1
Loss allowance at the end of the period	175	126

19. Derivative financial instruments

The Group uses its derivatives for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are accounted for at fair value through profit or loss. They are presented as current assets.

The derivative financial instrument of ₦0.3 billion (Dec 2018: 2.7 billion) as at 30 June 2019 is as a result of a fair value gain on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	As at 30 June 2019	As at 31 Dec 2018
	₦'million	₦'million
Foreign currency option – crude oil hedges	337	2,693

20. Contract assets

	As at 30 June 2019	As at 31 Dec 2018
	₦'million	₦'million
Revenue on gas sales	3,504	4,327

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 right to the receivables crytallises. The right to the unbilled receivables is recognised as a contract asset.

At the point where the final billing certificate is obtained from NGMC authorising the quantities, this will be reclassified from the contract assets to trade receivables.

20.1 Reconciliation of contract assets

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

	As at 30 June 2019	As at 31 Dec 2018
	₦'million	₦'million
Balance as at 1 January	4,327	4,217
Additions during the period	26,312	39,120
Receipts for the period	(27,134)	(39,027)
Exchange difference	(1)	17
Balance at the end of the period	3,504	4,327

Notes to the interim condensed consolidated financial statements continued

21. Cash and bank balances

Cash and bank balances in the statement of financial position comprise of cash at bank and on hand, fixed deposits with a maturity of three months or less and restricted cash balances.

	As at 30 June 2019	As at 31 Dec 2018
	₦'million	₦'million
Cash on hand	6	2
Restricted cash	1,763	1,049
Cash at bank	131,236	178,494
	133,005	179,545
Less: impairment allowance	(36)	(36)
	132,969	179,509

Included in the restricted cash balance 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 five (5) 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.

For the purpose of the statement of cashflows, cash and cash equivalents comprise the following:

	As at 30 June 2019	As at 30 June 2018
	₦'million	₦'million
Cash on hand	6	5
Cash at bank	131,200	155,976
	131,206	155,981

22. Share capital

22.1. Authorised and issued share capital

	As at 30 June 2019	As at 31 Dec 2018
	₦'million	₦'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		
568,775,216 (2018: 568,497,025) issued shares denominated in Naira of 50 kobo per share	286	286

The Group's issued and fully paid share capital as at the reporting date consists of 568,775,216 ordinary shares (excluding the additional shares held in trust) 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

	Number of shares	Issued share capital	Share based payment reserve	Total
	Shares	₦'million	₦'million	₦'million
Opening balance as at 1 January 2019	568,497,025	286	7,298	7,584
*Share based payments	278,191	-	1,610	1,610
Closing balance as at 30 June 2019	568,775,216	286	8,908	9,194

Notes to the interim condensed consolidated financial statements continued

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

22.3. Employee share based payment scheme

As at 30 June 2019, the Group had awarded 48,400,563 shares (2018: 40,410,644 shares) to certain employees and senior executives in line with its share based incentive scheme. Included in the share based incentive schemes are two additional schemes (2018 Deferred Bonus and 2019 LTIP Scheme) awarded during the reporting period. During the reporting period, 278,191 shares had vested (June 2018: No shares had vested).

23. Interest bearing loans & borrowings

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

	Borrowings due within 1 year ₦'million	Borrowings due above 1 year ₦'million	Total ₦'million
Balance as at 1 January 2019	3,031	133,799	136,830
Principal repayment	-	(30,690)	(30,690)
Interest repayment	(5,396)	-	(5,396)
Interest accrued	6,791	-	6,791
Transfers	8,569	(8,569)	-
Exchange differences	(240)	194	(46)
Carrying amount as at 30 June 2019	12,755	94,734	107,489

Interest bearing loans and borrowings include a revolving loan facility and senior notes. In March 2018 the Group issued ₦107 billion senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes are expected to mature in April 2023. The interest accrued up at the reporting date is ₦6.9 billion using an effective interest rate of 10.4%. Transaction costs of ₦2.1 billion have been included in the amortised cost balance at the end of the reporting period.

The Group entered into a four year revolving loan agreement with interest payable semi-annually and principal repayable on 31 December of each year. The revolving loan has an initial contractual interest rate of 6% +Libor (7.7%) and a settlement date of June 2022.

The interest rate of the facility is variable. The Group made a drawdown of ₦61 billion in March 2018. The interest accrued at the reporting period is ₦0.2 billion (June 2018: ₦4.1 billion) using an effective interest rate of 9.8% (June 2018: 8.99%). The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period. The amortised cost for the senior notes at the reporting period is ₦107.3 billion (June 2018: ₦106.8 billion).

In October 2018, the Group made principal repayments on the four-year revolving facility for a lump sum of ₦30.7 billion. The repayment was accounted for as a prepayment of the outstanding loan facility. The gross carrying amount of the facility was recalculated as the present value of the estimated future contractual cash flows that are discounted using the effective interest rate at the last reporting period. Gain or loss on modifications are recognised immediately as part of interest accrued on the facility. Transaction costs of ₦1.4 billion have been included in the amortised cost balance at the end of the reporting period. In the reporting period, the Group repaid the outstanding principal amount of ₦30.7 billion on the revolving loan facility.

Notes to the interim condensed consolidated financial statements continued

24. Trade and other payables

	As at 30 June 2019 ₦'million	As at 31 Dec 2018 ₦'million
Trade payables	11,483	12,073
Nigerian Petroleum Development Company (NPDC)	34,640	10,022
National Petroleum Investment Management Services (NAPIMS)	1,592	2,785
Accruals and other payables	51,548	53,296
Pension payable	122	107
NDDC levy	2,868	345
Royalties payable	6,054	8,732
	108,307	87,360

24.1. Accruals and other payables

Included in accruals and other payables are field-related accruals ₦27 billion (Dec 2018: ₦22 billion) and other vendor payables of ₦24 billion (Dec 2018: ₦31 billion). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

24.2. NPDC payables

NPDC payables relate to cash calls paid in advance in line with the Group's Joint operating agreement (JOA) on OML 4, OML 38 and OML 41.The outstanding NPDC receivables at the end of the reporting period was used to calculate the impairment losses for the year. The impairment losses was then netted against the outstanding receivables to arrive at a net receivables amount. At the end of the reporting period, this net receivables amount has been netted off against payables to NPDC as the Group has a right to offset.

24.3. NAPIMS payables

In 2018, NAPIMS receivables related to cash calls from its JOA with Seplat East Onshore. At the end of the reporting period, NAPIMS settled their cash calls in advance of the ongoing drilling operations. The amount advanced has therefore been recognised as a payable.

25. Contract liabilities

	As at 30 June 2019 ₦'million	As at 31 Dec 2018 ₦'million
Contract liabilities	1,821	-

Contract liabilities represents payments received from Azura in January 2019, for the 2018 take or pay volumes contracted and not utilized. In line with the contract, Azura can make a demand on the make up gas but only after they have taken and paid for the take or pay quantity for the current year. The deferred revenue is accrued for two years after which the ability to take the make up gas expires

25.1. Reconciliation of contract liabilities

	As at 30 June 2019 ₦'million	As at 31 Dec 2018 ₦'million
Balance as at 1 January	-	-
Additions during the period	1,821	-
Balance at the end of the period	1,821	-

Notes to the interim condensed consolidated financial statements continued

26. Computation of cash generated from operations

	Notes	Half year ended 30 June 2019 ₦'million	Half year ended 30 June 2018 ₦'million
Profit before tax:			
Continuing operations		36,956	37,099
Discontinued operations	12.1	977	(6)
Adjusted for:			
Depletion, depreciation and amortization		14,770	19,459
Depreciation of right-of-use assets		471	-
Interest on bank loans	14	6,791	11,722
Interest on lease liabilities	14	81	-
Interest on advance payments for crude oil sales	14	-	530
Unwinding of discount on provision for decommissioning liabilities	14	625	416
Finance income	14	(1,810)	(1,330)
Fair value(gain)/loss on contingent consideration	13	(5,674)	1,367
Fair value gain on derivatives	13	2,356	-
Unrealised foreign exchange gain	9	(403)	-
Share based payments expenses		2,045	1,609
Defined benefit expenses		405	389
Impairment/(reversal) of impairment loss on trade and other receivables	11	12,318	(529)
Gain on deconsolidation of subsidiary	12.2	(805)	-
Share of profit from joint venture accounted for using the equity method	17	(77)	-
Changes in working capital (excluding the effects of exchange differences):			
Trade and other receivables		(52,306)	34,349
Net working capital on loss of control of subsidiary		46,104	-
Prepayments		(9,382)	-
Contract assets		823	(4,238)
Trade and other payables		20,795	(25,799)
Contract liabilities		1,821	-
Inventories		2,167	(16)
Restricted cash		(714)	-
Net cash from operating activities		78,334	75,022

27. Related party relationships and transactions

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

27.1. Related party relationships

The services provided by the related parties:

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

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

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

Notes to the interim condensed consolidated financial statements continued

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

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

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

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

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

Shebah Petroleum Development Company Limited (BVI): The Chairman of Seplat is a director and shareholder of SPDCL (BVI). SPDCL (BVI) provided consulting services to Seplat.

The following transactions were carried by Seplat with related parties:

27.2. Related party relationships

Purchases of goods and services	Half year ended 30 June 2019 ₦'million	Half year ended 30 June 2018 ₦'million
Shareholders of the parent company		
SPDCL (BVI)	161	138
	161	138
Entities controlled by key management personnel:		
Contracts > $1million		
Nerine Support Services Limited	1,061	755
Montego Upstream Services Ltd	373	-
Stage Leasing Limited	323	233
Cardinal Drilling Services Limited	1,219	180
	2,976	1,168
Contracts < $1million		
Abbey Court trading Company Limited	172	128
Charismond Nigeria Limited	2	14
Keco Nigeria Enterprises	82	14
Oriental Catering Services Limited	31	-
	287	156
Total	**3,424**	**1,462**

* Nerine charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross i.e. it includes salaries and Nerine's mark-up. Total costs for agency and contracts during the half year ended 30 June 2019 was ₦79.57 million (2018: ₦56.63 million).

All other transactions were made on normal commercial terms and conditions, and at market rates.

Notes to the interim condensed consolidated financial statements continued

27.3. Balances

The following balances were receivable from or payable to related parties as at 30 June 2019:

Prepayments / receivables	As at 30 June 2019 ₦'million	As at 31 Dec 2018 ₦'million
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	1,710	1,495
Montego Upstream Services Limited	-	8
	1,710	**1,503**

Payables	As at 30 June 2019 ₦'million	As at 31 Dec 2018 ₦'million
Entities controlled by key management personnel		
Keco Nigeria Enterprises	-	19
Oriental Catering Services Ltd	-	14
Abbey Court Trading Company Limited	-	9
Stage Leasing Limited	-	13
	-	55

28. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities is ₦532 million (Dec 2018: ₦736 million). The contingent liability for the period ended 30 June 2019 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 Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

29. Dividend

A final dividend of ₦15.87 (2018: ₦15.83) per fully paid shares was paid in the period. The aggregate amount of the dividend has been paid out of retained earnings as a 30 June 2019.

30. Events after the reporting period

There were no significant events that would have a material effect on the Group after the reporting period.

31. Changes in accounting policies

This note explains the impact of adoption of IFRS 16: Leases on the Group's financial statements.

Leases

The Group's leased assets include buildings and land. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension options. The lease terms are between 1 and 5 years. On renewal of a lease, the terms are renegotiated. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognised as rentals in the statement of profit or loss and other comprehensive income on a straight-line basis and disclosed within general and administrative expenses over the period of the lease.

From 1 January 2019, on adoption of IFRS 16, leased assets are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group is also recognised. The Group elected to use the transition

Notes to the interim condensed consolidated financial statements continued

practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'). The Group had no low value leases on adoption of the new standard. Lease liabilities for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate of 7.56% as at that date.

Lease liabilities

At commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the weighted average interest rate applicable to the Group's general borrowings denominated in dollars during the period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The lease term refers to the contractual period of a lease.

The Group has elected to exclude non-lease components in calculating lease liabilities and instead treat the related costs as an expense in profit or loss.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Short-term leases and leases of low value

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. low value assets). Low-value assets are assets with lease amount of less than $5,000 when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

31.1. Impact of adoption

The new Leases standard, IFRS 16 replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. As discussed in Note 3.1, the Group has elected to apply the new standard using the simplified method. Accordingly, the information presented for the six months ended 30 June 2018 has not been restated but is presented, as previously reported, under IAS 17.

On adoption of IFRS 16, the lease liabilities as at 1 January 2019 for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at that date. The Group's weighted average incremental borrowing rates as at 1 January 2019 and 30 June 2019 was 7.56%.

Notes to the interim condensed consolidated financial statements continued

On adoption of the new accounting standard, the Group elected to apply the following practical expedients:

- The Group relied on previous assessment of existing lease contracts
- Leases with a remaining lease term of one year with no extension commitments as at 1 January 2019 were treated as short-term leases.
- The Group excluded initial direct costs in determining the cost of right-of-use assets
- The same discount rate was applied for a portfolio of leases with reasonably similar characteristics.

31.2. Impact on financial statements

a) Impact on statement of financial position

The following table summarises the impact of transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

There was no impact of adoption of IFRS 16 on retained earnings as at 1 January 2019.

	Amounts without impact of IFRS 16 ₦'million	Impact of IFRS 16 ₦'million	At as 1 January 2019 ₦'million
ASSETS			
Non-current assets			
Right-of-use assets	-	4,216	4,216
Prepayments	7,950	(274)	7,676
Total non-current assets	512,219	3,942	516,161
Current assets			
Prepayments	3,549	(1,802)	1,747
Total current assets	263,437	(1,802)	261,635
Total assets	775,656	2,140	777,796
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	-	1,902	1,902
Total non-current liabilities	184,808	1,902	186,710
Current liabilities			
Lease liabilities	-	238	238
Total current liabilities	99,376	238	99,614
Total liabilities	284,184	2,140	286,324

- ### Right-of-use assets

All the Group's right-of-use assets are non-current assets. A reconciliation of the Group's right-of-use assets as at 1 January 2019 and 30 June 2019 is shown below:

	₦'million
Opening balance as at 1 January 2019	-
Effect of initial application of IFRS 16	4,216
Adjusted opening balance as at 1 January 2019	4,216
Less: depreciation for the period	(471)
Closing balance as at 30 June 2019	3,745

Notes to the interim condensed consolidated financial statements continued

The right-of-use assets recognised as at 1 January 2019 and 30 June 2019 comprised of the following asset:

	As at 30 June 2019 ₦'million	As at 1 Jan 2019 ₦'million
Office buildings	3,745	4,216
Right-of-use assets	3,745	4,216

- ## Lease liabilities

A reconciliation of the Group's remaining operating lease payments as at 31 December 2018 and the lease liabilities as at 1 January 2019 and 30 June 2019 is shown below:

	₦'million
Total undiscounted operating lease commitment as at 31 December 2018	2,859
Lease liability as at 1 January 2019	2,140
Add: interest on lease liabilities	81
Closing balance as at 30 June 2019	2,221

The lease liability as at 1 January 2019 is the total operating lease commitment as at 31 December 2018 discounted using the incremental borrowing rate as at that date.

Short term leases relate to leases of residential buildings, car parks and office building with contractual lease term of less than or equal to 12 months at the date of initial application of IFRS 16. At the end of the reporting period, rental expense of ₦242 million was recognised within general and administrative expenses for these leases. The Group's future cash outflows from short term lease commitments at the end of the reporting period is ₦4.4 billion.

The Group's lease payments for drilling rigs are classified as variable lease payments. The variability arises because the lease payments are linked to the use of the underlying assets. These variable lease payments are therefore excluded from the measurement of the lease liabilities. At the end of the reporting period, there was no rental expense recognised within cost of sales for these leases. The expected future cash outflows arising from variable lease payments is estimated at ₦4.5 billion.

The Group's lease liability as at 1 January 2019 and 30 June 2019 is split into current and non-current portions as follows:

	As at 30 June 2019 ₦'million	As at 1 Jan 2019 ₦'million
Non-current	1,919	1,902
Current	302	238
Lease liability	2,221	2,140

b) Impact on the statement of profit or loss Increase/(decrease)

	Half year ended 30 June 2019 ₦'million	3 months ended 30 June 2019 ₦'million
Depreciation expense	(471)	(283)
Operating profit	(471)	(283)
Finance cost	(81)	(42)
Profit for the period	(552)	(325)

Notes to the interim condensed consolidated financial statements continued

c) Impact on the statement of cashflows (increase)

	Half year ended 30 June 2019	3 months ended 30 June 2019
	₦'million	₦'million
Depreciation of right-of-use assets	471	283
Interest on lease liabilities	81	42
Net cash flows from operating activities	552	325

d) Sensitivity to purchase options

In 2018, the Group entered into a lease agreement for its new head office building. The lease contract contains an option to purchase and right of first refusal upon an option of sales during the initial non-cancellable lease term of five (5) years. Management has determined that it is not reasonably certain that the Group will exercise the purchase option. Thus, the purchase price was not included in calculating the lease liability or right-of-use asset. The following tables summarise the impact that exercising the purchase option would have had on the profit before tax and net assets of the Group:

	Effect on profit before tax	Effect on profit before tax
	Half year ended 30 June 2019	3 months ended 30 June 2019
Impact of purchase option	₦'million	₦'million
Depreciation	278	139
Interest payment	(363)	(182)
	(85)	(43)

	30 June 2019
	Effect on net assets
Impact of purchase option	₦'million
Right-of-use assets	9,593
Lease liability	(10,318)
	(725)

e) Impact on segment assets and liabilities

The Group's assets are allocated to segments based on the operations and the geographical location of the assets. All non-current assets of the Group are domiciled in Nigeria. The changes in segment assets and liabilities for each segment as at 30 June 2019 is shown below:

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	₦'million	₦'million	₦'million
Segment assets:			
Oil	498,540	3,745	502,285
Gas	295,563	-	295,563
	794,103	3,745	797,848
Segment liabilities:			
Oil	155,999	2,221	158,220
Gas	117,792	-	117,792
	273,791	2,221	276,012

Notes to the interim condensed consolidated financial statements continued

f) Impact on earnings per share

As a result of adoption of IFRS 16, the earnings per share of the Group for the six months ended 30 June 2019 decreased as shown in the table below:

	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2019
	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	₦'million	₦'million	₦'million
Profit for the period	38,048	(552)	37,496
Earnings per share for profit attributable to the equity shareholders:			
Basic earnings per share	66.89	(0.97)	65.92
Diluted earnings per share	66.33	(0.97)	65.36

	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2019
	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	₦'million	₦'million	₦'million
Profit for the period	27,799	(325)	27,474
Earnings per share for profit attributable to the equity shareholders:			
Basic earnings per share	48.87	(0.57)	48.30
Diluted earnings per share	48.46	(0.57)	47.89

g) Impact on deferred taxes

As a result of adoption of IFRS 16, there were no impact on deferred taxes as interest expense on lease liabilities and depreciation of right-of-use assets give rise to permanent differences for tax purposes.

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 2019 ₦/$	30 June 2018 ₦/$	31 December 2018 ₦/$
Fixed assets – opening balances	Historical rate	Historical	Historical	Historical
Fixed assets - additions	Average rate	306.88	305.81	306.10
Fixed assets - closing balances	Closing rate	306.90	305.90	307.00
Non-current assets	Closing rate	306.90	305.90	307.00
Current assets	Closing rate	306.90	305.90	307.00
Current liabilities	Closing rate	306.90	305.90	307.00
Equity	Historical rate	Historical	Historical	Historical
Income and Expenses:	Overall Average rate	306.88	305.81	306.10

Half-yearly results

For the six months ended 30 June 2019 (expressed in US Dollars)

30 July 2019

Seplat Petroleum Development Company Plc

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

for the half year ended 30 June 2019

		Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
		Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations	Notes	$'000	$'000	$'000	$'000
Revenue from contracts with customers	7	355,086	342,676	195,569	162,088
Cost of sales	8	(148,053)	(168,364)	(69,975)	(80,636)
Gross profit		207,033	174,312	125,594	81,452
Other income - net	9	8,615	27,769	24,962	17,253
General and administrative expenses	10	(42,084)	(38,470)	(21,650)	(22,025)
(Impairment)/reversal of losses on financial assets - net	11	(40,136)	1,730	(40,280)	(456)
Fair value gain/(loss) - net	13	5,655	(6,954)	17,885	(1,301)
Operating profit		139,083	158,387	106,511	74,923
Finance income	14	5,901	4,351	3,334	2,922
Finance costs	14	(24,795)	(41,424)	(8,873)	(15,029)
Share of profit from joint venture accounted for using the equity method	17	254	-	254	-
Profit before taxation		120,443	121,314	101,226	62,816
Taxation		(1,426)	(72,753)	(14,677)	(34,500)
Profit from continuing operations		119,017	48,561	86,549	28,316
Profit/(loss) from discontinued operation	12.1	3,182	(17)	2,974	(329)
Profit for the period		122,199	48,544	89,523	27,987
Other comprehensive income:					
Items that may be reclassified to profit or loss (net of tax):		-	-	-	-
Total comprehensive income from continuing operations		119,017	48,561	86,549	28,316
Total comprehensive income from discontinuing operations		3,182	(17)	2,974	(329)
Total comprehensive income for the period		122,199	48,544	89,523	27,987

Earnings per share from continuing operations					
Basic earnings per share from continuing operations ($)	16	0.21	0.09	0.15	0.05
Diluted earnings per share from continuing operations ($)	16	0.20	0.08	0.15	0.05
Earnings per share for the period					
Basic earnings per share ($)	16	0.21	0.09	0.16	0.05
Diluted earnings per share($)	16	0.21	0.08	0.15	0.05

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 2019

		As at 30 June 2019	As at 31 Dec 2018
		Unaudited	Audited
	Notes	$'000	$'000
Assets			
Non-current assets			
Oil and gas properties		1,240,927	1,301,220
Other property, plant and equipment		4,925	4,237
Right of use assets	31	12,201	-
Investment in joint venture	17	150,270	-
Other asset		150,363	167,100
Tax paid in advance		31,623	31,623
Prepayments		57,775	25,893
Deferred tax assets	15.3	139,724	138,393
Total non-current assets		1,787,808	1,668,466
Current assets			
Inventories		95,529	102,554
Trade and other receivables	18	267,167	136,393
Contract assets	20	11,418	14,096
Prepayments		3,416	11,561
Derivative financial instruments	19	1,098	8,772
Cash and bank balances	21	433,261	584,723
Total current assets		811,889	858,099
Total assets		2,599,697	2,526,565
Equity and liabilities			
Equity			
Issued share capital	22.1	1,834	1,834
Share premium		497,457	497,457
Share based payment reserve		34,166	27,499
Capital contribution		40,000	40,000
Retained earnings		1,123,741	1,030,954
Foreign currency translation reserve		3,141	3,141
Total shareholders' equity		1,700,339	1,600,885
Non-current liabilities			
Interest bearing loans & borrowings	23	308,683	435,827
Lease liabilities	31	6,253	-
Contingent consideration		-	18,489
Provision for decommissioning obligation		143,771	141,737
Defined benefit plan		7,245	5,923
Total non-current liabilities		465,952	601,976
Current liabilities			
Interest bearing loans and borrowings	23	41,561	9,872
Lease liabilities	31	983	-
Trade and other payables	24	352,905	284,565
Contract liabilities	25	5,932	-
Current tax liabilities		32,025	29,267
Total current liabilities		433,406	323,704
Total liabilities		899,358	925,680
Total shareholders' equity and liabilities		2,599,697	2,526,565

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

Interim condensed consolidated statement of financial position
continued

As at 30 June 2019

The Group financial statements of Seplat Petroleum Development Company Plc and its subsidiaries for the half year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 30 July 2019 and were signed on its behalf by

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
30 July 2019

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
30 July 2019

R.T. Brown
FRC/2014/ANAN/00000017939
Chief Financial Officer
30 July 2019

Interim condensed consolidated statement of changes in equity continued

for the half year ended 30 June 2019

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2018	1,826	497,457	17,809	40,000	944,108	1,897	1,503,097
Impact of change in accounting policy:							
Adjustment on initial application of IFRS 9	-	-	-	-	(5,816)	-	(5,816)
Adjusted balance at 1 January 2018	1,826	497,457	17,809	40,000	938,292	1,897	1,497,281
Profit for the period	-	-	-	-	48,544	-	48,544
Total comprehensive loss for the period	-	-	-	-	48,544	-	48,544
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	(29,425)	-	(29,425)
Share based payments	-	-	5,261	-	-	-	5,261
Issue of shares	8	-	(8)	-	-	-	-
Total	8	-	5,253	-	(29,425)	-	(24,164)
At 30 June 2018 (unaudited)	1,834	497,457	23,062	40,000	957,411	1,897	1,521,661

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Total equity
	$'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:							
Dividend 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

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 flow

for the half year ended 30 June 2019

	Notes	Half year ended 30 June 2019 $'000 Unaudited	Half year ended 30 June 2018 $'000 Unaudited
Cash flows from operating activities			
Cash generated from operations	26	255,235	245,355
Net cash inflows from operating activities		255,235	245,355
Cash flows from investing activities			
Investment in oil and gas properties		(26,128)	(21,157)
Investment in other property, plant and equipment		(1,954)	-
Proceeds from disposal of other property, plant and equipment		-	4
Proceeds from sale of other assets		16,737	14,744
Investment in joint venture		(103,050)	-
Cash on loss of control of subsidiary	12.3	(154,240)	-
Interest received		5,901	4,351
Net cash used in investing activities		(262,734)	(2,058)
Cash flows from financing activities			
Repayments of loans	23	(100,000)	(578,000)
Proceeds from loans		-	535,045
Dividend paid		(29,412)	(29,425)
Principal repayments on crude oil advance		-	(75,769)
Interest repayments on crude oil advance		-	(1,730)
Payments for other financing charges		-	(1,518)
Interest paid on bank financing	23	(17,583)	(19,205)
Net cash used in financing activities		(146,995)	(170,602)
Net decrease/(increase) in cash and cash equivalents		(154,494)	72,695
Cash and cash equivalents at beginning of period	21	581,305	437,212
Effects of exchange rate changes on cash and cash equivalents		707	-
Cash and cash equivalents at end of period		427,518	509,907

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.

The Company's registered address is: 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

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

OML 4, OML 38 and OML 41 located in Nigeria. The total purchase price for these assets was $340 million paid at the completion of the acquisition on 31 July 2010.

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 percent 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. 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, from Chevron Nigeria Ltd for $259.4 million.

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

In order to fund the development of the ANOH gas processing plant, on 13 August 2018, the Group entered into a shareholder's agreement with Nigerian Gas Processing and Transportation Company (NGPTC). Funding is to be provided by both parties in equal proportion representing their ownership share and will be used to subscribe for the ordinary shares in ANOH. The agreement was effective on 18 April 2019, which was the date the Corporate Affairs Commission (CAC) approval was received.

Given the change in ownership structure, the Group no longer exercises control and has now deconsolidated ANOH in the consolidated financial statements. However, its retained interest qualifies as a joint arrangement and has been recognised accordingly as investment in joint venture.

The Company together with its five wholly owned subsidiaries namely, Newton Energy Limited, Seplat Petroleum Development Company UK Limited ('Seplat UK'), Seplat East Onshore Limited ('Seplat East'), Seplat East Swamp Company Limited ('Seplat Swamp') and Seplat Gas Company Limited ('Seplat gas') are collectively referred to as the Group.

Subsidiary	Date of incorporation	Country of incorporation and place of business	Principal activities
Newton Energy Limited	1 June 2013	Nigeria	Oil & gas exploration and production
Seplat Petroleum Development Company UK Limited	21 August 2014	United Kingdom	Technical, liaison and administrative support services relating to oil & gas exploration and production
Seplat East Onshore Limited	12 December 2014	Nigeria	Oil & gas exploration and production
Seplat East Swamp Company Limited	12 December 2014	Nigeria	Oil & gas exploration and production
Seplat Gas Company	12 December 2014	Nigeria	Oil & gas exploration and production and gas processing

Notes to the interim condensed consolidated financial statements continued

2. Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 30 June 2019:

- The Group's interest bearing borrowings included a four year revolving loan facility of $200 million. In October 2018, the Group made principal repayments on the four-year revolving facility for a lump sum of $100 million. In the reporting period, the Group repaid the outstanding principal amount of $100 million on the revolving loan facility.

- The Group changed the ownership structure of its wholly owned subsidiary, ANOH Gas Processing Company Limited on 18 April 2019 as a result of NGPTC's equity investment. Subsequently, the Group has deconsolidated ANOH in its financial statements and its retained interest has been recognised as an investment in joint venture.

- The Group adopted the new leasing standard IFRS 16 Leases (see Note 31).

3. Summary of significant accounting policies

3.1 Basis of preparation

i) Compliance with IFRS

The interim condensed consolidated financial statements of the Group for the half year reporting period ended 30 June 2019 have been prepared in accordance with accounting standard IAS 34 Interim financial reporting.

This interim condensed consolidated financial statements does not include all the notes normally included in the annual financial statements of the Group. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Group during the interim reporting period.

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 standards which are set out below.

ii) Historical cost convention

The financial information has been prepared under the going concern assumption and historical cost convention, except for derivate financial instruments measured at fair value through profit or loss on initial recognition. The financial statements are presented in Nigerian Naira and United States Dollars, and all values are rounded to the nearest million (₦'million) and thousand ($'000) respectively, except when otherwise indicated.

iii) Going concern

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

iv) New and amended standards adopted by the Group

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

a. IFRS 16 Leases

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

Notes to the interim condensed consolidated financial statements continued

The adoption of IFRS 16 resulted in the recognition of right-of-use assets and corresponding lease liabilities for leases that were formerly classified as operating leases under the provisions of IAS 17, with the exception of the Group's short-term leases, as the distinction between operating and finance leases has been removed. The impact of the adoption of this standard and the related new accounting policy are disclosed in Note 31.

b. Amendments to IAS 19 Employee benefit

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

c. Amendments to IAS 23 Borrowing costs

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

d. Amendments to IFRS 11 Joint arrangements

These amendments were issued in December 2017. These amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. In addition to clarifying when a previously held interest in a joint operation is remeasured, the amendments also provide further guidance on what constitutes the previously held interest. This is the entire previously held interest in the joint operation. These amendments had no impact on the consolidated financial statements of the Group as at the reporting date.

e. Amendments to IAS 12 Income taxes

These amendments were issued in December 2017. These amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits. In effect, the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. These amendments had no impact on the consolidated financial statements of the Group as at the reporting date.

f. Amendments to IFRS 9 Prepayment features with negative compensation

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

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

These amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

Notes to the interim condensed consolidated financial statements continued

h. IFRIC 23 Uncertainty over income tax treatment

This interpretation was issued in June 2017. IAS 12 Income taxes specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in IAS 12 based on applicable tax laws. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the tax authority may affect an entity's accounting for a current or deferred tax asset or liability.

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. This interpretation had no impact on the consolidated financial statements of the Group as at the reporting date.

v) New standards, amendments and interpretations not yet adopted

The following standards and amendments are issued but not yet effective and may have a significant impact on the Group's consolidated financial statements.

a. Conceptual framework for financial reporting – Revised

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

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

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

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

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

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

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

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

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

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2018 except:

Notes to the interim condensed consolidated financial statements continued

3.2.1. Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has a joint venture (ANOH Gas Processing Company Limited) in which it has joint control with Nigerian Gas Processing and Transportation Company.

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

3.2.2. Equity method

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

Where the Group's share of loss in a joint venture equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other party to the joint venture.

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

The carrying amount of joint venture investments is tested for impairment.

3.2.3. Change in ownership interest of subsidiary

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company using consistent accounting policies.

3.2.4. Accounting for loss of control

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

- deconsolidates the assets (including goodwill), liabilities and non-controlling interest (including attributable other comprehensive income) former subsidiary from the consolidated financial position.
- any retained interest (including amounts owed by and to the former subsidiary) in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or a joint venture.
- any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings if required by other IFRSs.
- the resulting gain or loss, on loss of control, is recognised together with the profit or loss from the discontinued operation for the period before the loss of control.
- the gain or loss on disposal will comprise of the gain attributable to the portion disposed off and the remeasurement of the portion retained. The latter is disclosed separately in the notes to the financial statements.

Notes to the interim condensed consolidated financial statements continued

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

3.3 Functional and presentation currency

Items included in the financial statements of the Company and the 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 for the UK subsidiary which is the Great Britain Pound. The interim condensed consolidated financial statements are presented in the Nigerian Naira and the US Dollars.

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

i) Transactions and balances

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

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 reporting date.
- income and expenses for each statement of profit or loss and statement of 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 respective exchange rates that existed on 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.

4. Significant accounting judgements, estimates and assumptions

4.1 Judgements

Management's judgements at the end of the half year are consistent with those disclosed in the recent 2018 Annual financial statements. The following are some of the judgements which have the most significant effect on the amounts recognised in this consolidated financial statements.

i) OMLs 4, 38 and 41

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

ii) Deferred tax asset

Deferred 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.

Notes to the interim condensed consolidated financial statements continued

iii) Lease liability

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

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

iv) Lease term

Management assessed that the purchase option in its head office lease's contract would not be exercised. If management had assessed that it will be reasonably certain that the purchase option will be exercised, the lease term used for depreciating the right-of-use-asset will have been be fifty (50) years rather than the non-cancellable lease term of five (5) years. For the lease contracts, the Group assessed that it could not reasonably determine if the leases would be renewed at the end of the lease term. As a result, the lease term used in determining the lease liability was the contractual lease term. The sensitivity of the Group's profit and net assets to purchase options is disclosed in Note 31.

v) Defined benefit plan

The Group has placed reliance on the actuarial valuation carried at the year end 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.

vi) 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 obligation

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 the customer 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.

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.

Notes to the interim condensed consolidated financial statements continued

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 2018 annual financial statements.

The following are some of the estimates and assumptions made.

i) Defined benefit plans

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

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The parameter most subject to change is the discount rate.

In determining the appropriate discount rate, management considers market yield on federal government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

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

ii) 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.

iii) 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. The Group has placed reliance on the assumptions used at the year end reporting period as it does not expect material differences for current period assumptions.

iv) Classification of joint arrangements

The joint venture arrangement in relation to ANOH requires the unanimous consent from the controlling parties for all the relevant activities. The parties to the arrangement have rights to the net assets (not direct rights to the assets or joint obligation for the liabilities incurred by the arrangement) of ANOH. The entity is therefore classified as a joint venture and the Group recognises its share of the net assets/(liabilities) as described in Note 3.2.1.

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.

Notes to the interim condensed consolidated financial statements continued

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 relevant cash outflows to mitigate any potential exchange risk.
Market risk - commodity prices	Derivative financial instruments	Sensitivity analysis	Oil price hedges
Credit risk	Cash and bank balances, trade receivables, contract assets 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. Liquidity risk

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

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

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

	Effective interest rate	Less than 1 year	1 -2 years	2 - 3 years	3 - 5 years	Total
	%	$ '000	$ '000	$ '000	$ '000	$ '000
30 June 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	34,830	34,931	35,151	376,536	481,448
Other non - derivatives						
Trade and other payables**		170,383	-	-	-	170,383
Lease liabilities	7.56%	-	2,757	3,106	4,658	10,521
		205,213	37,688	38,257	381,194	662,352

Notes to the interim condensed consolidated financial statements continued

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

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

5.1.2. Credit risk

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

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).

The credit risk on cash and bank balances 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.

Notes to the interim condensed consolidated financial statements continued

5.2 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 2019	As at 31 Dec 2018	As at 30 June 2019	As at 31 Dec 2018
	$ '000	$ '000	$ '000	$ '000
Financial assets at amortised cost				
Trade and other receivables*	136,910	95,982	136,910	95,982
Contract assets	11,418	14,096	11,418	14,096
Cash and bank balances	433,261	584,723	433,261	584,723
	581,589	694,801	581,589	694,801
Financial assets at fair value				
Derivative financial instruments	1,098	8,772	1,098	8,772
	1,098	8,772	1,098	8,772
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	349,468	445,699	382,267	466,314
Contingent consideration	-	18,489	-	18,489
Trade and other payables	172,214	156,847	172,214	156,847
	521,682	621,035	554,481	641,650

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

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

Trade and other payables (excludes non-financial liabilities such as provisions, taxes, pension and other non-contractual payables), trade and other receivables (excluding prepayments, VAT receivables, cash advance and advance payments), 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.

5.2.1. Fair Value Hierarchy

As at the reporting period, the Group had classified its financial instruments into the three levels prescribed under the accounting standards. These are all recurring fair value measurements. There were no transfers of financial instruments between fair value hierarchy levels during this second quarter.

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 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 derivative financial instruments are in level 1 and interest-bearing loans and borrowings are in level 2. The carrying amounts of the other financial instruments are the same as their fair values.

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 Finance Manager (FM) who reports to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the FM and the valuation team at least once every quarter, in line with the Group's quarterly reporting periods.

Notes to the interim condensed consolidated financial statements continued

6. Segment reporting

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

For the half year ended 30 June 2019, revenue from the gas segment of the business constituted 40% 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 also its cash flows, will be largely independent of other business units within Seplat, it is regarded as a separate segment.

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

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

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

6.1 Segment profit disclosure

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Oil	(7,582)	(5,408)	(4,137)	(6,578)
Gas	126,599	53,969	90,686	34,894
Total profit after tax	119,017	48,561	86,549	28,316

	Oil			
	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Revenue				
Crude oil sale	216,020	257,332	98,252	116,297
Operating profit before depreciation, amortisation and impairment	55,572	143,944	37,926	50,875
Depreciation, amortisation and impairment	(43,088)	(55,240)	(22,101)	(26,560)
Operating profit	12,484	88,704	15,825	24,315
Finance income	5,901	4,351	3,334	2,922
Finance expenses	(24,795)	(41,424)	(8,873)	(15,029)
Share of profit from joint venture accounted for using equity accounting	254	-	254	-
(Loss)/profit before taxation	(6,156)	51,631	10,540	12,208
Income tax expense	(1,426)	(57,039)	(14,677)	(18,786)
Loss for the period	(7,582)	(5,408)	(4,137)	(6,578)

Notes to the interim condensed consolidated financial statements continued

Gas

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Revenue				
Gas sale	72,176	85,344	30,427	45,791
Gas tolling	66,890	-	66,890	-
	139,066	85,344	97,317	45,791
Operating profit before depreciation, amortisation and impairment	133,177	78,075	94,154	54,983
Depreciation, amortisation and impairment	(6,578)	(8,392)	(3,468)	(4,375)
Operating profit	126,599	69,683	90,686	50,608
Finance income	-	-	-	-
Finance expenses	-	-	-	-
Profit before taxation	126,599	69,683	90,686	50,608
Income tax expense	-	(15,714)		(15,714)
Profit for the period	126,599	53,969	90,686	34,894

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 2019	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2018	Half year ended 30 June 2018	Half year ended 30 June 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical market						
Nigeria	22,784	139,066	161,850	9,110	85,344	94,454
Switzerland	193,236	-	193,236	248,222	-	248,222
Revenue	216,020	139,066	355,086	257,332	85,344	342,676
Timing of revenue recognition						
At a point in time	216,020	-	216,020	257,332	-	257,332
Over time	-	139,066	139,066	-	85,344	85,344
Revenue	216,020	139,066	355,086	257,332	85,344	342,676

	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2018	3 months ended 30 June 2018	3 months ended 30 June 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical market						
Nigeria	10,841	97,317	108,158	7,179	45,791	52,970
Switzerland	87,411	-	87,411	109,118	-	109,118
Revenue	98,252	97,317	195,569	116,297	45,791	162,088
Timing of revenue recognition						
At a point in time	98,252	-	98,252	116,297	-	116,297
Over time	-	97,317	97,317	-	45,791	45,791
Revenue	98,252	97,317	195,569	116,297	45,791	162,088

The Group's transactions with its major customer, Mercuria, constitutes more than 10% ($87 million) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC and Azura ($53 million and $22 million) accounted for more than 10% of the total revenue from the gas segment and the Group as a whole.

Notes to the interim condensed consolidated financial statements continued

6.1.2 (Impairment)/reversal of losses by reportable segments

	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2018	Half year ended 30 June 2018	Half year ended 30 June 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Impairment losses recognised during the period	(161)	-	(161)	(135)	-	(135)
Reversal of previous impairment losses	-	378	378	1,865	-	1,865
Write-off of impairment losses	(40,353)	-	(40,353)	-	-	-
	(40,514)	378	(40,136)	1,730	-	1,730

	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2018	3 months ended 30 June 2018	3 months ended 30 June 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Impairment losses recognised during the period	(161)	-	(161)	(456)	-	(456)
Reversal of previous impairment losses	-	234	234	-	-	-
Write-off of impairment losses	(40,353)	-	(40,353)	-	-	-
	(40,514)	234	(40,280)	(456)	-	(456)

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. The total reportable segment's assets are the same with the total Group's asset because the assets of the discontinued operations have been deconsolidated.

	Oil	Gas	Total
Total segment assets	$'000	$'000	$'000
30 June 2019	1,636,640	963,057	2,599,697
31 December 2018	2,029,374	497,191	2,526,565

6.3 Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment. The total reportable segment's liabilities are the same with the total Group's liabilities because the assets of the discontinued operations have been deconsolidated.

	Oil	Gas	Total
Total segment liabilities	$'000	$'000	$'000
30 June 2019	515,546	383,812	899,358
31 December 2018	838,971	86,709	925,680

Notes to the interim condensed consolidated financial statements continued

7. Revenue from contracts with customers

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Crude oil sales	216,020	257,332	98,252	116,297
Gas sales	72,176	85,344	30,427	45,791
Gas tolling	66,890	-	66,890	-
	355,086	342,676	195,569	162,088

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

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

8. Cost of sales

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Crude handling	25,158	29,231	10,624	14,299
Royalties	49,778	62,322	22,883	30,420
Depletion, Depreciation and Amortisation	46,864	60,794	24,033	29,067
Nigeria Export Supervision Scheme (NESS) fee	238	-	135	-
Niger Delta Development Commission	4,110	3,521	2,054	1,825
Rig related Expenses	-	38	-	13
Operations & Maintenance Costs	21,905	12,458	10,246	5,012
	148,053	168,364	69,975	80,636

9. Other income - net

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Underlift	5,654	27,741	21,520	19,150
Gains/(losses) on foreign exchange	1,312	28	1,793	(1,897)
Tariffs	1,649	-	1,649	-
	8,615	27,769	24,962	17,253

Shortfalls may exist between the crude oil lifted and sold to customers during the period and the participant's 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 to the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss as other income. Gains or losses on foreign exchange are principally as a result of translation of naira denominated monetary assets and liabilities.

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

Notes to the interim condensed consolidated financial statements continued

10. General and administrative expenses

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Depreciation of other property plant and equipment	1,266	2,838	613	1,868
Depreciation of right-of-use assets	1,536	-	923	-
Employee benefits	18,391	15,129	11,906	7,019
Professional and consulting fees	8,940	7,886	2,437	4,332
Auditor's remuneration	42	186	42	64
Directors emoluments (executive)	977	639	324	356
Directors emoluments (non-executive)	1,587	1,632	812	980
Rentals	789	981	401	614
Flights and other travel costs	3,596	2,352	1,462	1,554
Other general expenses	4,960	6,827	2,730	5,238
	42,084	38,470	21,650	22,025

Directors' emoluments have been split between executive and non-executive directors. There were no non-audit services rendered by the Group's auditors during the period. (2018: nil)

Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others. Share based payment expenses are included in the employee benefits expense.

Rentals for the six months ended 30 June 2019 relate to expenses on short term leases for which no right-of-use assets and lease liability were recognised on application of IFRS 16. See Note 31 for further details.

11. (Impairment)/reversal of losses on financial assets - net

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Impairment losses:				
Impairment loss on trade receivables	(161)	-	(161)	-
Impairment loss on NAPIMS receivables	-	(135)	-	(286)
	(161)	(135)	(161)	(286)
Reversal of impairment losses:				
Reversal of/(impairment) loss on NPDC receivables	-	1,865	-	(170)
Reversal of impairment loss on other receivables	378	-	234	-
	378	1,865	234	(170)
Write-off of impairment losses:				
Write-off of NPDC receivables	(40,353)	-	(40,353)	-
	(40,136)	1,730	(40,280)	(456)

The reversal of previously recognised impairment losses on other receivables is due to settlement of the outstanding receivables amount.

12. Discontinued operation

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

Notes to the interim condensed consolidated financial statements continued

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

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

ANOH was deconsolidated with effect from 18 April 2019 and is reported in the current period as a discontinued operation. The details of the deconsolidation of ANOH have been disclosed in Note 1 (corporate structure and business), Note 2 (significant changes in the current reporting period) and Note 4 (significant accounting judgements, estimates and assumptions. Financial information relating to the discontinued operation for the period to the date of deconsolidation is set out below:

12.1. Financial performance and cash flow information

The financial performance and cash flow information for the six months ended 30 June 2019 (effectively 1 January 2019 – 18 April 2019), the three months ended 30 June 2019 (effectively 1 April 2019 – 18 April 2019) and the respective comparative periods, that is, six months ended 30 June 2018 and three months ended 30 June 2018 are presented below:

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Revenue	-	-	-	-
General and administrative expenses	(36)	(12)	(25)	(379)
(Loss)/gain on foreign exchange	(22)	(5)	26	50
Finance income - net	620	-	353	-
Profit/(loss) before taxation	562	(17)	354	(329)
Taxation	-	-	-	
Profit/(loss) from discontinued operation	562	(17)	354	(329)
Gain on deconsolidation of subsidiary (Note 12.2)	2,620	-	2,620	-
Profit/(loss) from discontinued operation	3,182	(17)	2,974	(329)
Net cash inflow from operating activities	159,533	4,397	-	-
Net cash outflows from investing activities	(5,893)	(4,596)	-	-
Net cash outflows from financing activities	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	153,640	(199)	-	-

12.2. Gain on deconsolidation of subsidiary

	Half year ended 30 June 2019
	$'000
Purchase consideration	-
Add: fair value of 50% retained interest	16
Less: Net liabilities derecognised (Note 12.3)	2,604
	2,620

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

Notes to the interim condensed consolidated financial statements continued

Gain on portion sold

	Half year ended 30 June 2019
	$'000
Purchase consideration	-
Group's share of net liabilities disposed	1,302
	1,302

12.2.1. Gain on remeasurement of retained interest

	Half year ended 30 June 2019
	$'000
Purchase consideration	-
Fair value of retained interest	16
Group's share of net liabilities retained	1,302
	1,318

The fair value of the retained interest in ANOH was determined to be $0.003 per share. This is based on the premise that the value of the Company is the same as its issued share capital. ANOH has not entered into any lease arrangements. Therefore, the adoption of IFRS 16 did not have an impact on the Group's discontinued operations.

12.3. Net liabilities derecognised

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

	As at 18 April 2019
	$'000
Non-current assets:	
Oil and gas properties	39,557
Current assets:	
Trade and other receivables	711
Prepayments	71
Cash & bank balances	154,240
Total assets	194,579
Current liabilities:	
Trade and other payables	197,183
Total liabilities	197,183
Net liabilities derecognised	2,604

13. Fair value gain/(loss) - net

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Cost of hedging	(5,160)	(2,484)	-	(1,242)
Unrealised fair value loss on derivatives	(7,674)	-	(644)	-
Fair value gain/(loss) on contingent consideration	18,489	(4,470)	18,529	(59)
	5,655	(6,954)	17,885	(1,301)

Fair value loss on derivatives represents changes arising from the valuation of the crude oil economic hedge contracts charged to profit or loss.

Notes to the interim condensed consolidated financial statements continued

In 2018, fair value loss on contingent consideration was in relation to the remeasurement of contingent consideration on the Group's acquisition of participating interest in OML 53. The contingency criteria was set on oil price rising above $90/bbl over a one-year period and expiring on 31 January 2020. The production milestone was not achieved during the reporting period, and as a result, the contingent consideration has been derecognised.

14. Finance income/ (costs)

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Finance income				
Interest income	5,901	4,351	3,334	2,922
Finance costs				
Interest on bank loan	(22,128)	(38,334)	(7,719)	(14,301)
Other financing charges	(369)	-	-	-
Interest on lease liabilities	(264)	-	(137)	-
Interest on advance payments for crude oil sales	-	(1,730)	-	-
Unwinding of discount on provision for decommissioning	(2,034)	(1,360)	(1,017)	(728)
	(24,795)	(41,424)	(8,873)	(15,029)
Finance cost - net	(18,894)	(37,073)	(5,539)	(12,107)

Finance income represents interest on 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.

15. 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 rates used for the period to 30 June 2019 were 85% and 65.75% for crude oil activities and 30% for gas activities. As at 31 December 2018, the applicable tax rates were 85%, 65.75% for crude oil activities and 30% for gas activities.

The effective tax rate for the reporting period was 1.18% (June 2018: 60%).

15.1. Unrecognised deferred tax assets

The unrecognised deferred tax assets relates to the Group's subsidiaries and will be recognised once the entities return to profitability. There are no expiration dates for the unrecognized deferred tax assets.

	As at 30 June 2019	As at 30 June 2019	As at 31 Dec 2018	As at 31 Dec 2018
	$'000	$'000	$'000	$'000
	Gross amount	Tax effect	Gross amount	Tax effect
Other deductible temporary differences	47,969	36,138	58,288	36,502
Tax gains/(losses)	18,088	6,211	33,303	19,580
	66,057	42,349	91,591	56,082

Other deductible temporary differences relate to temporary differences arising from unutilised capital allowance, provision for decommissioning obligation, deferred benefit plan, share based payment reserve, unrealized foreign exchange gain/(loss), other income and trade and other receivables.

15.2. Unrecognised deferred tax liabilities

There were no temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability would have been recognised in the periods presented.

Notes to the interim condensed consolidated financial statements continued

15.3. Deferred tax assets

	Balance at 1 January 2019	Charged/credited to profit or loss	Balance at 30 June 2019
	$'000	$'000	$'000
Tax losses	-		
Other cumulative differences:			
Fixed assets	(280,282)	(42,185)	(322,467)
Unutilised capital allowance	379,592	46,220	425,812
Provision for decommissioning obligation	2,674	(2,674)	-
Defined benefit plan	5,035	1,174	6,209
Share based payment reserve	10,778	5,668	16,446
Unrealised foreign exchange loss on trade and other receivables	4,123	(14,344)	(10,221)
Other income	17,159	(5,420)	11,739
Impairment provision on trade and other receivables	6,771	5,435	12,206
Derivative financial instruments	(7,456)	7,456	-
	138,394	1,330	139,724

16. Earnings per share (EPS)

Basic

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

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 period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (arising from outstanding share awards in the share based payment scheme) into ordinary shares.

	Half year ended 30 June 2019	Half year ended 30 June 2018	3 months ended 30 June 2019	3 months ended 30 June 2018
	$'000	$'000	$'000	$'000
Profit from continuing operations	119,017	48,561	86,549	28,316
Profit/(loss) from discontinued operations	3,182	(17)	2,974	(329)
Profit for the period	122,199	48,544	89,523	27,987
	Share '000	Share '000	Share '000	Share '000
Weighted average number of ordinary shares in issue	568,775	568,497	568,775	568,497
Share awards	17,016	3,838	17,016	3,838
Weighted average number of ordinary shares adjusted for the effect of dilution	585,791	572,335	585,791	572,335
	$	$	$	$
Earnings per share from continuing operations				
Basic earnings per share	0.21	0.09	0.15	0.05
Diluted earnings per share	0.20	0.08	0.15	0.05
Earnings per share for the period				
Basic earnings per share	0.21	0.09	0.16	0.05
Diluted earnings per share	0.21	0.08	0.15	0.05

The shares were weighted for the proportion of the number of months they were in issue during the reporting period.

Notes to the interim condensed consolidated financial statements continued

17. Interest in other entities

17.1. Investment in subsidiaries

The Group's principal subsidiaries as at 30 June 2019 are set out in Note 1. Unless otherwise stated, their share capital consists solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

There were no significant judgements made in consolidating these entities. Also, there were no significant restrictions on any of the entities.

17.2. Interest in joint venture

The revised shareholders agreement between the Group and Nigerian Gas Processing and Transportation Company (ANOH) requires both parties to have equal shareholding in ANOH. With the change in the ownership structure, the Group has reassessed its retained interest in ANOH and determined that it has joint control. The Group's interest in ANOH is accounted for in the consolidated financial statements using the equity method.

Set below is the information on the material joint venture of the Group, ANOH. The Company has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The Company is a private entity hence no quoted price is available.

As at the reporting period, the Group had no capital commitment neither had it incurred any contingent liabilities jointly with its joint venture partner.

		Percentage of ownership interest		Carrying amount	
Name of entity	Country of incorporation and place of business	As at 30 June 2019	As at 30 June 2018	As at 30 June 2019	As at 30 June 2018
		%	%	$'000	$'000
ANOH Gas Processing Company Limited	Nigeria	50	100	150,270	33

The tables below provide summarised financial information for ANOH. The information disclosed reflects the amounts presented in the financial statements of ANOH and not the Group's share of those amounts.

Notes to the interim condensed consolidated financial statements continued

17.2.1. Summarised statement of financial position of ANOH

	As at 30 June 2019 $'000
Current assets:	
Cash and bank balances	254,308
Other current assets	6,288
Total current assets	260,596
Non-current assets	65,332
Current liabilities:	
Financial liabilities (excluding trade payables)	25,998
Other current liabilities	2,026
Total liabilities	28,024
Net asset	297,904
Reconciliation to carrying amounts:	
Opening net liability as at 18 April 2019	(2,604)
Profit for the period	508
Share issue	300,000
Dividends paid	-
Closing net assets	297,904
Group's share (%)	50%
Group's share of net assets ($'000)	148,952
Remeasurement of retained interest (Note 12.2.2)	1,318
Carrying amount ($'000)	150,270

17.2.2. Summarised statement of profit or loss and other comprehensive income of ANOH

	2 months ended 30 June 2019 $'000
Revenue	-
Cost of sales	-
General and administrative expenses	(50)
Finance income – net	558
Profit before taxation	508
Taxation	-
Profit for the period	508
Group's share (%)	50%
Group's share of profit for the period ($'000)	254
Dividends received from joint venture	-

Notes to the interim condensed consolidated financial statements continued

17.2.3. Investment in joint venture

	As at 30 June 2019
	$'000
Fair value of 50% retained interest (Note 12.2)	16
Cost of investment	150,000
Share of profit from joint venture accounted for using the equity method (Note 17.2.2)	254
	150,270

18. Trade and other receivables

	As at 30 June 2019	As at 31 Dec 2018
	$'000	$'000
Trade receivables	101,728	94,875
Underlift	-	4,313
Advances to suppliers	20,018	5,933
Receivables from ANOH	1,125	-
Gas tolling receivables	66,890	-
Other receivables	77,406	31,272
Net carrying amount	267,167	136,393

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 $52.3 million (Dec 2018: $46 million) with respect to the sale of gas, for the Group.

18.2. Gas tolling receivables

This relates to tolling fees receivable from NPDC for its share of gas processed through the Seplat sole funded Oben Gas Plant from June 2015 to December 2018. NPDC have agreed to buy into the sole funded gas plant effective January 2019 and therefore no tolling payment will be due beyond 31st December 2018.

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 $40.25 million made for a potential investment. The funds were placed in an escrow on the 8 Jan 2019 pursuant to an agreement reached with the vendor on the final terms of the transaction. Also included here is a receivable amount of $31.6 million (Dec 2018: $31.3 million) on an investment that is no longer being pursued.

18.4. Reconciliation of trade receivables

	As at 30 June 2019	As at 31 Dec 2018
	$'000	$'000
Balance as at 1 January	94,875	108,685
Additions during the period	243,172	710,725
Receipts for the period	(235,750)	(724,127)
Gross carrying amount	102,297	95,283
Less: impairment allowance	(569)	(408)
Balance at the end of the period	101,728	94,875

Notes to the interim condensed consolidated financial statements continued

18.5 Reconciliation of impairment allowance trade receivables

	As at 30 June 2019	As at 31 Dec 2018
	$'000	$'000
Loss allowance as at 1 January	408	1,636
Increase/(decrease) in loss allowance during the period	161	(1,228)
Loss allowance at the end of the period	569	408

19. Derivative financial instruments

The Group uses its derivatives for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are accounted for at fair value through profit or loss. They are presented as current assets.

The derivative financial instrument of $1.1 million (Dec 2018: $8.8 million) as at 30 June 2019 is as a result of a fair value gain on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	As at 30 June 2019	As at 31 Dec 2018
	$'000	$'000
Foreign currency option – crude oil hedges	1,098	8,772

20. Contract assets

	As at 30 June 2019	As at 31 Dec 2018
	$ '000	$ '000
Revenue on gas sales	11,418	14,096

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

The terms of payments relating to the contract is between 30- 45 days from the invoice date. However, invoices are raised after delivery between 14-21 days when the right to the receivables crytallises. The right to the unbilled receivables is recognised as a contract asset.

At the point where the final billing certificate is obtained from NGMC authorising the quantities, this will be reclassified from the contract assets to trade receivables.

20.1 Reconciliation of contract assets

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

	As at 30 June 2019	As at 31 Dec 2018
	$ '000	$ '000
Balance as at 1 January	14,096	13,790
Additions during the period	85,741	127,803
Receipts for the period	(88,419)	(127,497)
Balance at the end of the period	11,418	14,096

Notes to the interim condensed consolidated financial statements continued

21. Cash and bank balances

Cash and bank balances in the statement of financial position comprise of cash at bank and on hand, fixed deposits with a maturity of three months or less and restricted cash balances.

	As at 30 June 2019	As at 31 Dec 2018
	$ '000	$ '000
Cash on hand	19	7
Restricted cash	5,743	3,418
Cash at bank*	427,617	581,416
	433,379	584,841
Less: impairment allowance	(118)	(118)
	433,261	584,723

Included in the restricted cash balance 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 five (5) 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.

For the purpose of the statement of cashflows, cash and cash equivalents comprise the following:

	As at 30 June 2019	As at 30 June 2018
	$ '000	$ '000
Cash on hand	19	16
Cash at bank	427,499	509,891
	427,518	509,907

22. Share capital

22.1. Authorised and issued share capital

	As at 30 June 2019	As at 31 Dec 2018
	$'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		
568,775,216 (2018: 568,497,025) issued shares denominated in Naira of 50 kobo per share	1,834	1,834

The Group's issued and fully paid share capital as at the reporting date consists of 568,775,216 ordinary shares (excluding the additional shares held in trust) 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

	Number of shares	Issued share capital	Share based payment reserve	Total
	Shares	$'000	$'000	$'000
Opening balance as at 1 January 2019	568,497,025	1,834	27,499	29,333
*Share based payments	278,191	-	6,667	6,667
Closing balance as at 30 June 2019	568,775,216	1,834	34,166	36,000

Notes to the interim condensed consolidated financial statements continued

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

22.3. Employee share based payment scheme

As at 30 June 2019, the Group had awarded 48,400,563 shares (2018: 40,410,644 shares) to certain employees and senior executives in line with its share based incentive scheme. Included in the share based incentive schemes are two additional schemes (2018 Deferred Bonus and 2019 LTIP Scheme) awarded during the reporting period. During the reporting period, 278,191 shares had vested (June 2018: No shares had vested).

23. Interest bearing loans & borrowings

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

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	$'000	$'000	$'000
Balance as at 1 January 2019	9,872	435,827	445,699
Principal repayment	-	(100,000)	(100,000)
Interest repayment	(17,583)	-	(17,583)
Interest accrued	22,128	-	22,128
Transfers	27,144	(27,144)	-
Carrying amount as at 30 June 2019	41,561	308,683	350,244

Interest bearing loans and borrowings include a revolving loan facility and senior notes. In March 2018 the Group issued $350 million senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes are expected to mature in April 2023. The interest accrued up at the reporting date is $21.9 million using an effective interest rate of 10.4%. Transaction costs of $7 million have been included in the amortised cost balance at the end of the reporting period.

The Group entered into a four year revolving loan agreement with interest payable semi-annually and principal repayable on 31 December of each year. The revolving loan has an initial contractual interest rate of 6% +Libor (7.7%) and a settlement date of June 2022.

The interest rate of the facility is variable. The Group made a drawdown of $200 million in March 2018. The interest accrued at the reporting period is $0.6 million (June 2018: $13.3 million) using an effective interest rate of 9.8% (June 2018: 8.99%). The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period. The amortised cost for the senior notes at the reporting period is $349 million (June 2018: $341 million).

In October 2018, the Group made principal repayments on the four-year revolving facility for a lump sum of $100 million. The repayment was accounted for as a prepayment of the outstanding loan facility. The gross carrying amount of the facility was recalculated as the present value of the estimated future contractual cash flows that are discounted using the effective interest rate at the last reporting period. Gain or loss on modifications are recognised immediately as part of interest accrued on the facility. Transaction costs of $4.5 million have been included in the amortised cost balance at the end of the reporting period. In the reporting period, the Group repaid the outstanding principal amount of $100 million on the revolving loan facility.

Notes to the interim condensed consolidated financial statements continued

24. Trade and other payables

	As at 30 June 2019	As at 31 Dec 2018
	$'000	$'000
Trade payables	37,419	39,328
Nigerian Petroleum Development Company (NPDC)	112,871	32,643
National Petroleum Investment Management Services (NAPIMS)	5,186	9,073
Accruals and other payables	167,961	173,604
Pension payable	397	350
NDDC levy	9,345	1,124
Royalties payable	19,726	28,443
	352,905	284,565

24.1. Accruals and other payables

Included in accruals and other payables are field-related accruals of $89 million (Dec 2018: $73 million) and other vendor payables of $78 million (Dec 2018: $101 million). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

24.2. NPDC payables

NPDC payables relate to cash calls paid in advance in line with the Group's Joint operating agreement (JOA) on OML 4, OML 38 and OML 41.The outstanding NPDC receivables at the end of the reporting period was used to calculate the impairment losses for the year. The impairment losses was then netted against the outstanding receivables to arrive at a net receivables amount. At the end of the reporting period, this net receivables amount has been netted off against payables to NPDC as the Group has a right to offset.

24.3. NAPIMS payables

In 2018, NAPIMS receivables related to cash calls from its JOA with Seplat East Onshore. At the end of the reporting period, NAPIMS settled their cash calls in advance of the ongoing drilling operations. The amount advanced has therefore been recognised as a payable.

25. Contract liabilities

	As at 30 June 2019	As at 31 Dec 2018
	$'000	$'000
Contract liabilities	5,932	-

Contract liabilities represents payments received from Azura in January 2019, for the 2018 take or pay volumes contracted and not utilized. In line with the contract, Azura can make a demand on the make up gas but only after they have taken and paid for the take or pay quantity for the current year. The deferred revenue is accrued for two years after which the ability to take the make up gas expires

25.1. Reconciliation of contract liabilities

	As at 30 June 2019	As at 31 Dec 2018
	$'000	$'000
Balance as at 1 January	-	-
Additions during the period	5,932	-
Balance at the end of the period	5,932	-

Notes to the interim condensed consolidated financial statements continued

26. Computation of cash generated from operations

	Notes	Half year ended 30 June 2019 $'000	Half year ended 30 June 2018 $'000
Profit before tax;			
Continuing operations		120,443	121,314
Discontinued operations	12.1	3,182	(17)
Adjusted for:			
Depletion, depreciation and amortisation		48,130	63,632
Depreciation of right-of-use assets		1,536	-
Interest on bank loan	14	22,128	38,334
Interest on lease liabilities	14	264	-
Interest on advance payments for crude oil	14	-	1,730
Unwinding of discount on provision for decommissioning liabilities	14	2,034	1,360
Finance income	14	(5,901)	(4,351)
Fair value (gain)/loss on contingent consideration	13	(18,489)	4,470
Unrealised fair value loss on derivatives	13	7,674	-
Unrealised foreign exchange gain	9	(1,312)	-
Share based payments expenses		6,667	5,261
Defined benefit expenses		1,322	1,275
Impairment/(reversal) of impairment loss on trade and other receivables	11	40,136	(1,730)
Gain on deconsolidation of subsidiary	12.2	(2,620)	-
Share of profit from joint venture accounted for using the equity method	17	(254)	-
Changes in working capital (excluding the effects of exchange differences):			
Trade and other receivables		(170,441)	112,325
Net working capital on loss of control of subsidiary		150,233	-
Prepayments		(30,571)	-
Contract assets		2,678	(13,858)
Trade and other payables		67,764	(84,365)
Contract liabilities		5,932	-
Inventories		7,025	(25)
Restricted cash		(2,325)	-
Net cash from operating activities		255,235	245,355

27. Related party relationships and transactions

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

27.1. Related party relationships

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

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

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

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

Notes to the interim condensed consolidated financial statements continued

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

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

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

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

Shebah Petroleum Development Company Limited (BVI): The Chairman of Seplat is a director and shareholder of SPDCL (BVI). SPDCL (BVI) provided consulting services to Seplat.

The following transactions were carried by Seplat with related parties:

27.2. Related party relationships

	Half year ended 30 June 2019	Half year ended 30 June 2018
Purchases of goods and services	$'000	$'000
Shareholders of the parent company		
SPDCL (BVI)	525	450
	525	450
Entities controlled by key management personnel:		
Contracts > $1million		
Nerine Support Services Limited	3,458	2,470
Montego Upstream Services Ltd	1,214	-
Stage Leasing Limited	1,054	762
Cardinal Drilling Services Limited	3,971	589
	9,697	3,821
Contracts < $1million		
Abbey Court trading Company Limited	562	417
Charismond Nigeria Limited	8	45
Keco Nigeria Enterprises	266	47
Oriental Catering Services Limited	102	-
	938	509
Total	**11,160**	**4,780**

* Nerine charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross i.e. it includes salaries and Nerine's mark-up. Total costs for agency and contracts during the half year ended 30 June 2019 was $0.26 million (2018: $0.19 million).

All other transactions were made on normal commercial terms and conditions, and at market rates.

Notes to the interim condensed consolidated financial statements continued

27.3. Balances

The following balances were receivable from or payable to related parties as at 30 June 2019:

	As at 30 June 2019	As at 31 Dec 2018
Prepayments / receivables	$'000	$'000
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	5,573	4,869
Montego Upstream Services Limited	-	26
	5,573	4,895

	As at 30 June 2019	As at 31 Dec 2018
Payables	$'000	$'000
Entities controlled by key management personnel		
Keco Nigeria Enterprises	-	61
Oriental Catering Services Ltd	-	47
Abbey Court Trading Company Limited	-	28
Charismond Nigeria Limited	-	1
Stage Leasing Limited	-	43
	-	180

28. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities is $1.7 million (Dec 2018: $2.4 million). The contingent liability for the period ended 30 June 2019 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 Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

29. Dividend

A final dividendof $0.05 (2018: $0.05) per fully paid shares was paid in the period. The aggregate amount of the dividend has been paid out of retained earnings as a 30 June 2019.

30. Events after the reporting period

There were no significant events that would have a material effect on the Group after the reporting period.

31. Changes in accounting policies

This note explains the impact of adoption of IFRS 16: Leases on the Group's financial statements.

Leases

The Group's leased assets include buildings and land. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension options. The lease terms are between 1 and 5 years. On renewal of a lease, the terms are renegotiated. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognised as rentals in the statement of profit or loss and other comprehensive income on a straight-line basis and disclosed within general and administrative expenses over the period of the lease.

Notes to the interim condensed consolidated financial statements continued

From 1 January 2019, on adoption of IFRS 16, leased assets are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group is also recognised. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS

17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'). The Group had no low value leases on adoption of the new standard. Lease liabilities for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate of 7.56% as at that date.

Lease liabilities

At commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the weighted average interest rate applicable to the Group's general borrowings denominated in dollars during the period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The lease term refers to the contractual period of a lease.

The Group has elected to exclude non-lease components in calculating lease liabilities and instead treat the related costs as an expense in profit or loss.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Short-term leases and leases of low value

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. low value assets). Low-value assets are assets with lease amount of less than $5,000 when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

31.1. Impact of adoption

The new Leases standard, IFRS 16 replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. As discussed in Note 3.1, the Group has elected to apply the new standard using the simplified method. Accordingly, the information presented for the six months ended 30 June 2018 has not been restated but is presented, as previously reported, under IAS 17.

On adoption of IFRS 16, the lease liabilities as at 1 January 2019 for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at that date. The Group's weighted average incremental borrowing rate as at 1 January 2019 and 30 June 2019 was 7.56%.

Notes to the interim condensed consolidated financial statements continued

On adoption of the new accounting standard, the Group elected to apply the following practical expedients:

- The Group relied on previous assessment of existing lease contracts
- Leases with a remaining lease term of one year with no extension commitments as at 1 January 2019 were treated as short-term leases.
- The Group excluded initial direct costs in determining the cost of right-of-use assets
- The same discount rate was applied for a portfolio of leases with reasonably similar characteristics.

31.2. Impact on financial statements

a) Impact on statement of financial position

The following table summarises the impact of transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

There was no impact of adoption of IFRS 16 on retained earnings as at 1 January 2019.

	Amounts without impact of IFRS 16	Impact of IFRS 16	At as 1 January 2019
	$'000	$'000	$'000
ASSETS			
Non-current assets			
Right-of-use assets	-	13,737	13,737
Prepayments	25,893	(893)	25,000
Total non-current assets	1,668,466	12,844	1,681,310
Current assets			
Prepayments	11,561	(5,872)	5,689
Total current assets	858,099	(5,872)	852,227
Total assets	2,526,565	6,972	2,533,537
EQUITY AND LIABILITIES			
Non-current liabilities			
Lease liabilities	-	6,196	6,196
Total non-current liabilities	601,976	6,196	608,172
Current liabilities			
Lease liabilities	-	776	776
Total current liabilities	323,704	776	324,480
Total liabilities	925,680	6,972	932,652

- Right-of-use assets

All the Group's right-of-use assets are non-current assets. A reconciliation of the Group's right-of-use assets as at 1 January 2019 and 30 June 2019 is shown below:

	$'000
Opening balance as at 1 January 2019	-
Effect of initial application of IFRS 16	13,737
Adjusted opening balance as at 1 January 2019	13,737
Less: depreciation for the period	(1,536)
Closing balance as at 30 June 2019	12,201

Notes to the interim condensed consolidated financial statements continued

The right-of-use assets recognised as at 1 January 2019 and 30 June 2019 comprised of the following asset:

	As at 30 June 2019 $'000	As at 1 Jan 2019 $'000
Office buildings	12,201	13,737
Right-of-use assets	12,201	13,737

- Lease liabilities

A reconciliation of the Group's remaining operating lease payments as at 31 December 2018 and the lease liabilities as at 1 January 2019 and 30 June 2019 is shown below:

	$'000
Total undiscounted operating lease commitment as at 31 December 2018	9,316
Lease liability as at 1 January 2019	6,972
Add: interest on lease liabilities	264
Closing balance as at 30 June 2019	7,236

The lease liability as at 1 January 2019 is the total operating lease commitment as at 31 December 2018 discounted using the incremental borrowing rate as at that date.

Short term leases relate to leases of residential buildings, car parks and office building with contractual lease term of less than or equal to 12 months at the date of initial application of IFRS 16. At the end of the reporting period, rental expense of $0.79 million was recognised within general and administrative expenses for these leases. The Group's future cash outflows from short term lease commitments at the end of the reporting period is $14.45 million.

The Group's lease payments for drilling rigs are classified as variable lease payments. The variability arises because the lease payments are linked to the use of the underlying assets. These variable lease payments are therefore excluded from the measurement of the lease liabilities. At the end of the reporting period, there was no rental expense recognised within cost of sales for these leases. The expected future cash outflows arising from variable lease payments is estimated at $14.5 million.

The Group's lease liability as at 1 January 2019 and 30 June 2019 is split into current and non-current portions as follows:

	As at 30 June 2019 $'000	As at 1 Jan 2019 $'000
Non-current	6,253	6,196
Current	983	776
Lease liability	7,236	6,972

b) Impact on the statement of profit or loss Increase/(decrease)

	Half year ended 30 June 2019 $'000	3 months ended 30 June 2019 $'000
Depreciation expense	(1,536)	(923)
Operating profit	(1,536)	(923)
Finance cost	(264)	(137)
Profit for the period	(1,800)	(1,060)

Notes to the interim condensed consolidated financial statements continued

c) Impact on the statement of cashflows (increase/(decrease))

	Half year ended 30 June 2019	3 months ended 30 June 2019
	$'000	$'000
Depreciation of right-of-use assets	1,536	923
Interest on lease liabilities	264	137
Net cash flows from operating activities	1,800	1,060

d) Sensitivity to purchase options

In 2018, the Group entered into a lease agreement for its new head office building. The lease contract contains an option to purchase and right of first refusal upon an option of sales during the initial non-cancellable lease term of five (5) years. Management has determined that it is not reasonably certain that the Group will exercise the purchase option. Thus, the purchase price was not included in calculating the lease liability or right-of-use asset. The following tables summarise the impact that exercising the purchase option would have had on the profit before tax and net assets of the Group:

	Effect on profit before tax	Effect on profit before tax
	Half year ended 30 June 2019	3 months ended 30 June 2019
Impact of purchase option	$'000	$'000
Depreciation	905	453
Interest expense	(1,182)	(591)
	(277)	(138)

	30 June 2019
	Effect on net assets
Impact of purchase option	$'000
Right-of-use assets	31,258
Lease liability	(33,621)
	(2,363)

e) Impact on segment assets and liabilities

The Group's assets are allocated to segments based on the operations and the geographical location of the assets. All non-current assets of the Group are domiciled in Nigeria. The changes in segment assets and liabilities for each segment as at 30 June 2019 is shown below:

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	$'000	$'000	$'000
Segment assets:			
Oil	1,624,439	12,201	1,636,640
Gas	963,057	-	963,057
	2,587,496	12,201	2,599,697
Segment liabilities:			
Oil	508,310	7,236	515,546
Gas	383,812	-	383,812
	892,122	7,236	899,358

Notes to the interim condensed consolidated financial statements continued

f) Impact on earnings per share

As a result of adoption of IFRS 16, the earnings per share of the Group for the six months ended 30 June 2019 decreased as shown in the table below:

	Half year ended 30 June 2019	Half year ended 30 June 2019	Half year ended 30 June 2019
	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	$'000	$'000	$'000
Profit for the period	123,999	(1,800)	122,199
Earnings per share for profit attributable to the equity shareholders:			
Basic earnings per share	0.21	0.00	0.21
Diluted earnings per share	0.21	0.00	0.21

	3 months ended 30 June 2019	3 months ended 30 June 2019	3 months ended 30 June 2019
	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	$'000	$'000	$'000
Profit for the period	90,583	(1,060)	89,523
Earnings per share for profit attributable to the equity shareholders:			
Basic earnings per share	0.16	0.00	0.16
Diluted earnings per share	0.16	0.00	0.16

g) Impact on deferred taxes

As a result of adoption of IFRS 16, there were no impact on deferred taxes as interest expense on lease liabilities and depreciation of right-of-use assets give rise to permanent differences for tax purposes.

General information

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

Company secretary	Edith Onwuchekwa
Registered office and business address of directors	25a Lugard Avenue Ikoyi Lagos Nigeria.
Registered number	RC No. 824838
FRC number	FRC/2015/NBA/00000010739
Auditors	Ernst & Young (10th & 13th Floor), UBA House 57 Marina Lagos, Nigeria.
Registrar	DataMax Registrars Limited 2c Gbagada Expressway Gbagada Phase 1 Lagos Nigeria.
Solicitors	Olaniwun Ajayi LP Adepetun Caxton-Martins Agbor & Segun ("ACAS-Law") White & Case LLP Herbert Smith Freehills LLP Freshfields Bruckhaus Deringer LLP Norton Rose Fulbright LLP Chief J.A. Ororho & Co. Ogaga Ovrawah & Co. Consolex LP Banwo-Ighodalo Latham & Watkins LLP J.E. Okodaso & Company O. Obrik. Uloho and Co. 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