seplat

Interim management statement and consolidated interim financial results

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

30 April 2019

Seplat Petroleum Development Company Plc

Seplat Petroleum Development Company Plc

Interim management statement and consolidated interim financial results for the three months ended 31 March 2019

Lagos and London, 30 April 2019: Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), a leading Nigerian independent oil and gas company listed on both the Nigerian Stock Exchange and London Stock Exchange, today announces its first quarter results. Information contained within this release is un-audited and is subject to further review.

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

"Our operations have continued to perform in line with expectation, with the phasing of our 2019 work programme such that the production uplift will be felt throughout the second half of the year as we step up drilling activities to focus on capturing the numerous high margin and short-cycle cash return opportunities within our current portfolio. The next phase of growth for our gas business is now gathering pace following FID for the ANOH project, with governments first tranche of equity investment received. We have continued to deleverage the balance sheet and self-fund investments into the existing portfolio from operational cash flow, while retaining the financial flexibility and available resources that will enable Seplat to capitalise on what we expect to be an increasingly busy pipeline of inorganic growth opportunities that fit our acquisition criteria."

Q1 2019 Results Highlights

Working interest production		Gross			Working Interest		
		Liquids[1]	Gas	Oil equivalent	Liquids	Gas	Oil equivalent
	Seplat %	Bopd	MMscfd	Boepd	Bopd	MMscfd	Boepd
OMLs 4, 38 & 41	45.0%	43,915	318	98,795	19,762	143	44,458
OPL 283	40.0%	3,199	-	3,199	1,280	-	1,280
OML 53	40.0%	2,107	-	2,107	843	-	843
Total		49,221	318	104,101	21,885	143	46,581

[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.

- Production uptime in Q1 stood at 85%; Reconciliation losses are yet to be finalised but are expected to remain at levels consistent with prior periods; Full year 2019 production guidance 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; 2019 capex guidance maintained at US$200 million (excluding investment in the ANOH joint venture)

Financial performance summary

- Revenue of US$160 million (2018: US$181 million) and gross profit of US$81 million (2018: US$93 million) represents a 51% gross profit margin (unchanged year-on-year); Revenue reflects the lower oil production and oil price realisation of US$61.7/bbl (2018: US$65.78/bbl). Average realised gas price of US$3.24/Mscf in the period (2018: US$2.79/Mscf)
- Operating profit of US$33 million (2018: US$84 million) reflects adjustments for a US$16 million overlift position and US$12 million charge in relation to the Company's oil price hedges, comprising US$5 million cost of hedges and US$7 million fair value loss (reversing the US$9 million fair value gain booked at the end of 2018)
- Positive impact of the 2018 debt refinancing and subsequent deleveraging has resulted in a 38% year-on-year reduction in finance costs to US$16 million (2018: US$26 million); Net profit stood at US$33 million after adjusting for a tax credit of US$13 million
- Net cash generated from operations up 73% year-on-year at US$80 million (2018: US$46 million) versus capex incurred of US$16 million (2018: US$3 million). Further receipt in the period of US$17 million from liftings at OML 55

Further deleveraged with significant headroom preserved in the capital structure

- Repaid US$100 million on the four-year RCF bringing balance drawn to zero while retaining significant headroom in the capital structure to fund growth initiatives. US$4.5 million RCF fees written off in finance costs.
- Gross debt of US$350 million at 31 March 2019 solely comprised of the Company's bond issuance due 2023. Cash at bank stood at US$644 million (which includes US$100 million temporarily held on behalf of Nigerian Gas Company ("NGC") as the government's initial equity investment into ANOH Gas Processing Company ("AGPC")); Normalised cash at bank therefore stood at US$544 million with an effective resultant net cash position of US$194 million

Gas business

- FID for the large scale ANOH gas and condensate project was announced in March and initial equity investment of US$100 million from government received; Project to comprise a Phase One 300 MMscfd midstream gas processing development with first gas targeted for Q1 2021
- Gas revenue from the existing business up 5% year-on-year at US$42 million (2018: US$40 million)

Project Updates

- Amukpe to Escravos pipeline anticipated to be operational in Q2 2019 with ramp up to initial permitted capacity of 40,000 bopd expected during Q3 2019

Important notice

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

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

Enquiries:

Seplat Petroleum Development Company Plc	
Roger Brown, CFO	+44 203 725 6500
Andrew Dymond, Head of Investor Relations	
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/

Interim Condensed Consolidated Financial Statements (Unaudited)

Expressed in Naira ('NGN') and US Dollars ('USD')

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

for the first quarter ended 31 March 2019

	Note	3 months ended 31 Mar 2019 Unaudited ₦ million	3 months ended 31 Mar 2018 Unaudited ₦ million	3 months ended 31 Mar 2019 Unaudited $ '000	3 months ended 31 Mar 2018 Unaudited $ '000
Revenue from contracts with customers	7	48,941	55,236	159,517	180,588
Cost of sales	8	(23,955)	(26,833)	(78,078)	(87,728)
Gross profit		24,986	28,403	81,439	92,860
Other (losses)/income - net	9	(5,031)	3,200	(16,395)	10,461
General and administrative expenses	10	(6,272)	(4,919)	(20,445)	(16,078)
Reversal of impairment losses on financial assets	11	44	669	144	2,186
Fair value loss	12	(3,753)	(1,730)	(12,230)	(5,653)
Operating profit		9,974	25,623	32,513	83,776
Finance income	13	869	437	2,834	1,429
Finance costs	13	(4,886)	(8,073)	(15,922)	(26,395)
Profit before taxation		5,957	17,987	19,425	58,810
Income tax credit/(expense)	14	4,065	(11,700)	13,251	(38,253)
Profit for the period		10,022	6,287	32,676	20,557
Other comprehensive (loss)/income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference		(71)	227	-	-
Total comprehensive income for the period		9,951	6,514	32,676	20,557
Earnings per share for profit attributable to the equity shareholders					
Basic earnings per share (₦)/($)	15	17.63	11.16	0.06	0.04
Diluted earnings per share (₦)/($)	15	17.56	11.11	0.06	0.04

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 31 March 2019

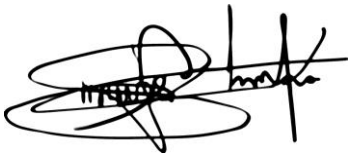
	Note	As at 31 Mar 2019 Unaudited ₦ million	As at 31 Dec 2018 Audited ₦ million	As at 31 Mar 2019 Unaudited $ '000	As at 31 Dec 2018 Audited $ '000
ASSETS					
Non-current assets					
Oil and gas properties		397,288	399,475	1,294,309	1,301,220
Other property, plant and equipment		1,342	1,300	4,374	4,237
Right-of-use assets	28	3,079	-	10,028	-
Other assets		46,154	51,299	150,362	167,100
Prepayments		7,947	7,950	25,893	25,893
Tax paid in advance		9,708	9,708	31,623	31,623
Deferred tax assets		47,506	42,487	154,770	138,393
Total non-current assets		513,024	512,219	1,671,359	1,668,466
Current assets					
Inventories		30,148	31,485	98,219	102,554
Trade and other receivables	17	45,606	41,874	148,609	136,393
Contract assets	19	3,666	4,327	11,947	14,096
Prepayments		542	3,549	1,766	11,561
Derivative financial instruments	18	535	2,693	1,742	8,772
Cash and bank balances	20	199,459	179,509	649,806	584,723
Total current assets		279,956	263,437	912,089	858,099
Total assets		792,980	775,656	2,583,448	2,526,565
EQUITY AND LIABILITIES					
Equity					
Issued share capital	21a	286	286	1,834	1,834
Share premium		82,080	82,080	497,457	497,457
Share based payment reserve	21b	8,103	7,298	30,122	27,499
Capital contribution		5,932	5,932	40,000	40,000
Retained earnings		202,745	192,723	1,063,630	1,030,954
Foreign currency translation reserve		203,082	203,153	3,141	3,141
Total shareholders' equity		502,228	491,472	1,636,184	1,600,885
Non-current liabilities					
Interest bearing loans and borrowings	16	94,252	133,799	307,063	435,827
Lease liabilities	28	952	-	3,100	-
Contingent consideration		5,687	5,676	18,529	18,489
Provision for decommissioning obligation		43,818	43,514	142,754	141,737
Defined benefit plan		2,027	1,819	6,605	5,923
Total non-current liabilities		146,736	184,808	478,051	601,976
Current liabilities					
Interest bearing loans and borrowings	16	10,647	3,031	34,685	9,872
Lease liabilities	28	277	-	903	-
Trade and other payables	22	123,149	87,360	401,232	284,565
Current tax liabilities		9,943	8,985	32,393	29,267
Total current liabilities		144,016	99,376	469,213	323,704
Total liabilities		290,752	284,184	947,264	925,680
Total shareholders' equity and liabilities		792,980	775,656	2,583,448	2,526,565

Interim condensed consolidated statement of financial position continued

As at 31 March 2019

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

The Group financial statements of Seplat Petroleum Development Company Plc and its subsidiaries for the three months ended 31 March 2019 were authorised for issue in accordance with a resolution of the Directors on 30 April 2019 and were signed on its behalf by



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

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

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

Interim condensed consolidated statement of changes in equity continued

For the first quarter ended 31 March 2019

For the first quarter ended 31 March 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	-	-	-	-	6,287	-	6,287
Other comprehensive income	-	-	-	-	-	227	227
Total comprehensive income for the period	-	-	-	-	6,287	227	6,514
Transactions with owners in their capacity as owners:							
Share based payments	-	-	599	-	-	-	599
Vested shares	13	-	(13)	-	-	-	-
Total	13	-	586	-	-	-	599
At 31 March 2018 (unaudited)	296	82,080	4,918	5,932	170,657	201,097	464,980

For the first quarter ended 31 March 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		-	-	-	10,022	-	10,022
Other comprehensive loss	-	-	-	-	-	(71)	(71)
Total comprehensive income/(loss) for the period	-	-	-	-	10,022	(71)	9,951
Transactions with owners in their capacity as owners:							
Share based payments	-	-	805	-	-	-	805
Total	-	-	805	-	-	-	805
At 31 March 2019 (unaudited)	286	82,080	8,103	5,932	202,745	203,082	502,228

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

Interim condensed consolidated statement of changes in equity continued

For the first quarter ended 31 March 2019

For the first quarter ended 31 March 2018

	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	-	-	-	-	20,557	-	20,557
Total comprehensive income for the period	-	-	-	-	20,557	-	20,557
Transactions with owners in their capacity as owners:							
Share based payments	-	-	1,958	-	-	-	1,958
Vested shares	41	-	(41)	-	-	-	-
Total	41	-	1,917	-	-	-	1,958
At 31 March 2018 (unaudited)	1,867	497,457	19,726	40,000	958,849	1,897	1,519,796

For the first quarter ended 31 March 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 2019	1,834	497,457	27,499	40,000	1,030,954	3,141	1,600,885
Profit for the period	-	-	-	-	32,676	-	32,676
Total comprehensive income for the period	-	-	-	-	32,676	-	32,676
Transactions with owners in their capacity as owners:							
Share based payments	-	-	2,623	-	-	-	2,623
Total	-	-	2,623	-	-	-	2,623
At 31 March 2019 (unaudited)	1,834	497,457	30,122	40,000	1,063,630	3,141	1,636,184

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 first quarter ended 31 March 2019

	Note	3 months ended 31 Mar 2019 ₦ million Unaudited	3 months ended 31 Mar 2018 ₦ million Unaudited	3 months ended 31 Mar 2019 $ '000 Unaudited	3 months ended 31 Mar 2018 $ '000 Unaudited
Cash flows from operating activities					
Cash generated from operations	23	24,407	14,067	79,523	45,989
Net cash inflows from operating activities		24,407	14,067	79,523	45,989
Cash flows from investing activities					
Investment in oil and gas properties		(4,887)	(783)	(15,920)	(2,560)
(Investment in)/proceeds from disposal of other property plant and equipment		(242)	34	(790)	110
Receipts from other assets		5,138	4,510	16,738	14,744
Interest received		869	437	2,834	1,429
Net cash flows from investing activities		878	4,198	2,862	13,723
Cash flows from financing activities					
Repayments of loans		(30,695)	(176,791)	(100,000)	(578,000)
Proceeds from loans		-	163,653	-	535,045
Principal repayments on crude oil advance		-	(23,175)	-	(75,769)
Interest payment on crude oil advance		-	(530)	-	(1,730)
Payments for other financing charges		(351)	(27)	(1,146)	(87)
Interest paid on bank financing		(5,395)	(4,475)	(17,583)	(14,629)
Advance from the Nigerian Gas Company Limited (NGC)*		30,695	-	100,000	-
Net cash flows used in financing activities		(5,746)	(41,345)	(18,729)	(135,170)
Net decrease in cash and cash equivalents		19,539	(23,080)	63,656	(75,458)
Cash and cash equivalents at beginning of period		178,460	133,699	581,305	437,212
Effects of exchange rate changes on cash and cash equivalents		(301)	(142)	(891)	(658)
Cash and cash equivalents at end of period		197,698	110,477	644,070	361,096

**Advance from the Nigerian Gas Company Limited (NGC) represents the first instalment of their equity investment in ANOH Gas Processing Company Limited (AGPC). Approval from the Corporate Affairs Commission (CAC) recognising NGC's 50% equity interest in AGPC was not received until 18 April 2019. The investment was temporarily held in the Group's Bank and cash balance in Q1 2019 (see note 22d).*

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

Notes to the interim condensed consolidated financial statements

1. Corporate structure and business

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

The Company's registered address is: 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 ($340 million) paid at the completion of the acquisition on 31 July 2010 and a contingent payment of ₦4.8 billion ($33 million) payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds ₦11,850 ($80) per barrel. ₦53.1 billion ($358.6 million) was allocated to the producing assets including ₦2.8 billion ($18.6 million) as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of ₦5.1 billion ($33 million) was paid on 22 October 2012.

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

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

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

In 2015, the Group purchased a 40% participating interest in OML 53, onshore north eastern Niger Delta (Seplat East Onshore Limited), from Chevron Nigeria Ltd for ₦43.5 billion ($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.

The Company together with its other 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'), Seplat Gas Company Limited ('Seplat gas') and ANOH Gas Processing Company Limited 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 Limited	12 December 2014	Nigeria	Oil & gas exploration and production and gas processing
ANOH Gas Processing Company Limited	18 January 2017	Nigeria	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 31 March 2019:

- The Group's interest bearing borrowings included a four year revolving loan facility of N61 billion ($200 million). In October 2018, the Group made principal repayments on the four-year revolving facility for a lump sum of ₦30.7 billion ($100 million). In the reporting period, the Group repaid the outstanding principal amount of ₦30.7 billion ($100 million) on the revolving loan facility.
- The Group adopted the new leasing standard IFRS 16 Leases (see note 28).

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 first quarter ended 31 March 2019 have been prepared in accordance with the accounting standard IAS 34 Interim financial reporting.

This interim condensed consolidated financial statements does not include all the notes normally included in an 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 standard which is set out below.

ii) Historical cost convention

The financial information has been prepared under the going concern assumption and historical cost convention, except for contingent consideration, and 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 28.

Notes to the interim condensed consolidated financial statements continued

b. Amendments to IAS 19 Employee benefits

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. 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 and interpretations not yet adopted

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

Notes to the interim condensed consolidated financial statements continued

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 amendments 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.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019.

This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2018.

3.3 Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ('the functional currency'), which is the US dollar except for the UK subsidiary which is the Pound Sterling. 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 side by side and this is allowable by the regulator.

a) 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 statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not - a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the respective exchange rates that existed on the dates of the transactions), and

Notes to the interim condensed consolidated financial statements continued

- 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 first quarter 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.

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, 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 28.2.

v) Defined benefit plan

The Group has placed reliance on the actuarial valuations carried out at the previous 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.

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.

Notes to the interim condensed consolidated financial statements continued

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. 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.

iv) Revenue recognition

Definition of contracts

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

Performance obligations

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

For gas contracts, the performance obligation is satisfied through the delivery of a series of distinct goods. Revenue is recognised over time in this situation as 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.

Notes to the interim condensed consolidated financial statements continued

Significant financing component

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

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

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

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

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.

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 and commodity price risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in US dollars.	Cash flow forecasting Sensitivity analysis	Match and settle foreign denominated cash inflows with 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."

Notes to the interim condensed consolidated financial statements continued

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

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

	Effective interest rate	Less than 1 year	1 -2 years	2 - 3 years	3 - 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
31 March 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	10,130	10,075	10,048	122,220	152,473
Other non - derivatives						
Trade and other payables**		21,318	-	-	-	21,318
Contingent consideration		5,755	-	-	-	5,755
Lease liabilities		405	405	405	809	2,024
		37,608	10,480	10,453	123,029	181,570

	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	6.0% +LIBOR	208	209	208	2,526	3,151
Nedbank Limited, London Branch	6.0% +LIBOR	434	434	434	5,263	6,565
Standard Chartered Bank	6.0% +LIBOR	390	391	390	4,736	5,907
Natixis	6.0% +LIBOR	304	304	304	3,684	4,596
FirstRand Bank Limited Acting	6.0% +LIBOR	304	304	304	3,684	4,596
Citibank N.A. London	6.0% +LIBOR	260	261	260	3,158	3,939
The Mauritius Commercial Bank Plc	6.0% +LIBOR	260	261	260	3,158	3,939
Nomura International Plc	6.0% +LIBOR	130	130	130	1,579	1,969
		2,602	2,607	2,602	31,577	39,388
Other non - derivatives						
Trade and other payables**		48,152	-	-	-	48,152
Contingent consideration		-	5,756	-	-	5,756
		60,884	18,438	12,650	153,797	245,769

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

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 March 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	33,094	32,915	32,825	399,282	498,116
Other non - derivatives						
Trade and other payables**		69,450	-	-	-	69,450
Contingent consideration		18,750	-	-	-	18,750
Lease liabilities		1,318	1,318	1,318	2,636	6,590
		122,612	34,233	34,143	401,918	592,906

	Effective interest rate	Less than 1 year	1 - 2 year	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	6.0% +LIBOR	680	682	680	8,252	10,294
Nedbank Limited, London Branch	6.0% +LIBOR	1,417	1,421	1,417	17,192	21,447
Standard Chartered Bank	6.0% +LIBOR	1,275	1,279	1,275	15,473	19,302
Natixis	6.0% +LIBOR	992	995	992	12,035	15,014
FirstRand Bank Limited Acting	6.0% +LIBOR	992	995	992	12,035	15,014
Citibank N.A. London	6.0% +LIBOR	850	853	850	10,315	12,868
The Mauritius Commercial Bank Plc	6.0% +LIBOR	850	853	850	10,315	12,868
Nomura International Plc	6.0% +LIBOR	425	426	425	5,158	6,434
		8,501	8,527	8,501	103,153	128,682
Other non - derivatives						
Trade and other payables**		156,847	-	-	-	156,847
Contingent consideration		-	18,750	-	-	18,750
		198,442	60,192	41,326	502,435	802,395

** Trade and other payables (excludes non-financial liabilities such as provisions, 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 financial assets, deposits with banks and financial institutions 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.

Notes to the interim condensed consolidated financial statements continued

Risk management

The Group is exposed to credit risk from its sale of crude oil to Mecuria. The off-take agreement with Mercuria runs for five years until 31 July 2020 with a 30 day payment term. The Group is exposed to further credit risk from outstanding cash calls from Nigerian Petroleum Development Company (NPDC) and National Petroleum Investment Management Services (NAPIMS).

In addition, the Group is exposed to credit risk in relation to its sale of gas to Nigerian Gas Marketing Company (NGMC) Limited, a subsidiary of NNPC, its sole gas customer during the quarter.

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

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 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	As at 31 Dec 2018
	₦ million	₦ million	₦ million	₦ million
Financial assets at amortised cost				
Trade and other receivables*	24,341	29,466	24,341	29,466
Contract assets	3,666	4,327	3,666	4,327
Cash and bank balances	199,459	179,509	156,716	179,509
	227,466	213,302	227,466	213,302
Financial assets at fair value				
Derivative financial instruments	535	2,693	535	2,693
	535	2,693	535	2,693
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	104,899	136,830	114,643	143,158
Contingent consideration	5,687	5,676	5,687	5,676
Trade and other payables	21,318	48,152	21,318	48,152
	131,904	190,658	141,648	196,986

	Carrying amount		Fair value	
	As at 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	As at 31 Dec 2018
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Trade and other receivables*	79,299	95,982	79,299	95,982
Contract assets	11,947	14,096	11,947	14,096
Cash and bank balances	649,806	584,723	649,806	584,723
	741,052	694,801	741,052	694,801
Financial assets at fair value				
Derivative financial instruments	1,742	8,772	1,742	8,772
	1,742	8,772	1,742	8,772
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	341,748	445,699	373,490	466,314
Contingent consideration	18,529	18,489	18,529	18,489
Trade and other payables	69,450	156,847	69,450	156,847
	429,727	621,035	461,469	641,650

Notes to the interim condensed consolidated financial statements continued

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

In determining the fair value of the interest bearing loans and borrowings, non-performance risks of the Group as at 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), 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 first 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, interest-bearing loans and borrowings are in level 2 and contingent consideration is in level 3. The carrying amounts of the other financial instruments are the same as their fair values.

The fair value of the Group's contingent consideration is determined using the discounted cash flow model. The cash flows were determined based on probable future oil prices. The estimated future cash flow was discounted to present value using the 5 year US daily treasury yield curve rates as at the inception date, 05 Feb 2015. The 5 year US daily treasury yield curve rates represents a good proxy for a risk-free pre-tax rate as it is the currency in which the obligation arose and it also matches the maturity of the liability.

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.

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

- Discount rates for financial assets and financial liabilities are determined using a government risk free rate to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Contingent consideration – Fair value is determined by using the discounted cash flow model. Expected cash inflows are determined based on the terms of the contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.
- Changes in level 3 fair values are analysed and the reason for the change explained at the end of each reporting period during the quarterly discussion between the FM and the valuation team and eventually with the CFO and Audit Committee.

5.2.2 Sensitivity of level 3 significant unobservable inputs

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

Increase/decrease in discount rate	Effect on profit before tax 31 Mar 2019 ₦ million	Effect on other components of equity before tax 31 Mar 2019 ₦ million	Effect on profit before tax 31 Mar 2019 $'000	Effect on other components of equity before tax 31 Mar 2019 $'000
+1%	42	-	136	-
-1%	(43)	-	(139)	-

Notes to the interim condensed consolidated financial statements continued

Increase/decrease in discount rate	Effect on profit before tax 31 Dec 2018 ₦ million	Effect on other components of equity before tax 31 Dec 2018 ₦ million	Effect on profit before tax 31 Dec 2018 $'000	Effect on other components of equity before tax 31 Dec 2018 $'000
+1%	181	-	56	-
-1%	(185)	-	(57)	-

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

The estimates are calculated using the 5 year US daily treasury yield curve rates as at the inception date, 05 Feb 2015. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. The market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York.

They represent "bond equivalent yields" for securities that pay semiannual interest, which are expressed on a simple annualized basis. This is consistent with market practices for quoting bond yields in the market and makes the constant Maturity Treasury (**CMT**) yield directly comparable to quotations on other bond market yields.

The 5 year US daily treasury yield curve rates represents a good proxy for a risk-free pre-tax rate as it is the currency in which the obligation arose and it also matches the maturity of the liability. Given that the possible obligation will be paid as a single payment, the discount rate has not been adjusted to reflect different timing of the cash flows.

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 three months ended 31 March 2019, revenue from the gas segment of the business constituted 26% 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 centers, with the exception of depreciation. Depreciation relating to the gas segment is determined by applying a percentage which reflects the proportion of the Net Book Value of oil and gas properties that relates to gas investment costs (i.e. cost for the gas processing facilities).

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

6.1. Segment profit disclosure

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦'million	₦'million	$'000	$'000
Oil	(996)	452	(3,237)	1,482
Gas	11,018	5,835	35,913	19,075
Total profit for the period	10,022	6,287	32,676	20,557

Notes to the interim condensed consolidated financial statements continued

Oil

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦'million	₦'million	$'000	$'000
Revenue				
Crude oil sales	36,132	43,138	117,768	141,035
Operating profit before depreciation, amortisation and impairment	5,395	24,663	17,587	80,637
Depreciation, amortisation and impairment	(6,439)	(4,875)	(20,987)	(15,936)
Operating (loss)/profit	(1,044)	19,788	(3,400)	64,701
Finance income	869	437	2,834	1,429
Finance costs	(4,886)	(8,073)	(15,922)	(26,395)
(Loss)/profit before taxation	(5,061)	12,152	(16,488)	39,735
Taxation	4,065	(11,700)	13,251	(38,253)
(Loss)/Profit for the period	(996)	452	(3,237)	1,482

Gas

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦'million	₦'million	$'000	$'000
Revenue				
Gas sales	12,809	12,098	41,749	39,553
Operating profit before depreciation, amortisation and impairment	11,971	10,961	39,023	35,836
Depreciation, amortisation and impairment	(953)	(5,126)	(3,110)	(16,761)
Operating profit	11,018	5,835	35,913	19,075
Finance income	-	-	-	-
Finance costs	-	-	-	-
Profit before taxation	11,018	5,835	35,913	19,075
Taxation	-	-	-	-
Profit for the period	11,018	5,835	35,913	19,075

6.1.1. Disaggregation of revenue

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

	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2018	3 months ended 31 March 2018
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Geographical markets						
Nigeria	3,665	12,809	16,474	591	12,098	12,689
Switzerland	32,467	-	32,467	42,547	-	42,547
Revenue	36,132	12,809	48,941	43,138	12,098	55,236
Timing of revenue recognition						
At a point in time	36,132	-	36,132	43,138	-	43,138
Over time	-	12,809	12,809	-	12,098	12,098
Revenue	36,132	12,809	48,941	43,138	12,098	55,236

Notes to the interim condensed consolidated financial statements continued

	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2018	3 months ended 31 March 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical markets						
Nigeria	11,943	41,749	53,692	1,933	39,553	41,486
Switzerland	105,825	-	105,825	139,102	-	139,102
Revenue	117,768	41,749	159,517	141,035	39,553	180,588
Timing of revenue recognition						
At a point in time	117,768	-	117,768	141,035	-	141,035
Over time	-	41,749	41,749	-	39,553	39,553
Revenue	117,768	41,749	159,517	141,035	39,553	180,588

The Group's transactions with its major customer, Mercuria, constitutes more than 10% (₦32 billion, $105 million) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC (₦4.3 billion, $14 million) accounted for more than 10% of the total revenue from the gas segment and the Group as a whole.

6.1.2. Reversal of impairment losses by reportable segments

	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2018	3 months ended 31 March 2018
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Reversal of previous impairment losses	(44)	-	(44)	(669)	-	(669)
	(44)	-	(44)	(669)	-	(669)

	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2018	3 months ended 31 March 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Reversal of previous impairment losses	(144)	-	(144)	(2,186)	-	(2,186)
	(144)	-	(144)	(2,186)	-	(2,186)

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.

	Oil	Gas	Total	Oil	Gas	Total
Total segment assets	₦'million	₦'million	₦'million	$'000	$'000	$'000
31 March 2019	550,742	242,238	792,980	1,794,274	789,174	2,583,448
31 December 2018	623,017	152,639	775,656	2,029,374	497,191	2,526,565

Notes to the interim condensed consolidated financial statements continued

6.3. Segment liabilities

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

	Oil	Gas	Total	Oil	Gas	Total
Total segment liabilities	₦'million	₦'million	₦'million	$'000	$'000	$'000
31 March 2019	155,080	135,672	290,752	505,257	442,007	947,264
31 December 2018	257,564	26,620	284,184	838,971	86,709	925,680

6.4. Contingent consideration

The contingent consideration of ₦5.7 billion, Dec 2018: ₦5.7 billion ($18.5 million, Dec 2018: $18.5 million) for OML 53 relates solely to the oil segment. This was contingent on oil price rising above ₦27,626/bbl ($90/bbl) over a one year period and expiring on 31st January 2020. The fair value loss arising during the reporting period is ₦13 million, March 2018: ₦1.4 billion ($40,000, March 2018: $4.6 million).

7. Revenue from contracts with customers

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
Crude oil sales	36,132	43,138	117,768	141,035
Gas sales	12,809	12,098	41,749	39,553
	48,941	55,236	159,517	180,588

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

8. Cost of sales

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
Crude handling fees	4,459	4,567	14,534	14,932
Royalties	8,252	9,758	26,895	31,902
Depletion, depreciation and amortisation	7,004	9,704	22,831	31,727
Nigerian Export Supervision Scheme (NESS) fee	32	60	103	195
Niger Delta Development Commission levy	631	519	2,056	1,696
Rig related expenses	-	8	-	25
Operations & maintenance expenses	3,577	2,217	11,659	7,251
	23,955	26,833	78,078	87,728

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

9. Other (losses)/income - net

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
(Overlift)/underlift	(4,868)	2,628	(15,866)	8,591
(Loss)/gains on foreign exchange	(163)	572	(529)	1,870
	(5,031)	3,200	(16,395)	10,461

Notes to the interim condensed consolidated financial statements continued

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 at the current market value. The resulting change, as a result of the remeasurement, is also recognised in profit or loss as other income.

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

10. General and administrative expenses

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
Depreciation of other property, plant and equipment	200	297	653	970
Depreciation of right-of-use assets (note 28)	188	-	613	-
Employee benefits	2,080	2,355	6,777	7,699
Professional and consulting fees	1,996	1,088	6,505	3,554
Auditor's remuneration	-	38	-	122
Directors emoluments (executive)	200	87	653	283
Directors emoluments (non-executive)	238	199	775	652
Rentals	119	121	388	395
Flights and other travel costs	664	248	2,167	814
Other general expenses	587	486	1,914	1,589
	6,272	4,919	20,445	16,078

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, rentals, telecommunication costs, logistics costs and others. Share based payment expenses are included in the employee benefits expense.

Rentals for the three months ended 31 March 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 28 for further details.

11. Reversal of impairment losses on financial assets

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
Reversal of impairment loss on NDPC receivables	-	622	-	2,035
Reversal of impairment loss on NAPIMS receivables	-	47	-	151
Reversal of impairment loss on other receivables	44	-	144	-
Total reversal of impairment loss	44	669	144	2,186

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

12. Fair value loss

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
Cost of hedging	1,583	380	5,160	1,242
Unrealised fair value loss on derivatives	2,157	-	7,030	-
Fair value loss on contingent consideration	13	1,350	40	4,411
	3,753	1,730	12,230	5,653

Notes to the interim condensed consolidated financial statements continued

Fair value loss on derivatives represents changes arising from the valuation of the crude oil economic hedge contracts charged to profit or loss. Fair value loss on contingent consideration arises in relation to remeasurement of contingent consideration on the Group's acquisition of participating interest in OML 53. The contingency criteria are the achievement of certain production milestones.

13. Finance income/(costs)

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
Finance income				
Interest income	869	437	2,834	1,429
Finance costs				
Interest on bank loan	(4,534)	(7,350)	(14,778)	(24,033)
Interest on lease liabilities (note 28.2)	(39)	-	(127)	-
Interest on advance payments for crude oil sales	-	(530)	-	(1,730)
Unwinding of discount on provision for decommissioning	(313)	(193)	(1,017)	(632)
	(4,886)	(8,073)	(15,922)	(26,395)
Finance costs - net	(4,017)	(7,636)	(13,088)	(24,966)

Finance income represents interest on fixed deposits.

14. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rates used for the period to 31 March 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 period was 68.2% (March 2018: 65%).

14a. 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 31 March 2019	As at 31 March 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	20,673	15,026	17,894	11,206
Tax losses	6,508	2,457	10,224	6,011
	27,181	17,483	28,118	17,167

	As at 31 March 2019	As at 31 March 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	67,349	48,953	58,288	36,502
Tax losses	21,204	8,006	33,303	19,580
	88,553	56,959	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.

Notes to the interim condensed consolidated financial statements continued

14b. 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.

14c. Deferred tax assets

	Balance at 1 January 2019	Charged/ credited to profit or loss	Balance at 31 March 2019	Balance at 1 January 2019	Charged/ credited to profit or loss	Balance at 31 March 2019
	₦ million	₦ million	₦ million	$'000	$'000	$'000
Tax losses	(12)	12	-	-	-	-
Other cumulative timing differences:						
Fixed assets	(85,706)	(4,816)	(90,522)	(280,282)	(15,699)	(295,981)
Unutilised capital allowance	116,068	5,207	121,275	379,592	16,971	396,563
Provision for decommissioning obligation	818	230	1,048	2,674	749	3,423
Defined benefit plan	1,540	178	1,718	5,035	579	5,614
Share based payment reserve	3,294	684	3,978	10,778	2,230	13,008
Unrealised foreign exchange loss on trade and other receivables	1,258	-	1,258	4,123	-	4,123
Other income	5,246	3,550	8,796	17,159	11,571	28,730
Impairment provision on trade and other receivables	2,071	(2,295)	(224)	6,770	(7,480)	(710)
Derivative financial instruments	(2,282)	2,288	6	(7,456)	7,456	-
Exchange difference	192	(19)	173	-	-	-
	42,487	5,019	47,506	138,393	16,377	154,770

15. Earnings per share (EPS)

Basic

Basic EPS is calculated on the Group's profit after taxation attributable to the parent entity and on the basis of weighted average of 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.

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
Profit for the period	10,022	6,287	32,676	20,557
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	568,497	563,445	568,497	563,445
Outstanding share based payments (shares)	2,253	2,294	2,253	2,294
Weighted average number of ordinary shares adjusted for the effect of dilution	570,750	565,739	570,750	565,739
	₦	₦	$	$
Basic earnings per share	17.63	11.16	0.06	0.04
Diluted earnings per share	17.56	11.11	0.06	0.04
	₦ million	₦ million	$'000	$'000
Profit used in determining basic/diluted earnings per share	10,022	6,287	32,676	20,557

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.

16. Interest bearing loans and 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	Borrowings due within 1 year $'000	Borrowings due above 1 year $'000	Total $'000
Balance as at 1 January 2019	3,031	133,799	136,830	9,872	435,827	445,699
Principal repayment	-	(30,695)	(30,695)	-	(100,000)	(100,000)
Interest repayment	(5,395)	-	(5,395)	(17,583)	-	(17,583)
Interest accrued	4,534	-	4,534	14,778	-	14,778
Transfers	8,825	(8,825)	-	28,764	(28,764)	-
Other financing charges	(352)	-	(352)	(1,146)	-	(1,146)
Exchange differences	4	(27)	(23)	-	-	-
Carrying amount as at 31 March 2019	10,647	94,252	104,899	34,685	307,063	341,748

Interest bearing loans and borrowings include a revolving loan facility and senior notes. In March 2018 the Group issued ₦107 billion ($350 million) senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes are expected to mature in April 2023. The interest accrued up at the reporting date is ₦4.3 billion ($14.2 million) using an effective interest rate of 10.4%. Transaction costs of ₦2.1 billion ($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 ₦61 billion ($200 million) in March 2018. The interest accrued at the reporting period is ₦0.2 billion, March 2018: ₦0.13 billion ($0.6 million, March 2018: $0.44 million) using an effective interest rate of 9.8% (March 2018: 8.4%). 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 N104.9 billion ($341.7 million).

In October 2018, the Group made principal repayments on the four-year revolving facility for a lump sum of ₦30.7 billion ($100 million). The repayment was accounted for as a prepayment of the outstanding loan facility. The gross carrying amount of the facility was recalculated as the present value of the estimated future contractual cash flows that are discounted using the effective interest rate at the last reporting period. Gain or loss on modifications are recognised immediately as part of interest accrued on the facility. Transaction costs of ₦1.4 billion ($4.5 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 ₦30.7 billion ($100 million) on the revolving loan facility.

17. Trade and other receivables

	As at 31 March 2019 ₦ million	As at 31 Dec 2018 ₦ million	As at 31 March 2019 $'000	As at 31 Dec 2018 $'000
Trade receivables	31,697	29,127	103,267	94,875
Underlift	-	1,325	-	4,313
Advances to suppliers	4,274	1,822	13,925	5,933
Other receivables	9,635	9,600	31,417	31,272
Net carrying amount	45,606	41,874	148,609	136,393

Notes to the interim condensed consolidated financial statements continued

17a. Trade receivables

Included in trade receivables is an amount due from Nigerian Gas Marketing Company (NGMC) and Central Bank of Nigeria (CBN) totaling ₦15.3 billion, Dec 2018: ₦14 billion ($49.9 million, Dec 2018: $46 million) with respect to the sale of gas.

17b. NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is nil, Dec 2018: nil ($ nil, Dec 2018: nil). The outstanding NPDC receivables at the end of the reporting period has been netted against the gas receipts payable to NPDC as Seplat has a legally enforceable right to settle outstanding amounts on a net basis.

	31 Mar 2019	31 Mar 2019	31 Mar 2019	31 Mar 2019
	₦'million	₦'million	₦'000	₦'000
	Gross amounts	Loss allowance	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet
Financial assets				
Trade receivables	14,827	(2,475)	(12,352)	-
Financial liabilities				
Payable to NPDC	(28,091)	-	12,352	(15,739)

	31 Mar 2019	31 Mar 2019	31 Mar 2019	31 Mar 2019
	$'000	$'000	$'000	$'000
	Gross amounts	Loss allowance	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet
Financial assets				
Trade receivables	48,439	(8,086)	(40,353)	-
Financial liabilities				
Payable to NPDC	(91,629)	-	40,353	(51,276)

17c. Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is a receivable amount on an investment that is no longer being pursued. The outstanding receivable amount as at the reporting date is ₦9.7 billion, Dec 2018: ₦9.6 billion ($31.5 million, Dec 2018: $31.3 million).

17d. Reconciliation of trade receivables

	As at 31 March	As at 31 Dec	As at 31 March	As at 31 Dec
	2019	2018	2019	2018
	₦'million	₦'million	$'000	$'000
Balance as at 1 January	29,127	33,236	94,875	108,685
Additions during the period	59,668	217,553	194,486	710,725
Receipts for the period	(57,094)	(221,659)	(186,094)	(724,127)
Exchange difference	(4)	123	-	-
Gross carrying amount	31,697	29,253	103,267	95,283
Less: impairment allowance	-	(126)	-	(408)
Balance as at 31 March	31,697	29,127	103,267	94,875

Notes to the interim condensed consolidated financial statements continued

18. 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 ₦0.5 billion, Dec 2018: 2.7 billion ($1.7 million, Dec 2018: $ 8.8 million) as at 31 March 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 31 March 2019 ₦'million	As at 31 Dec 2018 ₦'million	As at 31 March 2019 $'000	As at 31 Dec 2018 $'000
Foreign currency option – crude oil hedges	535	2,693	1,742	8,772

19. Contract assets

	As at 31 March 2019 ₦ million	As at 31 Dec 2018 ₦ million	As at 31 March 2019 $'000	As at 31 Dec 2018 $'000
Revenue on gas sales	3,666	4,327	11,947	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.

19.1. Reconciliation of contract assets

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

	As at 31 March 2019 ₦'million	As at 31 Dec 2018 ₦'million	As at 31 March 2019 $'000	As at 31 Dec 2018 $'000
Balance as at 1 January	4,327	4,217	14,096	13,790
Additions during the period	7,593	39,120	24,744	127,803
Receipts for the period	(8,253)	(39,027)	(26,893)	(127,497)
Exchange difference	(1)	17	-	-
Gross carrying amount	3,666	4,327	11,947	14,096
Less: impairment allowance	-	-		-
Balance as at 31 March	3,666	4,327	11,947	14,096

Notes to the interim condensed consolidated financial statements continued

20. 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 31 March 2019 ₦'million	As at 31 Dec 2018 ₦'million	As at 31 March 2019 $'000	As at 31 Dec 2018 $'000
Cash on hand	4	2	12	7
Restricted cash	1,761	1,049	5,736	3,418
Cash at bank*	197,694	178,494	644,058	581,416
	199,459	179,545	649,806	584,841
Less: impairment allowance	-	(36)	-	(118)
	199,459	179,509	649,806	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.

*Included in Cash & bank balances is ₦30.7 billion ($100 million) temporarily held by the Group on behalf of Nigerian Gas Company (NGC) for its equity share in ANOH Gas Processing Company (AGPC). Funds were transferred by NGC in Q1 2019 before NGC's equity investment in AGPC was approved by the Corporate Affairs Commission (CAC) on 18 April 2019 (see note 22d). ₦12 billion ($39.25 million) is also being held in an escrow account against a potential investment, pending agreement with the counter-party.

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

	As at 31 March 2019 ₦'million	As at 31 Dec 2018 ₦'million	As at 31 March 2019 $'000	As at 31 Dec 2018 $'000
Cash on hand	4	2	12	7
Cash at bank	197,694	178,458	644,058	581,298
	197,698	178,460	644,070	581,305

21. Share capital

21a. Authorised and issued share capital

	As at 31 March 2019 ₦ million	As at 31 Dec 2018 ₦ million	As at 31 March 2019 $'000	As at 31 Dec 2018 $'000
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500	3,335	3,335
Issued and fully paid				
568,497,025 (2018: 568,497,025) issued shares denominated in Naira of 50 kobo per share	286	286	1,834	1,834

The Group's issued and fully paid as at the reporting date consists of 568,497,025 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.

Notes to the interim condensed consolidated financial statements continued

21b. Movement in share related reserves

	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	-	-	805	805
Closing balance as at 31 March 2019	568,497,025	286	8,103	8,389

	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	-	-	2,623	2,623
Closing balance as at 31 March 2019	568,497,025	1,834	30,122	31,956

21c. Employee share based payment scheme

As at 31 March 2019, the Group had awarded 40,410,644 shares (Dec 2018: 40,410,644 shares) to certain employees and senior executives in line with its share based incentive scheme. During the three months ended 31 March 2019 no shares were vested (Dec 2018: 5,052,464 shares).

22. Trade and other payables

	As at 31 March 2019	As at 31 Dec 2018	As at 31 March 2019	As at 31 Dec 2018
	₦ million	₦ million	$'000	$'000
Trade payable	13,927	12,073	45,375	39,328
Nigerian Petroleum Development Company (NPDC)	18,214	10,022	59,362	32,643
National Petroleum Investment Management Services (NAPIMS)	2,535	2,785	8,261	9,073
Receipts for investment	30,695	-	100,000	-
Accruals and other payables	48,833	53,296	159,093	173,603
Pension payables	144	107	469	350
NDDC levy	1,438	345	4,684	1,124
Royalties payable	7,363	8,732	23,988	28,444
	123,149	87,360	401,232	284,565

22a. Accruals and other payables

Included in accruals and other payables are field-related accruals ₦19.06 billion, Dec 2018: ₦22.7 billion ($62.11million, Dec 2018: $74 million), and other vendor payables of ₦29.74 billion, Dec 2018: ₦31 billion ($96.98 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.

22b. 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 against payables to NPDC as the Group has a right to offset.

Notes to the interim condensed consolidated financial statements continued

22c. 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 and advanced monies for the Jisike Oil project, which is yet to commence. The amount advanced has therefore been recognised as a payable.

22d. Receipts for investment

The Group entered into a Shareholder Agreement and Share Subscription Agreement in August 2018 with the Nigerian Gas Company ("NGC") for it to subscribe for fifty per cent of the shares in ANOH Gas Processing Company Limited ("AGPC"), 100% owned by the Group. The Approval from Corporate Affairs Commission (CAC) in Nigeria for the new shareholding structure was not received until April 18, 2019.

During Q1 2019, NGC injected its share of the first tranche of equity injection of ₦30.7 billion ($100 million) into funding the project before the share transfer was effected. The funds were temporarily held by the Group in Cash at Bank in Q1 2019.

23. Computation of cash generated from operations

	Notes	3 months ended 31 March 2019 ₦ million	3 months ended 31 March 2018 ₦ million	3 months ended 31 March 2019 $'000	3 months ended 31 March 2018 $'000
Profit before tax		5,957	17,987	19,425	58,810
Adjusted for:					
Depletion, depreciation and amortisation		7,204	10,001	23,484	32,697
Depreciation of right-of-use assets		188	-	613	-
Interest on bank loans	13	4,534	7,350	14,778	24,033
Interest on lease liabilities	13	39	-	127	-
Interest on advance payments for crude oil sales	13	-	530	-	1,730
Unwinding of discount on provision for decommissioning liabilities	13	313	193	1,017	632
Finance income	13	(869)	(437)	(2,834)	(1,429)
Fair value loss on contingent consideration	12	13	1,350	40	4,411
Unrealised fair value loss on derivatives		2,157	-	7,030	-
Unrealised foreign exchange (gain)/ loss	9	163	(572)	529	(1,870)
Share based payments expenses		805	599	2,623	1,958
Defined benefit expenses		209	(328)	682	(1,073)
Reversal of impairment loss on trade and other receivables	11	(44)	(669)	(144)	(2,186)
Changes in working capital (excluding the effects of exchange differences):					
Trade and other receivables		(3,356)	11,943	(10,935)	39,044
Prepayments		930	-	3,031	
Contract assets		661	(3,876)	2,149	(12,672)
Trade and other payables		4,878	(30,406)	15,891	(99,408)
Inventories		1,337	402	4,335	1,312
Restricted cash		(712)	-	(2,318)	-
Net cash from operating activities		24,407	14,067	79,523	45,989

Notes to the interim condensed consolidated financial statements continued

24. Related party relationships and transactions

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

24a. Related party relationships

The services provided by the related parties:

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

Cardinal Drilling Services Limited (formerly 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.

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

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

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

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.

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

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

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

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

Notes to the interim condensed consolidated financial statements continued

24b. Related party relationships

i) Purchase of goods and services

	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	₦ million	₦ million	$'000	$'000
Shareholders of the parent company				
SPDCL (BVI)	81	104	263	339
Total	81	104	263	339
Entities controlled by key management personnel:				
Contracts > $1million in 2019				
Nerine Support Services Limited	-	375	-	1,227
Cardinal Drilling Services Limited	800	6	2,606	19
	800	381	2,606	1,246
Contracts < $1million in 2019				
Montego Upstream Services Limited	8	-	26	-
Abbey Court trading Company Limited	80	79	260	259
Charismond Nigeria Limited	2	2	6	8
Keco Nigeria Enterprises	64	7	210	24
Nerine Support Services Limited	236	-	768	-
Stage leasing (Ndosumili Ventures Limited)	306	229	999	748
Oriental Catering Services Limited	14	45	46	148
Helko Nigeria Limited	-	34	-	111
	710	396	2,315	1,298
Total	1,591	882	5,184	2,883

* Nerine on average charges a 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 first quarter ended 31 March 2019 is ₦17.7 million, 2018: ₦375 million ($57,600, 2018: $1.2 million).

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

24c. Balances

The following balances were receivable from or payable to related parties as at 31 March 2019:

Prepayments / receivables	As at 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	As at 31 Dec 2018
	₦ million	₦ million	$'000	$'000
Entities controlled by key management personnel				
Cardinal Drilling Services Limited	-	1,495	-	4,869
Montego Upstream Services Limited	-	8	-	26
Oriental Catering Services Ltd	2	-	5	-
	2	1,503	5	4,895

Notes to the interim condensed consolidated financial statements continued

Payables	As at 31 Mar 2019	As at 31 Dec 2018	As at 31 Mar 2019	As at 31 Dec 2018
	₦ million	₦ million	$'000	$'000
Entities controlled by key management personnel				
Keco Nigeria Enterprises	-	19	-	61
Nerine Support Services Limited	1	-	4	-
Cardinal Drilling Services Limited	190	-	619	-
Oriental Catering Services Ltd	-	14	-	47
Abbey Court Trading Company Limited	-	9	-	28
Charismond Nigeria Limited	-	-	-	1
Stage Leasing Limited	-	13	-	43
	191	55	623	180

25. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities is ₦736 million, Dec 2018: ₦736 million ($2.4 million, Dec 2018: $2.4 million). The contingent liability for the period ended 31 March 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.

26. Proposed dividend

No interim dividend was proposed by the Group's directors for the reporting period (2018: ₦15, $0.05).

27. Events after the reporting period

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

28. 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 a 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 13.1% as at that date.

Notes to the interim condensed consolidated financial statements continued

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.

28.1. 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 three months ended 31 March 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 31 March 2019 was 13.1%.

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.

Notes to the interim condensed consolidated financial statements continued

28.2. 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.

	Amounts without impact of IFRS 16	Impact of IFRS 16	As at 1 Jan 2019	Amounts without impact of IFRS 16	Impact of IFRS 16	As at 1 Jan 2019
	₦ million	₦ million	₦ million	US$ '000	US$ '000	US$ '000
ASSETS						
Non-current assets						
Right-of-use assets	-	3,267	3,267	-	10,641	10,641
Prepayment	7,950	(275)	7,675	25,893	(893)	25,000
Total non-current assets	512,219	2,992	515,211	1,668,466	9,748	1,678,214
Current assets						
Prepayments	3,549	(1,802)	1,747	11,561	(5,872)	5,689
Total current assets	263,437	(2,077)	261,360	858,099	(6,765)	851,334
Total assets	775,656	1,190	776,846	2,526,565	3,876	2,530,441
EQUITY AND LIABILITIES						
Non-current liabilities						
Lease liabilities	-	952	952	-	3,100	3,100
Total non-current liabilities	184,808	952	185,760	601,976	3,100	605,076
Current liabilities						
Lease liabilities	-	238	238	-	776	776
Total current liabilities	99,376	238	99,614	323,704	776	324,480
Total liabilities	284,184	1,190	285,374	925,680	3,876	929,556

- Right-of-use assets

All the Group's right-of-use assets are non-current assets. A reconciliation of the Group's right-of-use assets as at 1 January 2019 and 31 March 2019 is shown below:

	₦ million	US$ '000
Opening balance as at 1 January 2019	-	-
Effect of initial application of IFRS 16	3,267	10,641
Adjusted opening balance as at 1 January 2019	3,267	10,641
Less: depreciation for the period	(188)	(613)
Closing balance as at 31 March 2019	3,079	10,028

The right-of-use assets recognised as at 1 January 2019 and 31 March 2019 comprised of the following asset:

	31 March 2019	1 Jan 2019	31 March 2019	1 Jan 2019
	₦ million	₦ million	US$ '000	US$ '000
Office buildings	3,079	3,267	10,028	10,641
Right-of-use assets	3,079	3,267	10,028	10,641

Notes to the interim condensed consolidated financial statements continued

- Lease liabilities

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

	₦ million	US$ '000
Total undiscounted operating lease commitment as at 31 December 2018	2,024	6,595
Lease liability as at 1 January 2019	1,190	3,876
Add: interest on lease liabilities	39	127
Closing balance as at 31 March 2019	1,229	4,003

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 ₦119 million ($0.4 million) was recognised within general and administrative expenses for these leases. The Group's future cash outflows from short term lease commitments at the end of the reporting period is ₦62 million ($0.2 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 ₦6.7 billion ($21.7 million).

The Group's lease liability as at 1 January 2019 and 31 March 2019 is split into current and non-current portions as follows:

	1 Jan 2019	31 March 2019	1 Jan 2019	31 March 2019
	₦ million	₦ million	US$ '000	US$ '000
Non-current	952	952	3,100	3,100
Current	238	277	776	903
Lease liability as at 1 January 2019	1,190	1,229	3,876	4,003

b) Impact on the statement of profit or loss (increase/(decrease)) for the three months ended 31 March 2019

	₦ million	US$ '000
Depreciation expense	(188)	(613)
Operating profit	(188)	(613)
Finance cost	(39)	(127)
Profit for the period	(227)	(740)

c) Impact on the statement of cash flows (increase/(decrease)) for the three months ended 31 March 2019:

	₦ million	US$ '000
Depreciation of right-of-use assets	188	613
Interest on lease liabilities	39	127
Net cash flows from operating activities	227	740

Notes to the interim condensed consolidated financial statements continued

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 s not reasonably certain that the Group will exercise the purchase option. This,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:

Impact of purchase option	Effect on profit before tax 31 March 2019 ₦ million	Effect on profit before tax 31 March 2019 $' 000
Depreciation	117	382
Interest payment	(398)	(1,170)
	(359)	(788)

Impact of purchase option	Effect on net assets 31 March 2019 ₦ million	Effect on net assets 31 March 2019 $' 000
Right-of-use assets	11,158	36,355
Lease liability	(11,322)	(36,887)
	(164)	(531)

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 31 March 2019 is shown below:

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	₦ million	₦ million	₦ million	US$ '000	US$ '000	US$ '000
Segment assets:						
Oil	514,493	3,079	517,572	1,676,160	10,028	1,686,188
Gas	242,238	-	242,238	789,174	-	789,174
	756,731	3,079	759,810	2,465,334	10,028	2,475,362
Segment liabilities:						
Oil	120,681	1,229	121,910	393,168	4,003	397,171
Gas	135,672	-	135,672	442,007	-	442,007
	256,353	1,229	257,582	835,175	4,003	839,178

f) Impact on earnings per share

As a result of adoption of IFRS 16, the earnings per share of the Group for the three months ended 31 March 2019 decreased as shown in the table below:

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	₦ million	₦ million	₦ million	US$ '000	US$ '000	US$ '000
Profit for the period	10,249	(227)	10,022	33,416	(740)	32,676
Earnings per share for profit attributable to the equity shareholders						
Basic earnings per share	18.03	(0.40)	17.63	0.06	-	0.06
Diluted earnings per share	17.96	(0.40)	17.56	0.06	-	0.06

Notes to the interim condensed consolidated financial statements continued

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.

29. Exchange rates used in translating the accounts to Naira

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

	Basis	31 March 2019 ₦/$	31 March 2018 ₦/$	31 Dec 2018 ₦/$
Fixed assets – opening balances	Historical rate	Historical	Historical	Historical
Fixed assets - additions	Average rate	306.87	305.87	306.10
Fixed assets - closing balances	Closing rate	306.95	305.95	307.00
Current assets	Closing rate	306.95	305.95	307.00
Current liabilities	Closing rate	306.95	305.95	307.00
Equity	Historical rate	Historical	Historical	Historical
Income and Expenses	Overall Average rate	306.87	305.87	306.10

General information

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

*Madame Nathalie Delapalme acts as alternate Director to Michel Hochard

Company secretary	Mirian Kachikwu
Registered office and business address of directors	25a Lugard Avenue Ikoyi Lagos Nigeria
Registered number	RC No. 824838
FRC number	FRC/2015/NBA/00000010739
Auditor	Ernst & Young (10th & 13th Floors), UBA House 57 Marina Lagos, Nigeria.
Registrar	DataMax Registrars Limited 7 Anthony Village Road Anthony P.M.B 10014 Shomolu Lagos, Nigeria
Solicitors	Olaniwun Ajayi LP Adepetun Caxton-Martins Agbor & Segun (“ACAS-Law”) Templars Law White & Case LLP Whitehall Solicitors Bracewell (UK) LLP Herbert Smith Freehills LLP Chief J.A. Ororho & Co. Ogaga Ovrawah & Co. Consolex LP Banwo & Ighodalo J.E. Okodaso & Company V.E. Akpoguma & Co. Thompson Okpoko & Partners G.C. Arubayi & Co. 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