



RESILIENCE AND STRENGTH

SEPLAT PETROLEUM DEVELOPMENT COMPANY PLC

UNAUDITED RESULTS FOR THE NINE MONTHS
ENDED 30 SEPTEMBER 2020

30 OCTOBER 2020

www.seplatpetroleum.com



Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

Lagos and London, 30 October 2020: Seplat Petroleum Development Company Plc (“Seplat” or the “Company”), a leading Nigerian independent energy company listed on both the Nigerian Stock Exchange and the London Stock Exchange, announces its unaudited results for the nine months ended 30 September 2020.

Operational highlights

- Working-interest production within guidance at 50,653 boepd, despite market volatility
- Liquids production of 33,327 bopd, gas production of 100 MMscfd
- Eland OML40/Ubima assets produced 9,151 bopd, 27.5% of Group oil volumes, integration progressing well
- TFP reconciliation losses reduced to 8.6%
- Amukpe-Escravos Pipeline now expected operational in H2 2021
- Low unit cost of production at US\$8.73/boe, with cost-cutting initiatives ongoing, particularly at OML40/Ubima
- ANOH project remains on track for Q4 2021 first gas, completion of financing imminent

Financial highlights

- Strong cash balance of US\$213 million after US\$100 million RCF repayment, US\$29 million 2019 final dividend, and US\$109 million capex
- Net debt steady at US\$480 million with most maturities after 2021
- Revenue US\$388 million due to lower oil prices
- IAS 36 COVID-19 impact assessment and IFRS 9 non-cash impairment provision of US\$180 million.
- Provision reverses operating profit of US\$100 million to operating loss of US\$79 million
- NPDC receivables further reduced to US\$152 million

Interim dividend declared

- Interim dividend of US\$0.05 per share (2019: US\$0.05) in line with Seplat’s normal dividend distribution timetable

Outlook for 2020

- Full-year production guidance narrowed to 48-52 kboepd, subject to market conditions
- Oil hedging: 1.5MMbbl at US\$30/bbl and 0.5MMbbl at US\$35/bbl in Q4 2020
- Full-year capex expected to be around US\$120 million (US\$109 million already invested)

Roger Brown, Chief Executive Officer, said:

“Seplat’s third-quarter performance has again demonstrated the resilience of our business in challenging times and in addition to voluntarily reducing our debt leverage by US\$100 million, we are maintaining our commitment to shareholders by declaring an interim dividend of US\$0.05 per share, as we have in previous years. The business continues to operate effectively despite the restraints of the COVID-19 pandemic and the recent unrest in Nigeria.

After the tragic incident on OML40 in July, we have in consultation with our government partner NPDC and the regulatory authorities in Nigeria, conducted three separate and comprehensive investigations that have led to the implementation of new and strengthened safety procedures at the joint venture. Our thoughts and prayers remain with the affected families and friends.

We continue to hedge our oil business against further price volatility and are pursuing further cost-cutting initiatives to ensure that we will remain profitable even at lower prices experienced earlier in the year.

We have strengthened our oversight with the appointment of two independent directors, Arunma Oteh and Xavier Rolet, who bring considerable local and international business and governance expertise to the Board.

I have taken over the leadership of Seplat at a challenging time for our industry, but am confident that our actions to increase operational efficiencies, further reduce costs and continue our expansion into midstream gas processing to reduce carbon emissions by displacing inefficient and expensive diesel generated electricity, will ensure that Seplat remains at the forefront of Nigeria’s exciting energy transition and provide sustainable energy for a young and rapidly growing population.”

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

Summary of performance

	US\$ million			₦ billion	
	9M 2020	9M 2019	% change	9M 2020	9M 2019
Revenue	387.8	494.9	(21.6%)	135.6	151.9
Gross profit	90.6	264.7	(65.8%)	31.7	81.2
Impairment of assets *	(179.7)	(40.1)	348.1%	(62.8)	(29.1)
EBITDA **	205.6	244.3	(16%)	71.9	99.6
Operating profit (loss)	(79.3)	211.2	(138%)	(27.7)	64.8
Profit (loss) before tax	(130.1)	184.8	(170.4%)	(45.5)	56.7
Operating cash flow	197.7	306.3	(36%)	74.8	94.0
Working interest production (boepd)	50,653	47,163	7.4%		
Average realised oil price (US\$/bbl)	38.60	64.20	(40.3%)		
Average realised gas price (US\$/Mscf)	2.88	2.82	2.1%		

*Includes US\$158.2 million impairment on revaluation of assets and US\$21.4 million impairment of financial assets

**Adjusted for non-cash items

Outlook for 2020

Following our performance over the first nine months of the year we are narrowing guidance to 48,000-52,000 boepd for the full year. We continue to hedge against oil price volatility and expect a higher proportion of revenues to come from long-term gas contracts at stable prices. We also continue to focus on cost savings to maintain profitability at the lower oil prices we have realised so far this year.

We have significant cash resources available and will continue to manage our finances prudently in 2020, expecting now to invest US\$120 million of capital expenditure across the full year (of which US\$109 million has already been invested). We remain confident that our cost-cutting initiatives and prudent management of cash will enable further reductions in debt, whilst supporting dividend payments and investment for growth.

The timely completion of the ANOH project in late 2021 remains a major priority and we expect that the debt financing will achieve financial close in the coming weeks.

Important notice

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

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

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

Enquiries:

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

Results call

At 09:00 GMT / 10.00 WAT on Friday 30 October 2020, the Executive Management team will host a conference call and webcast to present the Company's results.

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

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

Conference call pre-register link:

https://secure.emincote.com/client/seplat/seplat006/vip_connect

Webcast live event link:

<https://secure.emincote.com/client/seplat/seplat006>

Archive link:

<https://secure.emincote.com/client/seplat/seplat006>

Notes to editors

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

Seplat is pursuing a Nigeria-focused growth strategy and is well positioned to participate in future asset divestments by international oil companies, farm-in opportunities, and future licensing rounds. The Company is a leading supplier of gas to the domestic power generation market. For further information please refer to the Company website, <http://seplatpetroleum.com/>

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

Operating review

Working-interest production for the nine months ended 30 September 2020

	Seplat %	9M 2020			9M 2019		
		Liquids ⁽¹⁾ bopd	Gas MMscfd	Oil equivalent boepd	Liquids bopd	Gas MMscfd	Oil equivalent boepd
OMLs 4, 38 & 41	45.0%	20,731	100	38,057	20,875	136	44,380
OML 40	45.0%	8,285	-	8,285	-	-	-
Ubima	88.0%	866	-	866	-	-	-
OPL 283	40.0%	914	-	914	1,183	-	1,183
OML 53	40.0%	2,531	-	2,531	1,600	-	1,600
Total		33,327	100	50,653	23,658	136	47,163

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

Average working-interest production for the first nine months of 2020 was within guidance at 50,653 boepd, up 7.4% on Q3 2019 and reflecting the first-time contribution of the acquired Eland assets.

Within this, liquids production was up 40.8% to 33,327 bopd, while gas production decreased to 100 MMscfd for the nine-month period (9M 2019: 136 MMscfd).

There was a 77% uptime for the Trans Forcados Pipeline during the period and the produced liquid volumes from OMLs 4, 38 and 41 were subject to 8.6% reconciliation losses.

Full-year production guidance has been updated to reflect the constrained production levels in Nigeria following cuts in OPEC+ production quotas. As a result, guidance for the year is refined to 48 kboepd - 52 kboepd. Within this, liquids production guidance is narrowed to 31 kbopd - 34 kbopd with the gas production guidance of 17 kboepd - 18 kboepd.

Oil business performance

The Group's oil operations continued despite the COVID-19 crisis and produced an average of 33,327 bopd on a working-interest basis for the period. This 40.8% increase reflects a maiden contribution of 9,151 bopd (27.5% of Group volumes) from the recently acquired OML 40 and Ubima assets, as well as higher production from OML 53 compared to 9M 2019. Exports from operations were constrained by approximately 10 kbopd on a gross basis as a result of the OPEC+ production cuts implemented in the third quarter. Production from OML 40 was further impacted by the suspension of operations for several weeks following the tragic BRVS accident in July, but exports were able to recommence at the end of August. Production output from both fields has increased as a result of newly connected wells drilled earlier in the year and we are in discussions with the DPR and NNPC for increased quotas.

Production from OMLs 4, 38 & 41 was largely unaffected as we benefited from the exemption of Nigerian condensates from the OPEC+ cuts.

The average price realised was US\$38.60/bbl (9M 2019: US\$64.22/bbl), a drop of 39.9%. We had already hedged 1.5 MMbbl / quarter at US\$45/bbl for the first three quarters of 2020, while 1.5 MMbbl is hedged at US\$30/bbl with another 0.5 MMbbl at US\$35/bbl for the final quarter of the year, using put options.

We continue to address costs across the oil business and are renegotiating supplier contracts to achieve cost savings of at least 30%. At OML40, the mooring facilities rehabilitation and crude injection system upgrade was completed in August. This allowed the successful streamlining of the Gbetiokun barging operations with the use of a self-propelled, 28 kbbl capacity vessel to evacuate liquids. With the restart of exports from OML40 and the larger barges now in use, this has already driven barging costs down from US\$14/bbl to US\$5/bbl.

During the nine-month period, Seplat completed five oil wells (Sapele-35, Ovhor-6ST, Ovhor-20, Ohaji South-5, Ohaji South-6). Eland completed Gbetiokun-5, which is producing c.5,000 bopd from two strings, while the Extended Well Test for Ubima is in progress with a production of c.1,200 bopd, and this is expected to continue until the end of 2020. The Field Development Plan for Ubima has been finalised and is currently under review.

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

OPEC+ quotas

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

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

Nigeria had previously reaffirmed its commitment under the existing global agreement and had already committed to making additional cuts from July to September to compensate for exceeding its quotas in May and June. As a result, Seplat was advised of production quota cuts of between 20%-30% across its assets in July and August and its actual production was compliant with the required quota in the period. As the cuts are expected to hold through January 2021, Seplat will continue to comply with the OPEC+ cuts as directed by the Nigerian regulators for the rest of the year.

Seplat's Western Assets are largely unaffected by the quota owing to TFP downtime and the exemption of Nigeria's condensates.

Integration of Eland

The integration of Eland is progressing well. The OML40 and Ubima fields contributed around 27.5% of Group oil volumes in the nine-month period and we continue to address cost cutting at OML40, notably through reduced barging costs with the use of larger barges to evacuate liquids from Gbetiokun.

As previously indicated, the integration process is expected to take a year to complete. We have conducted detailed reviews to assess how best to combine the operations of Eland and Seplat in the most optimal manner and begun implementing several initiatives to drive this integration.

Our Aberdeen office will become Seplat's Centre of Excellence, and will focus on training and technical support for subsurface, business development and future energy technologies. In addition, we are looking at ways to assist Elcrest implement whatever best practices may be beneficial from the wider experience of Seplat, for example in health and safety, operations management, community relations and external affairs etc.

Update on Amukpe-Escravos export route

The Amukpe-Escravos pipeline is set to provide a third and more secure underground evacuation option for liquids production from OMLs 4, 38 and 41. Once completed, we believe it will significantly improve the assets' production uptime (77% in 9M 2020) and reduce losses from crude theft and reconciliation (8.6% in 9M 2020).

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

Gas business performance

Following the planned shutdown and maintenance work in the first quarter of the year, Seplat's working-interest production for the period was 100 MMscfd at an average selling price of US\$2.88/Mscf (9M 2019: 136 MMscfd, US\$2.82/Mscf). Gas contributed US\$82.2 million of Group revenues, or 21.2%.

Oben Gas Plant

The Company successfully completed a 15-day turnaround maintenance for the Oben Gas Plant in March. Gas production was affected during the maintenance period and this impact was exacerbated by third-party infrastructure downtime of 23% due to associated condensate handling challenges.

The Oben-48 gas well, drilled in late 2019, came onstream in the first quarter of 2020. Oben-49 was drilled in the third quarter with well completion activities in progress. Following the completion of Oben-49, the drilling rig will move to the location of the second planned gas well and commence drilling activities. The initial well potential for both wells combined is expected to be 75 MMscfd on a gross basis, or 33.8 MMscfd net.

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

Sapele Gas Plant

Decommissioning of the existing gas plant reached 85% completion in the period, with only the last producing module and associated equipment outstanding. Decommissioning of the lone producing module commenced on the 1st of October 2020 and upon conclusion will complete the abandonment activities, after which site construction works will begin.

For the new plant, we have taken delivery of the AG compressors as production of other main processing components continues. Contracting is in progress for the procurement of the remainder of the plant equipment. The project is expected to be completed in the second half of 2022, with Sapele's processing capacity increasing from 60 MMscfd to 75 MMscfd. The upgraded facility will produce gas that meets the West African Gas Pipeline (WAGP) export specifications and the LPG module will enhance the economics of the plant as well as ensuring that any gas flaring is eliminated.

ANOH Gas Processing Plant

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

The project is progressing as planned. Having reviewed the construction schedule and progress on the OB3 gas pipeline, as well as the effect of COVID-19 on equipment delivery, we believe the anticipated first-gas date of Q4 2021 remains on target. On the basis of this completion date, we have agreed with the upstream operator, Shell Petroleum Development Company (SPDC), to defer the initial well spud date of November 2020 to the first quarter of 2021. This will ensure the upstream first-gas target is in alignment with the midstream project delivery schedule.

The total ANOH project cost is budgeted at US\$700 million and both NGC and Seplat have fully funded their respective equity investments of US\$210 million. The balance will be funded by debt and we expect to conclude the funding process in Q4 2020.

COVID-19 response

The direct impact of COVID-19 has been far less severe in Nigeria than in many other countries. As of 26 October 2020, the Nigeria Centre for Disease Control had reported less than 62,000 cases and 1,150 fatalities. We are keeping the situation under daily review and will respond accordingly to any significant developments.

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

Although we have implemented a partial and carefully managed re-opening of our head office in Lagos, many employees continue to work from home and are supported by our robust technology platforms, enabling all staff to interact with our internal and external stakeholders. Our field operations continue to work with essential-only staffing based upon 28-day rotations instead of the usual 14-day rotations. All field staff are given regular health checks and undergo a period of quarantine before arriving at the field.

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

Results of investigations into accident at OML 40

On 7 July 2020, a tragic accident involving seven fatalities occurred because of an explosion during planned maintenance work by contractors at the Benin River Valve Station on OML 40 in Delta State. There were no other casualties. Our thoughts and prayers remain with the families and friends of all those who lost their lives and the NPDC/Elcrest joint venture has provided support where possible.

Field operations at Gbetiokun, 30km away, were unaffected, but we suspended operations to allow repairs to the export site, which were concluded in August. Three investigation teams including a DPR-led team, an independent investigator and a combined team of NPDC / Elcrest (led by NPDC as the operator) began separate investigations in the immediate aftermath of the accident. Over the course of the investigation, a multi-disciplinary team of experienced internal and external specialist personnel was constituted to distil out lessons from the accident and review operational practices with a view to revising operational controls to prevent such incidents in the future.

The investigations identified failure of the Permit to Work system as the root cause of the incident and recommended improvement actions. A total of 18 key findings related to the causes of the accident emerged. The team developed a series of recommendations to address each of its key findings, which are intended to enable prevention of similar accidents as well as address other potential issues. Categories of the findings included documentation, training, processes and interfaces. We recognised that full implementation of the eighteen recommendations would involve long-

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

term commitment and a team was set up to drive HSE gap closure. A prioritised action plan was put in place with due dates and accountabilities for each element of the plan, with actions tracked to completion. Sixteen of the recommendations, including all high-urgency items, have been closed out and the final two items will be concluded shortly. Elcrest's management has prioritised building a robust HSE culture across the organisation and aims to finalise implementation of the enhanced standards across its locations.

Update on sustainability initiatives

Earlier in the year, we commissioned the environmental consultancy Critical Resource to conduct a Gap Analysis of our efforts on sustainability. The analysis identified numerous areas in which we could align with global best practices and will guide future initiatives across several areas including:

- Scenario analysis of asset resilience under different climate scenarios
- Board-level development of overall position on climate change and sustainability
- Alignment of reporting with global standards such as TCFD and road map towards fully compliant reporting
- Implementation of infrastructure to gather, verify and report data not yet fully reported
- Development of policies and statements on biodiversity, human rights and other key areas
- Identification and implementation of key sustainability indicators and alignment to internal performance targets
- Change management and internal organisation to embed a sustainability mindset across the organisation to successfully implement the overall sustainability and climate change strategy

We anticipate that the next steps will be to conduct the scenario analysis of our assets and this will then guide the Board's consideration and development of a long-term strategy to address the impacts of climate change and other sustainability imperatives.

As a first step, we have created a New Energy group to manage our midstream gas business, which is a major sustainability initiative because of the imperative to replace Nigeria's wasteful use of small-scale, costly and polluting diesel generators with cleaner and more efficient utility-scale gas-fired power stations. The New Energy group will also explore the adoption of renewable energy both in our own operations and as a future business line for the Group.

Management transition and Board appointments

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

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

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

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

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

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

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

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

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

Financial review

Oil market

Higher than anticipated oil demand in July and August, helped by OPEC+ production cuts, drove oil prices higher in the third quarter of 2020, with Brent averaging US\$43.30/bbl in the period. However, demand softened in September over uncertainties as to the pace of recovery from the pandemic.

Revenue and production

Total revenue for the period was US\$387.8 million, down 21.6% from the US\$494.8 million achieved in 2019. Crude oil revenue was US\$305.6 million (9M 2019: US\$322.8 million) a 5.3% reduction compared to 2019, reflecting lower realised oil prices of US\$38.6/bbl for the period (9M 2019: US\$64.2/bbl) offset by added production from the Eland assets. A US\$39.1 million oil underlift was recorded under other income in the period, compared to US\$30.5 million in 9M 2019.

Total working-interest production volume for the period was 13.9 MMboe (9M 2019: 12.9 MMboe) with the total volume of crude lifted in the period being 7.9 MMbbl, compared to 5.0 MMbbl in 2019. The higher volume was due to a maiden contribution from OML40 and Ubima, and higher production from OML 53. The Company experienced TFP reconciliation losses of 8.6% for the nine-month period, but we expect these to fall when the delayed Amukpe-Escravos underground pipeline comes onstream.

Gas sales revenue decreased by 21.8% to US\$82.2 million (9M 2019: US\$105.1 million), due to lower gas sales volumes of 27.5 Bscf compared to 37.2 Bscf in 9M 2019. The lower volumes reflect higher downtime at third-party infrastructure and a planned 15-day shutdown of the Oben Gas Plant for turnaround maintenance in March. There were no gas processing revenues in the period, compared with the one-off gas processing revenue of US\$66.9 million in 2019, which was the Oben gas plant tolling payment by NPDC. Gas sales contributed 21.2% of total Group revenue in the period (9M 2019: 24.6%, excl. tolling) and the average realised gas price was US\$2.88/Mscf (9M 2019: US\$2.82/Mscf).

Cost-cutting initiatives

To adapt to current market conditions the Company aims to reduce costs by at least 30% across the business. Towards opex and G&A reduction, IT, administrative and travel costs have been reduced to the essentials and all third-party and service contracts are being renegotiated to reduce costs. We expect the benefits of the cost reductions implemented across assets in the period to be reflected from the fourth quarter of 2020. Drilling of oil wells has been suspended, with all non-essential capex under review to consider only activities that can be supported in the new oil price environment.

Gross profit

Gross profit decreased to US\$90.6 million (9M 2019: US\$264.7 million) due to lower revenues and higher non-production costs primarily consisting of royalties and DD&A, which were US\$172.7 million compared to US\$144.3 million in the prior year. Following the completion of its acquisition, Eland revenues and costs are included in 9M 2020 and not reflected in 9M 2019. Production evacuation from the Gbetiokun and Ubima fields resulted in barging and trucking costs of US\$13.3 million. These increased costs reflect the additional production volumes from the Eland assets and resultant increase in royalties and crude handling fees. On a cost-per-barrel equivalent basis, production opex was higher at US\$8.73/boe (9M 2019: US\$6.2/boe), due to barging and trucking costs, higher core operations and maintenance expenses and the effect of OPEC+ restrictions that curtailed production volumes.

General and administrative expenses of US\$52.4 million (9M 2019: US\$54.6 million) fell in the period as administrative activities dropped due to the Covid-19 pandemic. Following the acquisition of Eland, one-off termination payments of US\$2.3 million were made to its Directors, while the inclusion of Eland staff and office costs was partially offset by lower travel and other administrative costs during the period.

IAS 36 impairments

As previously reported, under IAS 36 the Company identified the need to revalue its assets due to the significant economic uncertainty of the COVID-19 crisis. Following a reassessment of the business models and assumptions to establish their reasonableness and practicality, particularly in the current and expected oil price environment, we decided to book a provision of US\$158.2 million across its non-financial assets in the period.

Operating loss

An impairment loss of US\$179.7 million was booked in the period. This includes a non-financial asset charge of US\$158.2 million (IAS 36 as detailed above) and financial asset charges of US\$21.4 million (IFRS 9). Financial asset charge include charges against a deposit made for a potential investment that the Company will no longer pursue. This was offset by other income of US\$42.2 million that includes an adjustment for a US\$39.1 million underlift position (shortfalls of crude

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

lifted below the share of production, which is priced at date of lifting and recognised as other income) and the US\$1.5 million tariff income generated from the use of the Company's pipeline. Hedging income US\$22.0 million was received in the period; US\$19.9 million recognised is net of fair value charges.

The Impairment provision reverses an operating profit of US\$100 million to operating loss of US\$79.3 million (9M 2019: US\$211.2 million profit) and an EBITDA of US\$205.6 million that adjusts for impairment and other non-cash items.

Tax

The Group's tax position for the period was a credit of US\$33.8 million, compared to a tax expense of US\$3.4 million for the same period in 2019. The tax credit is made up of a deferred tax credit of US\$44.5 million and a current tax charge of US\$10.4 million. The deferred tax credit is mainly driven by the unutilised capital allowances for the period.

Net result

The net finance charge was US\$51.8 million, compared to US\$27.1 million in 2019. The loss before tax adjustments was US\$130.1 million (9M 2019: US\$120.4 million profit before tax). The net loss for the period was US\$96.3 million (9M 2019: US\$184.6 million net profit). The resultant basic loss per share was US\$0.17 (9M 2019 EPS: US\$0.32).

Cash flows from operating activities

Net cash flows from operating activities, after movements in working capital, were US\$187.4 million (9M 2019: US\$306.3 million). An income tax payment of US\$10.4 million was made in the period. Seplat received a total of US\$147 million from NPDC towards the settlement of outstanding dollar-denominated cash calls and US\$100 million (Naira equivalent) to offset Naira cash calls.

The NPDC receivable balance now stands at US\$151.6 million, down from US\$222.4 million at the end of 2019. Seplat maintains a good dialogue with NPDC to ensure that receivables are settled promptly. The Group continues to receive the proceeds of gas sales from NPDC in lieu of Naira cash calls for ongoing operations.

Cash flows from investing activities

Capital expenditures in the period were US\$108.6 million comprising US\$74.4 million in relation to the drilling and completion of eight wells- two gas wells (completion of Oben 48 and Oben 49) and Six development oil wells. Associated facilities and engineering costs amounted to US\$19.4 million and other gas business costs including the Sapele Gas Plant upgrade project totalled US\$14.7 million.

The Group received total proceeds of US\$4.7 million in the period under the revised OML55 commercial arrangement with Belema Oil for the monetisation of 68 kbbls. The joint venture payment of US\$30.0 million reflects an additional equity contribution towards the ANOH Gas Processing Plant project. An additional US\$30 million was paid after the period ended.

After adjusting for interest receipts of US\$2.0 million, the net cash outflow from investing activities for the period was US\$131.8 million, compared to a net cash outflow in 2019 of US\$295.1 million, when AGPC's cash balance was deconsolidated from the Group accounts in April 2019.

Cash flows from financing activities

Net cash outflows from financing activities were US\$180.5 million (9M 2019: US\$146.7 million). This reflects a further US\$10.0 million drawn from the Westport RBL facility, interest and lease payment totalling US\$61.3 million and the payment of US\$29.2 million for the 2019 final dividend. In August 2020, the Company repaid US\$100.0 million of the RCF, with US\$250.0 million currently drawn. The US\$100.0 million remains available for drawing if required.

Net debt reconciliation at 30 September 2020	US\$ million	Coupon	Maturity
Senior Notes *	346.7	9.25%	June 2023
Revolving Credit Facility *	247.6	Libor+6.00%	June 2022 / December 2023
Westport RBL *	98.5	Libor+8%	November 2023
Total borrowings	692.8		
Cash and cash equivalents	213.0		
Net debt	479.8		

*including amortised interest

Seplat Petroleum Development Company Plc

Unaudited results for the nine months ended 30 September 2020

Seplat's gross debt was US\$692.8 million as at 30 September 2020, with cash at bank of US\$213.0 million, leaving net debt at US\$479.8 million.

Dividend

Following a review of Seplat's operational, liquidity and financial positions the Board has declared an interim dividend of US\$0.05 per share (2019: US\$0.05 per share), in line with Seplat's normal dividend distribution timetable.

Hedging strategy

Seplat's hedging policy aims to assure appropriate levels of cash flow in times of oil price weakness and volatility. The 9M 2020 hedging programme consisted of put options at a strike price of US\$45.0/bbl protecting a volume of 4.5 MMbbl (in aggregate) for the first three quarters of 2020. For the fourth quarter of 2020, 1.5 MMbbl are protected at US\$30/bbl and 0.5 MMbbls at US\$35/bbl. We are hedged through Q1 2021 with 1.0 MMbbl at \$30/bbl and 1.0 MMbbl at US\$35/bbl.

Following the oil price fall at the end of Q1 2020, hedging income received for the nine-month period totalled US\$22 million net off by a mark to market fair value loss of US\$2.1 million.

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

Principal risks and uncertainties

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

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

Share Dealing Policy

We confirm that to the best of our knowledge that there has been compliance with the Company's Share Dealing Policy during the period.

Interim management statement and condensed consolidated interim financial results

For the nine months ended
30 September 2020

(Expressed in Nigerian Naira)

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

For the nine months ended 30 Sept 2020

		9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2019
		Unaudited	Unaudited	Unaudited	Unaudited
Notes		₹ million	₹ million	₹ million	₹ million
Revenue from contracts with customers	7	135,622	151,877	55,516	42,907
Cost of sales	8	(103,936)	(70,654)	(36,747)	(25,218)
Gross profit		31,686	81,223	18,769	17,689
Other income	9	14,773	11,137	(2,849)	8,493
General and administrative expenses	10	(18,330)	(16,744)	(1,994)	(3,828)
Impairment loss on financial assets	11.1	(7,498)	(12,318)	(3,383)	-
Impairment loss on non-financial assets	11.2	(55,339)	-	(4,267)	-
Fair value gain/(loss)	12	6,964	1,515	4,692	(220)
Operating (loss)/profit		(27,744)	64,813	10,968	22,134
Finance income	13	711	2,813	110	1,085
Finance cost	13	(18,828)	(11,140)	(6,292)	(3,530)
Finance cost-net		(18,117)	(8,327)	(6,182)	(2,445)
Share of profit from joint venture accounted for using the equity method		374	227	(435)	150
(Loss)/profit before taxation		(45,487)	56,713	4,351	19,839
Income tax credit/(expense)	14	11,805	(1,042)	(251)	(605)
(Loss)/Profit from continuing operations		(33,682)	55,671	4,100	19,234
Profit from discontinued operation		-	977	-	-
(Loss)/profit for the period		(33,682)	56,648	4,100	19,234
Attributable to:					
Equity holders of the parent		(20,370)	56,648	4,100	19,234
Non-controlling interests		(13,312)	-	-	-
		(33,682)	56,648	4,100	19,234
(Loss)/Earnings per share from continuing operations					
Basic (loss)/earnings per share (₹)	27	(58.07)	97.88	7.07	33.82
Diluted (loss)/earnings per share (₹)	27	(57.11)	94.56	6.95	32.67
(Loss)/Earnings per share for the period					
Basic (loss)/earnings per share (₹)	27	(58.07)	99.60	7.07	33.82
Diluted (loss)/earnings per share (₹)	27	(57.11)	96.22	6.95	32.67

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

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

For the nine months ended 30 Sept 2020

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2019
	Unaudited	Unaudited	Unaudited	Unaudited
Notes	₹ million	₹ million	₹ million	₹ million
(Loss)/profit for the period	(33,682)	56,648	4,100	19,234
Other comprehensive income:				
Items that may be reclassified to profit or loss (net of tax):				
Foreign currency translation difference	127,464	(70)	32,311	(141)
Total comprehensive (loss)/income for the period	93,782	56,578	36,411	19,093
Attributable to:				
Equity holders of the parent	108,228	56,578	36,411	19,093
Non-controlling interests	(14,446)	-	-	-
	93,782	56,578	36,411	19,093

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

Interim condensed consolidated statement of financial position

As at 30 Sept 2020

		30 Sept 2020	31 Dec 2019
		Unaudited	Audited
Assets	Notes	¥ million	¥ million
Non-current assets			
Oil & gas properties	15	595,377	478,372
Other property, plant and equipment		5,178	4,360
Right-of-use assets		3,984	4,026
Intangible assets	16	13,320	53,592
Other assets		40,229	40,190
Investment accounted for using equity accounting	17	72,917	49,448
Long-term prepayments		23,689	19,309
Deferred tax	14	101,417	68,367
Total non-current assets		856,111	717,664
Current assets			
Inventories		30,164	25,944
Trade and other receivables	18	126,965	149,436
Prepayments		1,531	1,965
Contract assets	19	3,735	6,527
Derivative financial instruments	20	-	457
Cash and bank balances	21	80,833	102,240
Total current assets		243,228	286,569
Total assets		1,099,339	1,004,233
Equity and Liabilities			
Equity			
Issued share capital	22.1	293	289
Share premium	22.2	87,373	84,045
Share based payment reserve		7,340	8,194
Capital contribution		5,932	5,932
Retained earnings		229,040	259,690
Foreign currency translation reserve		331,508	202,910
Non-controlling interest		(21,698)	(7,252)
Total shareholders' equity		639,788	553,808
Non-current liabilities			
Interest bearing loans and borrowings	23.1	227,334	207,863
Lease Liabilities		1,538	2,617
Provision for decommissioning obligation		57,003	45,411
Defined benefit plan		4,074	3,012
Total non-current liabilities		289,949	258,903
Current liabilities			
Interest bearing loans and borrowings	23.1	35,572	34,486
Lease Liabilities		814	212
Trade and other payables	24	117,248	143,925
Derivative financial instruments		428	-
Contingent liability		2,524	2,215
Contract liabilities	25	5,845	5,005
Current tax liabilities		7,171	5,679
Total current liabilities		169,602	191,522
Total liabilities		459,551	450,425
Total shareholders' equity and liabilities		1,099,339	1,004,233

Interim condensed consolidated statement of financial position

As at 30 Sept 2020

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

The Group financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (The Group) for the third quarter ended 30 September 2020 were authorised for issue in accordance with a resolution of the Directors on 30 October 2020 and were signed on its behalf by



A. B. C. Orjiako

R.T. Brown

E. Onwuka

FRC/2013/IODN/00000003161

FRC/2014/ANAN/00000017939

FRC/2020/003/00000020861

Chairman

Chief Executive Officer

Chief Financial Officer

30 Oct 2020

30 Oct 2020

30 Oct 2020

Interim condensed consolidated statement of changes in equity

For the nine months ended 30 Sept 2020

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Non- controlling interest	Total equity
	₤ million	₤ million	₤ million	₤ million	₤ million	₤ million	₤ million	₤ million
At 1 January 2019	286	82,080	7,298	5,932	192,723	203,153	-	491,472
Profit for the period	-	-	-	-	56,648	-	-	56,648
Other comprehensive loss	-	-	-	-	-	(70)	-	(70)
Total comprehensive income/(loss) for the period	-	-	-	-	56,648	(70)	-	56,578
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(8,957)	-	-	(8,957)
Share based payments	-	-	3,069	-	-	-	-	3,069
Total	-	-	3,069	-	(8,957)	-	-	(5,888)
At 30 Sept 2019 (unaudited)	286	82,080	10,367	5,932	240,414	203,083	-	542,162
At 1 January 2020	289	84,045	8,194	5,932	259,690	202,910	(7,252)	553,808
Loss for the period	-	-	-	-	(20,370)	-	(13,312)	(33,682)
Other comprehensive income	-	-	-	-	-	128,598	(1,134)	127,464
Total comprehensive (loss)/income for the period	-	-	-	-	(20,370)	128,598	(14,446)	93,782
Transactions with owners in their capacity as owners:								
Dividend paid	-	-	-	-	(10,280)	-	-	(10,280)
Share based payments	4	3,328	(854)	-	-	-	-	2,478
Total	4	3,328	(854)	-	(10,280)	-	-	(7,802)
At 30 Sept 2020 (unaudited)	293	87,373	7,340	5,932	229,040	331,508	(21,698)	639,788

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

Interim condensed consolidated statement of cash flows

For the nine months ended 30 Sept 2020

		9 months ended 30 Sept 2020	9 months ended 30 Sept 2019
		₤ Million	₤ million
	Notes	Unaudited	Unaudited
Cash flows from operating activities			
Cash generated from operations	26	74,806	94,000
Income tax paid		(3,629)	-
Net cash inflows from operating activities		71,177	94,000
Cash flows from investing activities			
Investment in oil and gas properties		(39,936)	(15,420)
Investment in other property, plant and equipment		(1,280)	(4,144)
Cash on loss of control of subsidiary		-	(47,336)
Investment in joint venture		(11,385)	(31,627)
Receipts from other asset		1,798	5,137
Interest received		711	2,813
Net cash outflows from investing activities		(50,092)	(90,577)
Cash flows from financing activities			
Repayments of loans		(37,950)	(30,690)
Proceeds from loans		3,795	-
Dividend paid		(11,084)	(8,957)
Lease payment		(1,243)	-
Interest paid on bank financing		(22,022)	(5,396)
Net cash outflows from financing activities		(68,504)	(45,043)
Net increase/(decrease) in cash and cash equivalents		(47,419)	(41,620)
Cash and cash equivalents at beginning of the period		100,184	178,460
Effects of exchange rate changes on cash and cash equivalents		23,222	957
Cash and cash equivalents at end of the period		75,987	137,797

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

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

1. Corporate Structure and business

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

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in OML 4, OML 38 and OML 41 located in Nigeria.

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the interim condensed consolidated financial statements

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

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

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

In order to fund the development of the ANOH gas processing plant, on 13 August 2018, the Group entered into a shareholder's agreement with Nigerian Gas Processing and Transportation Company (NGPTC). Funding is to be provided by both parties in equal proportion representing their ownership share and will be used to subscribe for the ordinary shares in ANOH. The agreement was effective on 18 April 2019, which was the date the Corporate Affairs Commission (CAC) approval was received. Given the change in ownership structure as at 31 December 2019, the Group no longer exercises control and has deconsolidated ANOH in the consolidated financial statements. However, its retained interest qualifies as a joint arrangement and has been recognised accordingly as investment in joint venture.

Notes to the interim condensed consolidated financial statements

2. Significant changes in the current reporting period

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

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

The Group's operations are not affected by seasonality or cyclicity. The financial position and performance of the Group was particularly affected by the following events and transactions during the nine months to 30 September 2020:

- the Group recognised impairment loss of N55.3 billion on its non-financial assets. The impairment is primarily as a result of re-assessment of future cash flows from the Group's oil and gas properties due to significant fall in oil prices. (see note 16).
- The group experienced a decline in the revenue from crude oil majorly due to the global COVID-19 pandemic.
- Decrease in contingent liability (see note 30)
- During the period, an explosion occurred during the installation of a ladder on a platform at the Benin River Valve Station on OML 40 in Delta State which is used for exporting Gbetiokun production. There was no major impact to the Group's operation as the site of the incident is some distance from OML 40 field operations, which were unaffected.

3. Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

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

3.2 Basis of preparation

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

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

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

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

3.3 New and amended standards adopted by the Group

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

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

a) Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to

Notes to the interim condensed consolidated financial statements

create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations

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

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

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

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

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

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

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

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

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

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

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

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

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

3.4 New standards, amendments and interpretations not yet adopted

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

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

Notes to the interim condensed consolidated financial statements

3.5 Basis of consolidation

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

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

3.6 Functional and presentation currency

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

i. Transactions and balances

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

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

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

ii. Group companies

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

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

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

4. Significant accounting judgements estimates and assumptions

4.1 Judgements

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

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 generating cash flows. Crude oil and gas sold to third parties from these OMLs are invoiced when the Group has an unconditional right to receive payment.

ii. Deferred tax asset

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

Notes to the interim condensed consolidated financial statements

iii. Foreign currency translation reserve

The Group has used the CBN rate to translate its Dollar currency to its Naira presentation currency. Management has determined that this rate is available for immediate delivery. If the rate used was 10% higher or lower, revenue in Naira would have increased/decreased by ₦13.6 billion, 2019: ₦10.8 billion.

iv. Consolidation of Elcrest

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

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

v. Contingent liability

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

vi. Defined benefit plan

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

vii. Revenue recognition

Definition of contracts

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

Performance obligations

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

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

Significant financing component

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

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

Notes to the interim condensed consolidated financial statements

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

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

Transactions with Joint Operating arrangement (JOA) partners

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

Barging costs

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

Exploration and evaluation assets

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

4.2. Estimates and assumptions

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

The following are some of the estimates and assumptions made.

i. Contingencies

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

ii. Contingent consideration

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

iii. Defined benefit plans (pension benefits)

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

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

Notes to the interim condensed consolidated financial statements

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

iv. Oil and gas reserves

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

v. Share-based payment reserve

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

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

vi. Provision for decommissioning obligations

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

vii. Income taxes

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

vii. 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.

viii. Impairment of non-financial assets

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

5. Financial risk management

5.1 Financial risk factors

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

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

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

5.1.1 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions as well as credit exposures to customers and Joint venture partners, i.e. NPDC receivables and NGC receivables.

a) Risk management

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

In addition, the Group is exposed to credit risk in relation to its sale of gas to Nigerian Gas Marketing Company (NGMC) Limited, a subsidiary of NNPC, its sole gas customer during the period. The credit risk on cash is limited because the majority of deposits are with banks that have an acceptable credit rating assigned by an international credit agency. The Group's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

b) Estimation uncertainty in measuring impairment loss

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

Notes to the interim condensed consolidated financial statements

i. Significant unobservable inputs

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

	Effect on profit before tax 30 Sept 2020	Effect on other components of equity before tax 30 Sept 2020
	N'million	N'million
Increase/decrease in loss given default		
+10%	(116)	-
-10%	116	-

	Effect on profit before tax 31 Dec 2019	Effect on other components of equity before tax 31 Dec 2019
	N'million	N'million
Increase/decrease in loss given default		
+10%	(145)	-
-10%	145	-

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

	Effect on profit before tax 30 Sept 2020	Effect on other components of equity before tax 30 Sept 2020
	N'million	N'million
Increase/decrease in probability of default		
+10%	(536)	-
-10%	536	-

Notes to the interim condensed consolidated financial statements

	Effect on profit before tax 31 Dec 2019 N'million	Effect on other components of equity before tax 31 Dec 2019 N'million
Increase/decrease in probability of default		
+10%	(159)	-
-10%	159	-

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

	Effect on profit before tax 30 Sept 2020 N'million	Effect on other components of equity before tax 30 Sept 2020 N'million
Increase/decrease in forward looking macroeconomic indicators		
+10%	(536)	-
-10%	536	-

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

5.1.2 Liquidity risk

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

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

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

Notes to the interim condensed consolidated financial statements

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
30 Sept 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	-	-	-	132,825	132,825
Variable interest rate borrowings						
Citibank N.A. London	6.00% + Libor	-	10,843	-	-	10,843
Nedbank Limited, London Branch	6.00% + Libor	-	10,843	-	-	10,843
Stanbic Ibtcc Bank Plc	6.00% + Libor	-	5,421	-	-	5,421
The Standard Bank of South Africa Limited	6.00% + Libor	-	5,421	-	-	5,421
RMB International (Mauritius) Limited	6.00% + Libor	-	10,843	-	-	10,843
The Mauritius Commercial Bank Ltd	6.00% + Libor	-	10,843	-	-	10,843
JP Morgan Chase Bank, N.A London	6.00% + Libor	-	8,132	-	-	8,132
Standard Chartered Bank	6.00% + Libor	-	8,132	-	-	8,132
Natixis	6.00% + Libor	-	8,132	-	-	8,132
Societe Generale Bank, London Branch	6.00% + Libor	-	4,066	-	-	4,066
Zenith Bank Plc	6.00% + Libor	-	4,066	-	-	4,066
United Bank for Africa Plc	6.00% + Libor	-	4,066	-	-	4,066
First City Monument Bank Limited	6.00% + Libor	-	4,066	-	-	4,066
First Bank of Nigeria	8.00% + Libor	1,139	2,989	427	-	4,554
The Mauritius Commercial Bank Ltd	8.00% + Libor	3,264	8,567	1,224	-	13,055
Stanbic Ibtcc Bank Plc/Standard bank	8.00% + Libor	5,085	13,349	1,907	-	20,341
Total variable interest borrowings		9,488	119,780	3,558	132,825	265,650
Other non - derivatives						
Trade and other payables**		117,248	-	-	-	117,248
Lease liability		814	1,538	-	-	2,352
Total		127,549	121,318	3,558	132,825	385,250

Notes to the interim condensed consolidated financial statements

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

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

Notes to the interim condensed consolidated financial statements

5.1.3 Fair value measurements

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

	Carrying amount		Fair value	
	As at 30 Sept 2020	As at 31 Dec 2019	As at 30 Sept 2020	As at 31 Dec 2019
	₺ million	₺ million	₺ million	₺ million
Financial assets at amortised cost				
Trade and other receivables*	125,405	35,225	125,405	35,225
Contract assets	3,735	21,259	3,735	21,259
Cash and bank balances	80,833	102,240	80,833	102,240
	209,973	158,724	209,973	158,724
Financial assets at fair value				
Derivative financial instruments	-	6,527	-	6,527
	-	6,527	-	6,527
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	262,906	242,349	278,917	229,805
Trade and other payables	117,247	106,260	117,247	106,260
	380,153	348,609	396,164	336,065
Financial liabilities at fair value				
Derivative financial instruments	428	-	428	-

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

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

5.1.4 Fair value hierarchy

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

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

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

Notes to the interim condensed consolidated financial statements

Recurring fair value measurements

Financial Instrument

30 Sept 2020	Level 1 ¥ million	Level 2 ¥ million	Level 3 ¥ million
Financial Liability:			
Derivative financial instruments	428	-	-

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

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

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

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

The valuation process

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

6. Segment reporting

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

For the period ended 30 Sept 2020, revenue from the gas segment of the business constituted 21% of the Group's revenue. Management believes that the gas segment of the business will continue to generate higher profits in the foreseeable future. It also decided that more investments will be made toward building the gas arm of the business. This investment will be used in establishing more offices, creating a separate operational management and procuring the required infrastructure for this segment of the business. The gas business is positioned separately within the Group and reports directly to the ('chief operating decision maker'). As this business segment's revenues and results, and its cash flows, will be largely independent of other business units within the Group, it is regarded as a separate segment.

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

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

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

Notes to the interim condensed consolidated financial statements

6.1 Segment (loss)/profit disclosure

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2019
	₦' million	₦' million	₦' million	₦' million
Oil	(52,683)	9,999	2,342	12,411
Gas	19,001	45,672	1,758	6,823
Total (loss)/profit from continued operations for the period	(33,682)	55,671	4,100	19,234

Oil

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦' million	₦' million	₦' million	₦' million
Revenue from contract with customers				
Crude oil sales	106,881	99,076	45,113	32,783
Operating profit before depreciation, amortisation and impairment	47,911	38,630	22,777	21,577
Depreciation and impairment	(96,252)	(19,489)	(15,972)	(6,266)
Operating (loss)/profit	(48,341)	19,141	6,805	15,311
Finance income	711	2,813	110	1,085
Finance costs	(18,828)	(11,140)	(6,292)	(3,530)
Share of profit from joint venture accounted for using equity accounting	-	227	-	150
(Loss)/profit before taxation	(66,458)	11,041	623	13,016
Income tax credit/(expense)	13,775	(1,042)	1,719	(605)
(Loss)/profit for the period	(52,683)	9,999	2,342	12,411

Gas

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦' million	₦' million	₦' million	₦' million
Revenue from contract with customer				
Gas sales	28,741	32,266	10,403	10,116
Gas processing	-	20,535	-	8
	28,741	52,801	10,403	10,124
Operating profit before depreciation, amortisation and impairment	23,250	48,649	6,805	7,782
Depreciation and amortization	(2,653)	(2,977)	(2,642)	(959)
Operating profit	20,597	45,672	4,163	6,823
Share of profit from joint venture Accounted for using equity method	374	-	(435)	-
Profit before taxation	20,971	45,672	3,728	6,823
Income tax expense	(1,970)	-	(1,970)	-
Profit for the period	19,001	45,672	1,758	6,823

Notes to the interim condensed consolidated financial statements

6.1.1 Disaggregation of revenue from contracts with customers

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

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019
	Oil	Gas	Total	Oil	Gas	Total
	₦' million	₦' million	₦' million	₦' million	₦' million	₦' million
Geographical markets						
Nigeria	37,801	28,741	66,542	8,706	52,801	61,507
Switzerland	69,080	-	69,080	90,370	-	90,370
Revenue from contract with customers	106,881	28,741	135,622	99,076	52,801	151,877
Timing of revenue recognition						
At a point in time	106,881	-	106,881	99,076	-	99,076
Over time	-	28,741	28,741	-	52,801	52,801
Revenue from contract with customers	106,881	28,741	135,622	99,076	52,801	151,877

	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2019	3 Months ended 30 Sept 2019	3 Months ended 30 Sept 2019
	Oil	Gas	Total	Oil	Gas	Total
	₦' million	₦' million	₦' million	₦' million	₦' million	₦' million
Geographical markets						
Nigeria	16,128	10,403	26,531	1,714	10,124	11,838
Switzerland	28,985	-	28,985	31,069	-	31,069
Revenue from contract with customers	45,113	10,403	55,516	32,783	10,124	42,907
Timing of revenue recognition						
At a point in time	45,113	-	45,113	32,783	-	32,783
Over time	-	10,403	10,403	-	10,124	10,124
Revenue from contract with customers	45,113	10,403	55,516	32,783	10,124	42,907

The Group's transactions with its major customer, Mercuria, constitutes more than 60% (₦69 billion) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC (₦16 billion) accounted for more than 55% of the total revenue from the gas segment and the Group as a whole.

6.1.2 Impairment loss on financial assets by reportable segments

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019
	Oil	Gas	Total	Oil	Gas	Total
	₦' million	₦' million	₦' million	₦' million	₦' million	₦' million
Impairment loss	(7,498)	-	(7,498)	(12,318)	-	(12,318)

	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2019	3 Months ended 30 Sept 2019	3 Months ended 30 Sept 2019
	Oil	Gas	Total	Oil	Gas	Total
	₦' million	₦' million	₦' million	₦' million	₦' million	₦' million
Impairment loss	(3,383)	-	(3,383)	-	-	-

Notes to the interim condensed consolidated financial statements

6.1.3 Impairment loss on non-financial assets by reportable segments

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019
	Oil ₦'million	Gas ₦'million	Total ₦'million	Oil ₦'million	Gas ₦'million	Total ₦'million
Impairment loss	(55,339)	-	(55,339)	-	-	-

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 ₦'million	Gas ₦'million	Total ₦'million
Total segment assets			
30 September 2020	918,552	180,787	1,099,339
31 December 2019	763,322	240,911	1,004,233

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 ₦'million	Gas ₦'million	Total ₦'million
Total segment liabilities			
30 September 2020	433,619	25,932	459,551
31 December 2019	434,334	16,091	450,425

7. Revenue from contracts with customers

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Crude oil sales	106,881	99,076	45,113	32,783
Gas sales	28,741	32,266	10,403	10,116
Gas processing	-	20,535	-	8
	135,622	151,877	55,516	42,907

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

Gas processing is revenue received from Nigerian Petroleum Development Company (NPDC) for processing its share of the gas extracted from OML 4, 38 and 41. Subsequent to NPDC 55% stake in the gas plant, Seplat has ceased to process gas for NPDC.

Notes to the interim condensed consolidated financial statements

8. Cost of sales

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Royalties	26,640	23,101	9,121	7,824
Depletion, depreciation and amortisation	33,751	21,195	10,196	6,814
Crude handling fees	14,156	12,252	5,292	4,531
Nigeria Export Supervision Scheme (NESS) fee	55	119	11	46
Niger Delta Development Commission Levy	1,132	1,892	(605)	631
Barging and Trucking	4,646	-	980	-
Operational & maintenance expenses	23,556	12,095	11,752	5,372
	103,936	70,654	36,747	25,218

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

9. Other income/(loss)

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Underlift/(Overlifts)	13,691	9,370	(3,238)	7,635
Gain/(loss) on foreign exchange	531	716	(141)	313
Tariffs	519	1,051	519	545
Others	32	-	11	-
	14,773	11,137	(2,849)	8,493

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

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

Gains/(loss) on foreign exchange are principally as a result of translation of foreign denominated monetary assets and liabilities. Others relates to income derived from sales of sundry assets.

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

10. General and administrative expenses

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Depreciation and amortisation	1,427	575	460	186
Depreciation of right-of-use assets	890	696	308	225
Professional and consulting fees	1,370	527	(549)	(2,217)
Auditor's remuneration	32	41	4	28
Directors' emoluments (executive)	806	409	479	109
Directors' emoluments (non-executive)	802	787	201	300
Employee benefits	9,886	5,640	3,719	2,133
Share-based benefits	2,478	3,105	859	968
Flights and other travel costs	862	1,816	386	713
Other general expenses	(223)	3,148	(3,873)	1,383
	18,330	16,744	1,994	3,828

Directors' emoluments have been split between executive and non-executive directors. Included in executive directors' emoluments are one-off payments of ₦804.4 million made to the directors of Eland in respect of the acquisition of Eland. Included in employee benefits are Eland staff costs of ₦3.6 billion. There were no non-audit services rendered by the Group's auditors during the period. Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others.

₦4.3 billion credit balance in other general expenses relates to a foreign exchange difference on NPDC payable now reclassified to foreign exchange difference account.

11. Impairment loss

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Impairment losses on financial assets-net (Note 11.1)	7,498	12,318	3,383	-
Impairment loss on non-financial assets (Note 11.2)	55,339	-	4,267	-
	62,837	12,318	7,650	-

11.1 Impairment losses on financial assets-net

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Impairment losses:				
Impairment loss on trade receivables	-	49	-	-
Impairment loss on other financial assets	7,504	-	3,383	-
	7,504	49	3,383	-
Reversal of impairment losses:				
Reversal of impairment loss on trade receivables	(6)	-	-	-
Reversal of impairment loss on other financial assets	-	(116)	-	-
	(6)	(116)	-	-
Write-off of impairment losses:				
Write-off of other receivables	-	12,385	-	-
	7,498	12,318	3,383	-

Notes to the interim condensed consolidated financial statements

11.2 Impairment loss on non-financial assets

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Impairment loss on oil and gas properties	55,339	-	4,267	-

During the period, the group recognised impairment loss of N51.1 billion on its non-financial assets. The impairment is primarily as a result of re-assessment of future cash flows from the Group's oil and gas properties due to significant fall in oil prices.

12. Fair value gain/(loss)

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Cost of hedging	-	(1,583)	-	-
Fair value gain/(loss) on derivatives	6,964	(2,577)	4,692	(220)
Fair value loss on contingent consideration	-	5,675	-	-
	6,964	1,515	4,692	(220)

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

13. Finance income/(cost)

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	₦ million	₦ million	₦ million	₦ million
Finance income				
Interest income	711	2,813	110	1,085
Finance cost				
Interest on bank loans	(17,974)	(9,011)	(5,928)	(2,220)
Other financing charges	-	(1,070)	-	(957)
Interest on lease liabilities	(92)	(122)	(100)	(41)
Unwinding of discount on provision for decommissioning	(762)	(937)	(264)	(312)
	(18,828)	(11,140)	(6,292)	(3,530)
Finance (cost) - net	(18,117)	(8,327)	(6,182)	(2,445)

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

14. Taxation

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

The effective tax rate for the period was 26% (2019: 1.18%)

Notes to the interim condensed consolidated financial statements

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

	9 months ended 30 Sept 2020 ¥ million	9 months ended 30 Sept 2019 ¥ million	3 months ended 30 Sept 2020 ¥ million	3 months ended 30 Sept 2019 ¥ million
Current tax:				
Current tax expense on profit for the period	(3,248)	275	(2,108)	(455)
Education tax	(519)	1,680	(334)	1,564
Total current tax	(3,767)	1,955	(2,442)	1,109
Deferred tax:				
Deferred tax expense/(income) in profit or loss	15,572	(913)	2,191	(504)
Total tax expense/(income) in statement of profit or loss	11,805	(1,042)	(251)	(605)

14.1 Deferred tax

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

	As at 30 Sept 2020 ¥ million	As at 31 Dec 2019 ¥ million
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	101,417	182,352
	101,417	182,352
Deferred tax liabilities		
Deferred tax liability to be settled after more than 12 months	-	(113,985)
	-	(113,985)
Net deferred tax asset	101,417	68,367

Notes to the interim condensed consolidated financial statements

	Balance as at 1 Jan 2020 ₦' million	Charged /credited to profit or loss ₦' million	Exchange difference ₦' million	Balance as at 30 Sept 2020 ₦' million
Tax losses	(1,131)	-	(252)	(1,383)
Other cumulative timing difference:				
Fixed assets	(110,582)	(31,263)	(29,204)	(171,049)
Unutilised capital allowance	124,433	31,285	32,627	188,345
Provision for decommissioning	296	32	76	404
Provision for defined benefit	2,725	276	674	3,675
Share based payment plan	5,670	744	1,421	7,835
Unrealized foreign exchange	1,046	17,447	1,748	20,241
Overlift/(underlift)	10,866	(9,080)	1,822	3,608
Acquired in business combination	27,686	-	6,538	34,224
Impairment provision on trade and other receivables	3,399	5,557	1,284	10,240
Unrecognised deferred tax asset	6,050	-	1,431	7,481
Derivative financial instruments	(2,282)	-	(548)	(2,830)
Tax loss c/f	-	574	51	625
Exchange difference	191	-	(191)	-
	68,367	15,572	17,477	101,417

15. Oil & Gas Properties

During the nine months ended 30 Sept 2020, the Group acquired assets amounting to ₦ 39.9 billion. In addition, the Group recognised impairment loss on its oil and gas properties amounting to ₦ 6.5 billion.

See Note 16 for details of impairment recognised.

16. Intangible asset

	Goodwill ₦ million	License ₦ million	Total ₦ million
Cost			
At 1 January 2020	9,068	45,041	54,109
Additions	-	-	-
Exchange differences	2,142	10,637	12,779
At 30 Sept 2020	11,210	55,678	66,888
Amortisation			
At 1 January 2020	-	517	517
Charge for the period	-	-	-
Impairment	10,331	38,447	48,778
Exchange differences	879	3,394	4,273
At 30 Sept 2020	11,210	42,358	53,568
Net Book Value (NBV)			
At 30 Sept 2020	-	13,320	13,320

During the nine months ended 30 Sept 2020, the Group performed impairment test. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 Sept 2020, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment. In addition, the overall decline in oil price and development activities around the world, as well as the ongoing economic uncertainty, have led to a decreased in the value of oil and gas assets.

The recoverable amount of the oil and gas production assets CGU of ₦ 797 million as at 30 Sept 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the

Notes to the interim condensed consolidated financial statements

decrease in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at January 2020. The pre-tax discount rate applied to cash flow projections is 15%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of ₦ 55.3 billion in the current period against intangible assets (goodwill and the fair value of the identified intangible asset on business combination) amounting to ₦ 48.8 billion and oil and gas properties amounting to ₦ 6.5 billion; both with a carrying amount of ₦ 607.2 billion as at 30 Sept 2020. The impairment charge is recorded in the statement of profit or loss.

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

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

Discount rates

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

A rise in the pre-tax discount rate to 17.5% (i.e., +2.5%) would result in a further impairment of ₦14.7 billion.

Oil price

Oil price are based on published industry research. A further decline in oil price by 10% would result in a further impairment of ₦24.5 billion.

17. Investment accounted for using equity method

	30 Sept 2020 ₦ million	31 Dec 2019 ₦ million
Investment in joint venture	72,913	49,445
Investment in associate	4	3
	72,917	49,448

During the nine months ended 30 Sept 2020, the Group contributed additional investment amounting to N30 billion in ANOH Gas Processing Company Limited.

18. Trade and other receivables

	30 Sept 2020 ₦ million	31 Dec 2019 ₦ million
Trade receivables	38,600	37,465
Nigerian Petroleum Development Company (NPDC) receivables	57,538	68,264
National Petroleum Investment Management Services (NAPIMS) receivables	10,369	354
Underlift	3,409	3,445
Advances to suppliers	9,812	9,015
Receivables from ANOH	4,337	3,945
Other receivables	2,900	26,948
Total	126,965	149,436

Notes to the interim condensed consolidated financial statements

18.1 Trade receivables

Included in trade receivables is an amount due from Nigerian Gas Marketing Company (NGMC) and Central Bank of Nigeria (CBN) totalling ₦13 billion (Dec 2019: ₦16 billion) with respect to the sale of gas. Also included in trade receivables is an amount of ₦13 billion (Dec 2019: ₦16 billion) and ₦9 billion (Dec 2019: ₦3 billion) due from Mecuria and Shell Western we for sale of crude.

Reconciliation of trade receivables

	30 Sept 2020	31 Dec 2019
	₦' million	₦' million
Gross carrying amount	39,398	38,116
Less: Impairment allowance	(798)	(651)
Balance as at 30 Sept 2020	38,600	37,465

18.2 NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is ₦58 billion (Dec 2019: ₦52.2 billion).

Reconciliation of NPDC receivables

	30 Sept 2020	31 Dec 2019
	₦' million	₦' million
Gross carrying amount	60,445	68,712
Less: Impairment allowance	(2,907)	(448)
Balance as at 30 Sept 2020	57,538	68,264

18.3 NAPIMS receivables

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

Reconciliation of NAPIMS receivables

	30 Sept 2020	31 Dec 2019
	₦' million	₦' million
Gross carrying amount	10,813	377
Less: Impairment allowance	(444)	(23)
Balance as at 30 Sept 2020	10,369	354

18.4 Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is an escrow deposit of ₦12 billion made for a potential investment. The funds were placed in an escrow on 8 January 2019 pursuant to an agreement reached with the vendor on the final terms of the transaction. During the reporting period, the fund has been returned.

Reconciliation of other receivables

	30 Sept 2020	31 Dec 2019
	₦' million	₦' million
Gross carrying amount	13,608	32,703
Less: Impairment allowance	(10,708)	(5,755)
Balance as at 30 Sept 2020	2,900	26,948

19. Contract assets

	30 Sept 2020	31 Dec 2019
	₤'million	₤'million
Revenue on gas sales	3,735	6,527

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

The terms of payments relating to the contract is between 30- 45 days from the invoice date. However, invoices are raised after delivery between 14-21 days when the receivable amount has been established and the right to the receivables crystallizes. The right to the unbilled receivables is recognised as a contract asset. At the point where the final billing certificate is obtained from NGMC authorising the quantities, this will be reclassified from contract assets to trade receivables.

19.1 Reconciliation of contract assets

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

	30 Sept 2020	31 Dec 2019
	₤'million	₤'million
Balance as at 1 January	6,527	4,327
Addition during the period	26,378	49,092
Receipts for the period	(29,155)	(46,893)
Price adjustment	(9)	-
Exchange difference	(6)	1
Closing balance	3,735	6,527

20. Derivative financial instruments

The Group uses its derivatives for economic hedging purposes and not as speculative investments. The fair value of the derivative financial instrument as at 30 Sept 2020 is as a result of a fair value gain on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	30 Sept 2020	31 Dec 2019
	₤'million	₤'million
Asset		
Foreign currency options-crude oil hedges	-	457
	-	457

Liability

	30 Sept 2020	31 Dec 2019
	₤'million	₤'million
Foreign currency options-crude oil hedges	428	-
	428	-

Notes to the interim condensed consolidated financial statements

21. Cash and bank balances

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

	30 Sept 2020	31 Dec 2019
	₦' million	₦' million
Cash on hand	3,396	3
Short-term fixed deposits	9,996	29,741
Cash at bank	62,625	70,463
Gross cash and cash equivalent	76,017	100,207
Loss allowance	(30)	(23)
Net cash and cash equivalents per cash flow statement	75,987	100,184
Restricted cash	4,846	2,056
Cash and bank balance	80,833	102,240

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

22. Share capital

22.1 Authorised and issued share capital

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

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

22.2 Movement in share capital and other reserves

	Number of shares	Issued share capital	Share Premium	Share based payment reserve	Total
	Shares	₦' million		₦' million	₦' million
Opening balance as at 1 January 2020	575,321,598	289	84,045	8,194	92,528
Share based payments	-	-	-	2,478	2,478
Vested shares	7,938,589	4	3,328	(3,332)	-
Closing balance as at 30 Sept 2020	583,260,187	293	87,373	7,340	95,006

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

Notes to the interim condensed consolidated financial statements

22.3 Share premium

Section 120.2 of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 requires that where a Company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

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

22.4 Employee share-based payment scheme

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

23. Interest bearing loans and borrowings

23.1 Net debt reconciliation

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

	Borrowings due within 1 year ₦ million	Borrowings due above 1 year ₦ million	Total ₦ million
Balance as at 1 January 2020	34,486	207,863	242,349
Addition	-	3,795	3,795
Principal repayment	(34,975)	-	(34,975)
Interest accrued	17,974	-	17,974
Interest repayment	(20,296)	-	(20,296)
Transfers	33,411	(33,411)	-
Exchange differences	4,972	49,087	54,059
Carrying amount as at 30 Sept 2020	35,572	227,334	262,906

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

	Borrowings due within 1 year ₦ million	Borrowings due above 1 year ₦ million	Total ₦ million
Balance as at 1 January 2019	3,031	133,799	136,830
Interest accrued	8,890	-	8,890
Interest capitalized	6,308	-	6,308
Principal repayment	(3,029)	(27,661)	(30,690)
Interest repayment	(10,364)	-	(10,364)
Other financing charges	(2,696)	-	(2,696)
Proceeds from loan financing	19,151	87,194	106,345
Acquired on business combination	13,187	14,509	27,696
Exchange difference	8	22	30
Carrying amount as at 31 December 2019	34,486	207,863	242,349

\$350 million Senior notes - March 2018

Interest bearing loans and borrowings include a revolving loan facility and senior notes. In March 2018 the Group issued ₦107 billion senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes are expected to mature in June 2023. The interest accrued up at the reporting date is ₦9.8 billion using an effective interest rate of 10.3%. Transaction costs of ₦2.1 billion have been included in the

Notes to the interim condensed consolidated financial statements

amortised cost balance at the end of the reporting period. The amortised cost for the senior notes at the reporting period is ₦131 billion (December 2019: ₦107.2 billion).

\$350 million Revolving Credit Facility - December 2019

The Group's parent company on 20 December 2019 also entered into a four-year revolving loan agreement with interest payable semi-annually. There is a two-year moratorium on the principal which ends on 31 December 2021. The revolving loan has an initial contractual interest rate of 6% +Libor (7.7%) and a settlement date of 31 December 2023.

The interest rate of the facility is variable. The interest accrued at the reporting period is ₦7 billion using an effective interest rate of 7.5%. The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period. The outstanding amount of this borrowing as the reporting period is ₦93.9 billion.

\$125 million Reserved Based Lending (RBL) facility - December 2018

The Group through its subsidiary Westport on 5th December 2019 entered into a five-year loan agreement with interest payable semi-annually. The RBL facility has an initial contractual interest rate of 8% +Libor as at half year (8.30%) and a settlement date of 29 November 2023.

The RBL is secured against the Group's producing assets in OML 40 via the Group's shares in Elcrest, and by way of a debenture which creates a charge over certain assets of the Group, including its bank accounts.

The available facility is capped at the lower of the available commitments and the borrowing base. In July 2019, following a redetermination, the commitments under the facility increased from N23 billion to N38.4 billion. The first reduction in the commitments occurred on 31st December 2019 in line with the commitment reduction schedule contained within the Facility Agreement. This resulted in the available commitments reducing from N45 billion to N40.6 billion, with a further reduction to N36.1 billion as at September 2020.

The RBL has a maturity of five years, the repayments of principal are due on a semi-annual basis so that the outstanding balance of the RBL will not exceed the lower of (a) the borrowing base amount and (b) the total commitments. Interest rate payable under the RBL is LIBOR plus 8%. On 4th February 2020 Westport drew down a further N 3.6 billion increasing the debt utilised under the RBL from N 32.4 billion to N36.1 billion.

The interest rate of the facility is variable. The Group made a drawdown of ₦37.95 billion as at period end. The interest accrued at the reporting period is ₦3.3 billion using an effective interest rate of 8.3%. The interest paid was determined using 6-month LIBOR rate + 8 % on the last business day of the reporting period. The outstanding amount of this borrowing as at the date of acquisition is ₦37.4 billion.

24. Trade and other payables

	30 Sept 2020	31 Dec 2019
	₦ million	₦ million
Trade payable	40,067	31,977
Accruals and other payables	60,235	84,498
NDDC levy	35	8
Royalties payable	10,189	9,096
Overlift	6,722	18,346
	117,248	143,925

Included in accruals and other payables are field-related accruals ₦38 billion (Dec 2019: ₦39 billion), and other vendor payables of ₦13 billion (Dec 2019: ₦25 billion). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

25. Contract liabilities

	30 Sept 2020	31 Dec 2019
	₦ million	₦ million
Contract liabilities	5,845	5,005

Notes to the interim condensed consolidated financial statements

25.1 Reconciliation of contract liabilities

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

	30 Sept 2020	31 Dec 2019
	₹ million	₹ million
Balance as at 1 January	5,005	-
Addition during the period	-	5,005
Adjustments	(325)	-
Exchange difference	1,165	-
Closing balance	5,845	5,005

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

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

26. Computation of cash generated from operations

	9 months ended	9 months ended
	30-Sept-20	30-Sept-19
	₹ million	₹ million
(Loss)/Profit before tax:		
Continuing operations	(45,487)	56,713
Discontinued operations	-	977
Adjusted for:		
Depletion, depreciation and amortization	35,178	21,770
Depreciation of right-of-use asset	890	696
Impairment losses on trade and other receivables	7,498	12,318
Impairment losses on oil and gas assets	55,339	-
Interest income	(711)	(2,813)
Interest expense on bank loans	17,974	9,011
Interest on lease liabilities	92	122
Unwinding of discount on provision for decommissioning	762	937
Fair value loss on contingent consideration	-	(5,675)
Fair value (gain)/loss on derivatives	(6,964)	2,577
Unrealised foreign exchange loss	6,708	-
Share based payment expenses	2,478	3,069
Share of profit in joint venture accounted for using the equity method	(374)	(227)
Defined benefit expenses	-	561
Gain on deconsolidation of subsidiary	-	(805)
Changes in working capital:		
Trade and other receivables	58,173	(31,248)
Net working capital on loss of control of subsidiary		46,106
Prepayments	1,076	(10,038)
Contract assets	4,332	1,520
Trade and other payables	(60,934)	(15,689)
Contract liabilities	(341)	1,821
Restricted Cash	(2,790)	(715)
Inventories	1,907	3,012
Net cash inflow from operating activities	74,806	94,000

Notes to the interim condensed consolidated financial statements

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

Basic

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

Diluted

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

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 Months ended 30 Sept 2019
	₤ million	₤ million	₤ million	₤ million
(Loss)/Profit from continuing operations	(33,682)	55,671	4,100	19,234
Profit from discontinued operations		977	-	-
(Loss)/Profit for the period	(33,682)	56,648	4,100	19,234
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	580,061	568,775	580,061	568,775
Outstanding share-based payments (shares)	9,679	19,960	9,679	19,960
Weighted average number of ordinary shares adjusted for the effect of dilution	589,740	588,735	589,740	588,735
Basic earnings per share from continuing operations	₤	₤	₤	₤
Basic (loss)/earnings per shares	(58.07)	97.88	7.07	33.82
Diluted (loss)/earnings per shares	(57.11)	94.56	6.95	32.67
Basic earnings per share for the period				
Basic (loss)/earnings per shares	(58.07)	99.60	7.07	33.82
Diluted (loss)/earnings per shares	(57.11)	96.22	6.95	32.67
(Loss)/Profit used in determining basic/diluted earnings per share	(33,682)	55,671	4,100	19,234

The weighted average number of issued shares was calculated as a proportion of the number of months in which they were in issue during the reporting period.

28. Dividend

A final dividend of ₤18.98 (2019: ₤15.87) per fully paid shares was declared and approved in the period. In line with the Finance Act 2019 which became effective on 1 February 2020, withholding tax amounting to ₤1.02 billion has been deducted from the aggregate amount of the dividend declared and approved amounting to ₤10.28 billion. Cash dividend amounting to ₤9.25 billion was paid during the period.

In addition, the Board has recommended an interim dividend of ₤18.98 per share during the third quarter.

29. Related party relationships and transactions

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

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

i. Shareholders of the parent company

Shebah Petroleum Development Company Limited SPDCL ('BVI'):

The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The company provided consulting services to Seplat. No services were provided to the Group during the period (2019: N 242 million)

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

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

Company is owned by common shareholders with the parent Company. The company provides drilling rigs and drilling services to Seplat. Transactions with this related party amounted to N2.6 billion (2019: N454 million). Payables amounted to N873 million, in the current period (Payables in 2019: N1.9 billion)

Inner Ring Engineering & Logistics Services Limited:

Company is owned by common shareholders with the parent Company. Seplat leases a warehouse from Inner Ring Engineering & Logistics Services Limited and the company provides agency and contract workers to Seplat. The Company charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. Transactions with this related party amounted to N1.6 billion (2019: N2.0 billion) are gross i.e. it includes salaries and the Company's mark-up. Payables amounted to N8.9 million in the current period (2019: nil). All other transactions were made on normal commercial terms and conditions, and at market rates.

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

Abbeycourt Trading Company Limited:

The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations. This amounted to N87.66 million, during the period (2019: N264 million). Payables amounted to \$2.1 million in the current period (2019: nil).

Stage leasing (Ndosumili Ventures Limited):

A subsidiary of Platform Petroleum Limited (an entity in which Austin Avuru has an equity interest). The company provides transportation services to Seplat. This amounted to N126.75 million (2019: N445million). Receivables and payables were nil in the current period.

30. Commitments and contingencies

30.1 Contingent liabilities

The Company is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities is ~~N~~493.4 million (Dec 2019: ~~N~~14 billion). The contingent liability for the period is determined based on possible occurrences, though unlikely to occur. No provision has been made for this potential liability in these financial statements. Management and the Company's solicitors are of the opinion that the Company will suffer no loss from these claims.

Notes to the interim condensed consolidated financial statements

31. Events after the reporting period

The global outbreak of the Coronavirus pandemic continues to cause significant health challenges with a devastating impact on world economies. The impact has been most felt in the steep decline in the global price and demand for crude oil. However, as government-imposed lockdowns eased and fuel demand is increasing, there has been slight increase in the oil price after period end. The Group is currently monitoring the oil prices and taking adequate steps to manage its business and financial impact.

32. Exchange rates used in translating the accounts to Naira

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

	Basis	30 Sept 2020 ₦/\$	30 Sept 2019 ₦/\$	31 Dec 2019 ₦/\$
Fixed assets - opening balances	Historical rate	Historical	Historical	Historical
Fixed assets - additions	Average rate	380.00	306.95	306.91
Fixed assets - closing balances	Closing rate	380.00	306.95	307.00
Current assets	Closing rate	380.00	306.95	307.00
Current liabilities	Closing rate	380.00	306.95	307.00
Equity	Historical rate	Historical	Historical	Historical
Income and Expenses:	Overall Average rate	349.74	306.89	306.91

Interim management statement and condensed consolidated interim results

For the nine months ended
30 September 2020

(Expressed in US dollars)

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

For the nine months ended 30 Sept 2020

		9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2019
		Unaudited	Unaudited	Unaudited	Unaudited
Notes		\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	7	387,775	494,880	154,226	139,794
Cost of sales	8	(297,182)	(230,218)	(101,290)	(82,165)
Gross profit		90,593	264,662	52,936	57,629
Other income	9	42,239	36,291	(9,136)	27,676
General and administrative expenses	10	(52,419)	(54,556)	(4,774)	(12,472)
Impairment loss on financial assets	11.1	(21,437)	(40,136)	(6,566)	-
Impairment loss on non-financial asset	11.2	(158,228)	-	(12,200)	-
Fair value gain/(loss)	12	19,911	4,933	13,288	(722)
Operating (loss)/profit		(79,341)	211,194	33,548	72,111
Finance income	13	2,034	9,169	282	3,535
Finance cost	13	(53,834)	(36,295)	(17,285)	(11,500)
Finance cost-net		(51,800)	(27,126)	(17,003)	(7,965)
Share of profit from joint venture accounted for using the equity method		1,069	742	(1,290)	488
(Loss)/profit before taxation		(130,072)	184,810	15,255	64,634
Income tax credit/(expense)	14	33,752	(3,394)	(1,397)	(1,968)
(Loss)/Profit from continuing operations		(96,320)	181,416	13,858	62,666
Profit/(loss) from discontinued operation		-	3,182	-	-
(Loss)/profit for the period		(96,320)	184,598	13,858	62,666
Attributable to:					
Equity holders of the parent		(58,259)	184,598	13,858	62,666
Non-controlling interests		(38,061)	-	-	-
		(96,320)	184,598	13,858	62,666
Other comprehensive income/(loss):					
Foreign currency translation difference		-	-	-	-
Total comprehensive (loss)/income from continuing operations		(96,320)	181,416	13,858	62,666
Total comprehensive income from discontinuing operations		-	3,182	-	-
Total comprehensive (loss)/income for the period		(96,320)	184,598	13,858	62,666
(Loss)/Earnings per share from continuing operations					
Basic (loss)/earnings per share (\$)	27	(0.17)	0.32	0.02	0.11
Diluted (loss)/earnings per share (\$)	27	(0.16)	0.31	0.02	0.11
Earnings per share for the period					
Basic (loss)/earnings per share (\$)	27	(0.17)	0.32	0.02	0.11
Diluted (loss)/earnings per share (\$)	27	(0.16)	0.31	0.02	0.11

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

Interim condensed consolidated statement of financial position

As at 30 Sept 2020

		30 Sept 2020	31 Dec 2019
	Notes	Unaudited	Audited
		\$'000	\$'000
Assets			
Non-current assets			
Oil & gas properties	15	1,568,842	1,558,213
Other property, plant and equipment		13,645	14,201
Right-of-use assets		10,500	13,115
Intangible assets	16	35,099	174,566
Other assets		106,004	130,915
Investment accounted for using equity accounting	17	192,140	161,071
Long-term prepayments		62,421	62,892
Deferred tax	14	267,239	222,697
Total non-current assets		2,255,890	2,337,670
Current assets			
Inventories		79,484	84,508
Trade and other receivables	18	334,562	486,762
Prepayments		4,034	6,397
Contract assets	19	9,843	21,259
Derivative financial instruments	20	-	1,486
Cash and bank balances	21	213,005	333,028
Total current assets		640,928	933,440
Total assets		2,896,818	3,271,110
Equity and Liabilities			
Equity			
Issued share capital	22.1	1,856	1,845
Share premium	22.2	513,257	503,742
Share based payment reserve		27,985	30,426
Capital contribution		40,000	40,000
Retained earnings		1,161,504	1,249,156
Foreign currency translation reserve		2,391	2,391
Non-controlling interest		(61,682)	(23,621)
Total shareholders' equity		1,685,311	1,803,939
Non-current liabilities			
Interest bearing loans and borrowings	23.1	599,037	677,075
Lease Liabilities		4,054	8,518
Provision for decommissioning obligation		150,205	147,921
Defined benefit plan		10,736	9,808
Total non-current liabilities		764,032	843,322
Current liabilities			
Interest bearing loans and borrowings	23.1	93,734	112,333
Lease Liabilities		2,144	692
Trade and other payables	24	308,952	468,804
Derivative financial instruments		1,129	-
Contingent liability		7,217	7,217
Contract liabilities	25	15,402	16,301
Current tax liabilities		18,897	18,502
Total current liabilities		447,475	623,849
Total liabilities		1,211,507	1,467,171
Total shareholders' equity and liabilities		2,896,818	3,271,110

Interim condensed consolidated statement of financial position - continued

As at 30 September 2020

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

The Group financial statements of Seplat Petroleum Development Company Plc and its subsidiaries (The Group) for the third quarter ended 30 Sept. 2020 were authorised for issue in accordance with a resolution of the Directors on 30 October 2020 and were signed on its behalf by:



A. B. C. Orjiako

FRC/2013/IODN/00000003161

Chairman

30 October 2020



R.T. Brown

FRC/2014/ANAN/00000017939

Chief Executive Officer

30 October 2020



E. Onwuka

FRC/2020/003/00000020861

Chief Financial Officer

30 October 2020

Interim condensed consolidated statement of changes in equity

For the nine months ended 30 Sept 2020

	Issued share capital \$'000	Share premium \$'000	Share based payment reserve \$'000	Capital contribution \$'000	Retained earnings \$'000	Foreign translation reserve \$'000	Non- controlling interest \$'000	Total equity \$'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	-	-	-	-	184,598	-	-	184,598
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	184,598	-	-	184,598
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	(29,185)	-	-	(29,185)
Share based payments	-	-	10,001	-	-	-	-	10,001
Total	-	-	10,001	-	(29,185)	-	-	(19,184)
At 30 Sept 2019 (unaudited)	1,834	497,457	37,500	40,000	1,186,367	3,141	-	1,766,299
At 1 January 2020	1,845	503,742	30,426	40,000	1,249,156	2,391	(23,621)	1,803,939
Loss for the period	-	-	-	-	(58,259)	-	(38,061)	(96,320)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(58,259)	-	(38,061)	(96,320)
Transactions with owners in their capacity as owners:								
Dividend paid	-	-	-	-	(29,393)	-	-	(29,393)
Share based payments	11	9,515	(2,441)	-	-	-	-	7,085
Total	11	9,515	(2,441)	-	(29,393)	-	-	(22,308)
At 30 Sept 2020 (unaudited)	1,856	513,257	27,985	40,000	1,161,504	2,391	(61,682)	1,685,311

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

Interim condensed consolidated statement of cash flows

For the nine months ended 30 Sept 2020

		Nine months ended 30 Sept 2020 \$'000	Nine months ended 30 Sept 2019 \$'000
	Notes	Unaudited	Unaudited
Cash flows from operating activities			
Cash generated from operations	26	197,776	306,287
Income tax paid		(10,377)	
Net cash inflows from operating activities		187,399	306,287
Cash flows from investing activities			
Payment for acquisition of oil and gas properties		(105,234)	(50,247)
Payment for acquisition of other property, plant and equipment		(3,374)	(13,506)
Receipts from other asset		4,737	16,737
Investment in Joint venture		(30,000)	(103,050)
Cash on loss of control of subsidiary		-	(154,240)
Interest received		2,034	9,169
Net cash outflows from investing activities		(131,837)	(295,137)
Cash flows from financing activities			
Repayments of loans		(100,000)	(100,000)
Proceeds from loans		10,000	-
Dividend paid		(29,208)	(29,185)
Payments for other financing charges		-	-
Lease payment		(3,275)	-
Interest paid on loans		(58,030)	(17,582)
Advance from Nigerian Gas Company (NGC)*		-	-
Net cash outflows from financing activities		(180,513)	(146,767)
Net increase/ (decrease) in cash and cash equivalents		(124,951)	(135,617)
Cash and cash equivalents at beginning of the period		326,330	581,305
Effects of exchange rate changes on cash and cash equivalents		(1,143)	3,232
Cash and cash equivalents at end of the period		200,236	448,920

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

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

1 Corporate Structure and business

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

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, SPDC, TOTAL and AGIP, a 45% participating interest in OML 4, OML 38 and OML 41 located in Nigeria.

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the interim condensed consolidated financial statements

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

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

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

In order to fund the development of the ANOH gas processing plant, on 13 August 2018, the Group entered into a shareholder's agreement with Nigerian Gas Processing and Transportation Company (NGPTC). Funding is to be provided by both parties in equal proportion representing their ownership share and will be used to subscribe for the ordinary shares in ANOH. The agreement was effective on 18 April 2019, which was the date the Corporate Affairs Commission (CAC) approval was received. Given the change in ownership structure as at 31 December 2019, the Group no longer exercises control and has deconsolidated ANOH in the consolidated financial statements. However, its retained interest qualifies as a joint arrangement and has been recognised accordingly as investment in joint venture.

Notes to the interim condensed consolidated financial statements

2 Significant changes in the current reporting period

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

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

The Group's operations are not affected by seasonality or cyclicity. The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 Sept 2020:

- the Group recognised impairment loss of \$158 million on its non-financial assets. The impairment is primarily as a result of re-assessment of future cash flows from the Group's oil and gas properties due to significant fall in oil prices. (see note 16).
- The group experienced a decline in the revenue from crude oil majorly due to the global COVID-19 pandemic.
- Decrease in contingent liability (see note 30)
- During the period, an explosion occurred during the installation of a ladder on a platform at the Benin River Valve Station on OML 40 in Delta State which is used for exporting Gbetiokun production. There was no major impact to the Group's operation as the site of the incident is some distance from OML 40 field operations, which were unaffected.

3 Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

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

3.2 Basis of preparation

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

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

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

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

3.3 New and amended standards adopted by the Group

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

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

a) Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to

Notes to the interim condensed consolidated financial statements

create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations

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

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

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

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

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

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

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

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

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

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

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

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

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

3.4 New standards, amendments and interpretations not yet adopted

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

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

Notes to the interim condensed consolidated financial statements

3.5 Basis of consolidation

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

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

3.6 Functional and presentation currency

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

i. Transactions and balances

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

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

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

ii. Group companies

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

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

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

4 Significant accounting judgements estimates and assumptions

4.1 Judgements

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

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 generating cash flows. Crude oil and gas sold to third parties from these OMLs are invoiced when the Group has an unconditional right to receive payment.

ii. Deferred tax asset

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

iii. Consolidation of Elcrest

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

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

iv. Contingent liability

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

v. Defined benefit plan

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

vi. Revenue recognition

Definition of contracts

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

Performance obligations

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

For gas contracts, the performance obligation is satisfied through the delivery of a series of distinct goods. Revenue is recognised over time in this situation as gas customers simultaneously receives and consumes the benefits provided by

Notes to the interim condensed consolidated financial statements

the Group's performance. The Group has elected to apply the 'right to invoice' practical expedient in determining revenue from its gas contracts. The right to invoice is a measure of progress that allows the Group to recognise revenue based on amounts invoiced to the customer. Judgement has been applied in evaluating that the Group's right to consideration corresponds directly with the value transferred to the customer and is therefore eligible to apply this practical expedient.

Significant financing component

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

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

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

Transactions with Joint Operating arrangement (JOA) partners

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

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

Exploration and evaluation assets

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

Notes to the interim condensed consolidated financial statements

4.2 Estimates and assumptions

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

The following are some of the estimates and assumptions made.

i. Contingencies

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

ii. Contingent consideration

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

iii. Defined benefit plans (pension benefits)

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

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

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

iv. Oil and gas reserves

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

v. Share-based payment reserve

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

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

vi. Provision for decommissioning obligations

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

vii. Income taxes

The Group is subject to income taxes by the Nigerian tax authority, which does not require significant judgement in terms of provision for income taxes, but a certain level of judgement is required for recognition of deferred tax assets.

Notes to the interim condensed consolidated financial statements

Management is required to assess the ability of the Group to generate future taxable economic earnings that will be used to recover all deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. The estimates are based on the future cash flow from operations taking into consideration the oil and gas prices, volumes produced, operational and capital expenditure.

viii. Impairment of financial assets

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

ix. Impairment of non- financial assets

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

5 Financial risk management

5.1 Financial risk factors

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

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

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

Notes to the interim condensed consolidated financial statements

5.1.1 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments, deposits with banks and financial institutions as well as credit exposures to customers and Joint venture partners, i.e. NPDC receivables and NGC receivables.

a) Risk management

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

In addition, the Group is exposed to credit risk in relation to its sale of gas to Nigerian Gas Marketing Company (NGMC) Limited, a subsidiary of NNPC, its sole gas customer during the period. The credit risk on cash is limited because the majority of deposits are with banks that have an acceptable credit rating assigned by an international credit agency. The Group's maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of its financial assets.

b) Estimation uncertainty in measuring impairment loss

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

i. Significant unobservable inputs

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

	Effect on profit before tax 30 Sept 2020	Effect on other components of equity before tax 30 Sept 2020
	\$'000	\$'000
Increase/decrease in loss given default		
+10%	(333)	-
-10%	333	-

	Effect on profit before tax 31 Dec 2019	Effect on other components of equity before tax 31 Dec 2019
	\$'000	\$'000
Increase/decrease in loss given default		
+10%	(145)	-
-10%	145	-

Notes to the interim condensed consolidated financial statements

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

	Effect on profit before tax 30 Sept 2020	Effect on other components of equity before tax 30 Sept 2020
	\$'000	\$'000
Increase/decrease in probability of default		
+10%	(536)	-
-10%	536	-

	Effect on profit before tax 31 Dec 2019	Effect on other components of equity before tax 31 Dec 2019
	\$'000	\$'000
Increase/decrease in probability of default		
+10%	(159)	-
-10%	159	-

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

	Effect on profit before tax 30 Sept 2020	Effect on other components of equity before tax 30 Sept 2020
	\$'000	\$'000
Increase/decrease in forward looking macroeconomic indicators		
+10%	(536)	-
-10%	536	-

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

Notes to the interim condensed consolidated financial statements

5.1.2 Liquidity risk

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

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

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

	Effective interest rate %	Less than 1 year \$'000	1 - 2 year \$'000	2 - 3 years \$'000	3 - 5 years \$'000	Total \$'000
30 Sept 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	-	-	-	350,000	350,000
Variable interest rate borrowings						
Citibank N.A. London	6.00% + Libor	-	28,571	-	-	28,571
Nedbank Limited, London Branch	6.00% + Libor	-	28,571	-	-	28,571
Stanbic Ibtcc Bank Plc	6.00% + Libor	-	14,286	-	-	14,286
The Standard Bank of South Africa Limited	6.00% + Libor	-	14,286	-	-	14,286
RMB International (Mauritius) Limited	6.00% + Libor	-	28,571	-	-	28,571
The Mauritius Commercial Bank Ltd	6.00% + Libor	-	28,571	-	-	28,571
JP Morgan Chase Bank, N.A London	6.00% + Libor	-	21,429	-	-	21,429
Standard Chartered Bank	6.00% + Libor	-	21,429	-	-	21,429
Natixis	6.00% + Libor	-	21,429	-	-	21,429
Societe Generale Bank, London Branch	6.00% + Libor	-	10,714	-	-	10,714
Zenith Bank Plc	6.00% + Libor	-	10,714	-	-	10,714
United Bank for Africa Plc	6.00% + Libor	-	10,714	-	-	10,714
First City Monument Bank Limited	6.00% + Libor	-	10,714	-	-	10,714
First Bank of Nigeria	8.00% + Libor	3,000	7,875	1,125	-	12,000
The Mauritius Commercial Bank Ltd	8.00% + Libor	8,600	22,575	3,225	-	34,400
Stanbic Ibtcc Bank Plc/Standard bank	8.00% + Libor	13,400	35,175	5,025	-	53,600
Total variable interest borrowings		25,000	315,625	9,375	350,000	700,000
Other non - derivatives						
Trade and other payables**		308,952	-	-	-	308,952
Lease liability		2,144	4,054	-	-	6,198
Total		336,096	319,679	9,375	350,000	1,015,150

Notes to the interim condensed consolidated financial statements

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

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

Notes to the interim condensed consolidated financial statements

5.1.3 Fair value measurements

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

	Carrying amount		Fair value	
	As at 30 Sept 2020 \$'000	As at 31 Dec 2019 \$'000	As at 30 Sept 2020 \$'000	As at 31 Dec 2019 \$'000
Financial assets at amortised cost				
Trade and other receivables*	330,447	114,740	330,447	114,740
Contract assets	9,843	21,259	9,843	21,259
Cash and bank balances	213,005	333,028	213,005	333,028
	553,295	469,027	553,295	469,027
Financial assets at fair value				
Derivative financial instruments	-	1,486	-	1,486
	-	1,486	-	1,486
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	692,771	789,408	734,959	748,551
Trade and other payables	308,952	346,125	308,952	346,125
	1,001,723	1,135,533	1,043,911	1,094,676
Financial liabilities at fair value				
Derivative financial instruments	1,129	-	1,129	-
	1,129	-	1,129	-

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

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

5.1.4 Fair Value Hierarchy

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

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

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

Notes to the interim condensed consolidated financial statements

Recurring fair value measurements

Financial Instrument

30 Sept 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial Liabilities:			
Derivative financial instruments	1,129	-	-

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

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

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

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

The valuation process

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

6 Segment reporting

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

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

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

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

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

Notes to the interim condensed consolidated financial statements

6.1 Segment (loss)/profit disclosure

	9 months ended 30 Sept 2020 \$'000	9 months ended 30 Sept 2019 \$'000	3 Months ended 30 Sept 2020 \$'000	3 Months ended 30 Sept 2019 \$'000
Oil	(150,648)	32,597	4,074	40,446
Gas	54,328	148,819	9,784	22,220
Total (loss)/ profit from continued operations for the period	(96,320)	181,416	13,858	62,666

Oil

	9 months ended 30 Sept 2020 \$'000	9 months ended 30 Sept 2019 \$'000	3 Months ended 30 Sept 2020 \$'000	3 Months ended 30 Sept 2019 \$'000
Revenue from contract with customers				
Crude oil sales	305,599	322,832	125,514	106,812
Operating profit before depreciation, amortisation and impairment	136,974	125,879	62,788	70,307
Depreciation and impairment	(275,208)	(63,504)	(45,948)	(20,416)
Operating (loss)/profit	(138,234)	62,375	16,840	49,891
Finance income	2,034	9,169	282	3,535
Finance costs	(53,834)	(36,295)	(17,285)	(11,500)
Share of profit from joint venture	-	742	-	488
(loss)/profit before taxation	(190,034)	35,991	(163)	42,414
Income tax credit/(expense)	39,386	(3,394)	4,237	(1,968)
(loss)/profit for the period	(150,648)	32,597	4,074	40,446

Gas

	9 months ended 30 Sept 2020 \$'000	9 months ended 30 Sept 2019 \$'000	3 Months ended 30 Sept 2020 \$'000	3 Months ended 30 Sept 2019 \$'000
Revenue from contract with customer				
Gas sales	82,176	105,136	28,712	32,960
Gas tolling	-	66,912	-	22
	82,176	172,048	28,712	32,982
Operating profit before depreciation, amortisation and impairment	66,478	158,522	19,457	25,345
Depreciation and amortization	(7,585)	(9,703)	(2,749)	(3,125)
Operating profit	58,893	148,819	16,708	22,220
Share of profit from joint venture accounted for using equity accounting	1,069	-	(1,290)	-
Profit before taxation	59,962	148,819	15,418	22,220
Income tax expense	(5,634)	-	(5,634)	-
Profit for the period	54,328	148,819	9,784	22,220

Notes to the interim condensed consolidated financial statements

6.1.1 Disaggregation of revenue from contracts with customers

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

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019
	Oil \$'000	Gas \$'000	Total \$'000	Oil \$'000	Gas \$'000	Total \$'000
Geographical markets						
Nigeria	108,084	82,176	190,260	28,366	172,048	200,414
Switzerland	197,515	-	197,515	294,466	-	294,466
Revenue from contract with customers	305,599	82,176	387,775	322,832	172,048	494,880
Timing of revenue recognition						
At a point in time	305,599	-	305,599	322,832	-	322,832
Over time	-	82,176	82,176	-	172,048	172,048
Revenue from contract with customers	305,599	82,176	387,775	322,832	172,048	494,880

	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2019	3 Months ended 30 Sept 2019	3 Months ended 30 Sept 2019
	Oil \$'000	Gas \$'000	Total \$'000	Oil \$'000	Gas \$'000	Total \$'000
Geographical markets						
Nigeria	44,898	28,712	73,610	5,582	32,982	38,564
Switzerland	80,616	-	80,616	101,230	-	101,230
Revenue from contract with customers	125,514	28,712	154,226	106,812	32,982	139,794
Timing of revenue recognition						
At a point in time	125,514	-	125,514	106,812	-	106,812
Over time	-	28,712	28,712	-	32,982	32,982
Revenue from contract with customers	125,514	28,712	154,226	106,812	32,982	139,794

The Group's transactions with its major customer, Mercuria, constitutes more than 60% (\$198 million) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC (\$47 million) accounted for more than 55% of the total revenue from the gas segment and the Group as a whole.

6.1.2 Impairment loss on financial assets by reportable segments

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019
	Oil \$'000	Gas \$'000	Total \$'000	Oil \$'000	Gas \$'000	Total \$'000
Impairment loss	(21,437)	-	(21,437)	(40,316)	-	(40,136)

	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2020	3 Months ended 30 Sept 2019	3 Months ended 30 Sept 2019	3 Months ended 30 Sept 2019
	Oil \$'000	Gas \$'000	Total \$'000	Oil \$'000	Gas \$'000	Total \$'000
Impairment loss	(6,566)	-	(6,566)	-	-	-

Notes to the interim condensed consolidated financial statements

6.1.3 Impairment loss on non-financial assets by reportable segments

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019
	Oil \$'000	Gas \$'000	Total \$'000	Oil \$'000	Gas \$'000	Total \$'000
Impairment loss	(158,228)	-	(158,228)	-	-	-

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 \$'000	Gas \$'000	Total \$'000
Total segment assets			
30 Sept 2020	2,420,437	476,381	2,896,818
31 December 2019	2,563,147	707,963	3,271,110

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 \$'000	Gas \$'000	Total \$'000
Total segment liabilities			
30 Sept 2020	1,143,175	68,332	1,211,507
31 December 2019	1,398,462	68,709	1,467,171

7 Revenue from contracts with customers

	9 months ended 30 Sept 2020 \$'000	9 months ended 30 Sept 2019 \$'000	3 months ended 30 Sept 2020 \$'000	3 months ended 30 Sept 2019 \$'000
Crude oil sales	305,599	322,832	125,514	106,812
Gas sales	82,176	105,136	28,712	32,960
Gas processing	-	66,912	-	22
	387,775	494,880	154,226	139,794

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

Gas processing is revenue received from Nigerian Petroleum Development Company (NPDC) for processing its share of the gas extracted from OML 4, 38 and 41. Subsequent to NPDC 55% stake in the gas plant, Seplat has ceased to process gas for NPDC.

Notes to the interim condensed consolidated financial statements

8 Cost of sales

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	\$'000	\$'000	\$'000	\$'000
Royalties	76,168	75,271	25,091	25,493
Depletion, depreciation and amortisation	96,502	69,065	27,827	22,201
Crude handling fees	40,479	39,921	14,638	14,763
Nigeria Export Supervision Scheme (NESS) fee	156	388	27	150
Niger Delta Development Commission Levy	3,236	6,166	(1,827)	2,056
Barging and Trucking	13,285	-	2,597	-
Operational & maintenance expenses	67,356	39,407	32,937	17,502
	297,182	230,218	101,290	82,165

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

9 Other income/(loss)

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	\$'000	\$'000	\$'000	\$'000
Underlift/(overlift)	39,147	30,532	(10,210)	24,878
Gains/(loss) on foreign exchange	1,517	2,333	(442)	1,021
Others	91	-	30	-
Tariffs	1,484	3,426	1,486	1,777
	42,239	36,291	(9,136)	27,676

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

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

Gains/(loss) on foreign exchange are principally as a result of translation of naira denominated monetary assets and liabilities. Others relates to income derived from sales of sundry assets.

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

10 General and administrative expenses

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation	4,080	1,875	1,255	609
Depreciation of right-of-use assets	2,546	2,267	849	731
Professional and consulting fees	3,916	1,715	(1,683)	(7,225)
Auditor's remuneration	91	132	11	90
Directors' emoluments (executive)	2,304	1,334	1,351	357
Directors' emoluments (non-executive)	2,294	2,564	542	977
Employee benefits	28,268	18,379	10,289	6,951
Share-based benefits	7,085	10,116	2,362	3,153
Flights and other travel costs	2,465	5,920	1,080	2,324
Other general expenses	(630)	10,254	(11,282)	4,505
	52,419	54,556	4,774	12,472

Directors' emoluments have been split between executive and non-executive directors. Included in executive directors' emoluments are one-off payments of \$2.3 million made to the directors of Eland in respect of the acquisition of Eland. Included in employee benefits are Eland staff costs of \$10.2 million. There were no non-audit services rendered by the Group's auditors during the period. Other general expenses relate to costs such as office maintenance costs, rentals, telecommunication costs, logistics costs and others. \$11.3 million credit balance in other general expenses relates to a foreign exchange difference on NPDC payable now reclassified to foreign exchange difference account.

11 Impairment loss

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	\$'000	\$'000	\$'000	\$'000
Impairment losses of financial asset-net (Note 11.1)	21,437	40,136	6,566	-
Impairment loss on non-financial asset (Note 11.2)	158,228	-	12,200	-
	179,665	40,136	18,766	-

11.1 Impairment losses on financial assets-net

	9 months ended 30 Sept 2020	9 months ended 30 Sept 2019	3 months ended 30 Sept 2020	3 months ended 30 Sept 2019
	\$'000	\$'000	\$'000	\$'000
Impairment loss on trade receivables	-	161	-	-
Impairment loss on other financial assets	21,454	-	6,566	-
	21,454	161	6,566	-
Reversal of impairment losses:				
Reversal of Impairment loss on trade receivables	(16)	-	-	-
Reversal of Impairment loss on other financial assets	(1)	(378)	-	-
	(17)	(378)	-	-
Write-off of impairment losses:				
Write-off of other receivables	-	40,353	-	-
	21,437	40,136	6,566	-

Notes to the interim condensed consolidated financial statements

11.2 Impairment loss on non-financial assets

	9 months ended 30 Sept 2020 \$'000	9 months ended 30 Sept 2019 \$'000	3 months ended 30 Sept 2020 \$'000	3 months ended 30 Sept 2019 \$'000
Impairment loss on non-financial assets	158,228	-	12,200	-

During the period, the group recognised impairment loss of \$158 million on its non-financial assets. The impairment is primarily as a result of re-assessment of future cash flows from the Group's oil and gas properties due to significant fall in oil prices.

12 Fair value gain/(loss)

	9 months ended 30 Sept 2020 \$'000	9 months ended 30 Sept 2019 \$'000	3 months ended 30 Sept 2020 \$'000	3 months ended 30 Sept 2019 \$'000
Cost of hedging	-	(5,160)	-	-
Fair value gain/ (loss) on derivatives	19,911	(8,396)	13,288	(722)
Fair value loss on contingent consideration	-	18,489	-	-
	19,911	4,933	13,288	(722)

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

13 Finance income/(cost)

	Nine months ended 30 Sept 2020 \$'000	Nine months ended 30 Sept 2019 \$'000	3 months ended 30 Sept 2020 \$'000	3 months ended 30 Sept 2019 \$'000
Finance income				
Interest income	2,034	9,169	282	3,535
Finance cost				
Interest on bank loans	(51,393)	(29,358)	(16,522)	(7,230)
Other financing charges	-	(3,488)	-	(3,119)
Interest on lease liabilities	(263)	(398)	(38)	(134)
Unwinding of discount on provision for decommissioning	(2,178)	(3,051)	(725)	(1,017)
	(53,834)	(36,295)	(17,285)	(11,500)
Finance (cost) - net	(51,800)	(27,126)	(17,003)	(7,965)

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

Notes to the interim condensed consolidated financial statements

14 Taxation

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

The effective tax rate for the period was 26% (2019: 1.18%)

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

	9 months ended 30 Sept 2020 \$'000	9 months ended 30 Sept 2019 \$'000	3 months ended 30 Sept 2020 \$'000	3 months ended 30 Sept 2019 \$'000
Current tax:				
Current tax expense on profit for the period	(9,289)	895	(5,964)	(1,482)
Education tax	(1,483)	5,474	(945)	5,093
Total current tax	(10,772)	6,369	(6,909)	3,611
Deferred tax:				
Deferred tax expense/(income) in profit or loss	44,524	(2,975)	5,512	(1,643)
Total tax expense/(income) in statement of profit or loss	33,752	(3,394)	(1,397)	(1,968)

14.1 Deferred tax

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

	As at 30 Sept 2020 \$'000	As at 31 Dec 2019 \$'000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	267,239	595,132
	267,239	595,132
	As at 30 Sept 2020 \$'000	As at 31 Dec 2019 \$'000
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	-	(372,435)
	-	(372,435)
Net deferred tax asset	267,239	222,697

Notes to the interim condensed consolidated financial statements

	Balance as at 1 Jan 2020 \$'000	Charged /credited to profit or loss \$'000	Balance as at 30 Sept 2020 \$'000
Tax losses	(3,645)	-	(3,645)
Other cumulative timing difference:			
Fixed assets	(361,334)	(89,389)	(450,723)
Unutilised capital allowance	406,848	89,450	496,298
Provision for decommissioning	974	91	1,065
Provision for defined benefit	8,897	788	9,685
Share based payment plan	18,519	2,126	20,645
Unrealized foreign exchange	3,451	49,886	53,337
Overlift/(underlift)	35,469	(25,963)	9,506
Acquired in business combination	90,182	-	90,182
Impairment provision on trade and other receivables	11,096	15,888	26,984
Unrecognised deferred tax asset	19,714	-	19,714
Derivative financial instruments	(7,456)	-	(7,456)
Tax loss c/f	-	1,647	1,647
	222,715	44,524	267,239

15 Oil & Gas properties

During the nine months ended 30 Sept 2020, the Group acquired assets amounting to \$105.2 million. In addition, the Group recognised impairment loss on its oil and gas properties amounting to \$18.7 million.

See Note 16 for details of impairment recognised.

16 Intangible Asset

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

During the nine months ended 30 Sept 2020, the Group performed impairment test. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 Sept 2020, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment. In addition, the overall decline in oil price and development activities around the world, as well as the ongoing economic uncertainty, have led to a decreased in the value of oil and gas assets.

The recoverable amount of the oil and gas production assets CGU of \$2.1 billion as at 30 Sept 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the decrease in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at January 2020. The pre-tax discount rate applied to cash flow projections is 15%. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of \$158.2

Notes to the interim condensed consolidated financial statements

million in the current period against intangible assets (goodwill and the fair value of the identified intangible asset on business combination) amounting to \$139.5million and oil and gas properties amounting to \$18.7 million; both with a carrying amount of \$1.6 billion as at 30 Sept 2020. The impairment charge is recorded in the statement of profit or loss.

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

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

Discount rates

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

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

Oil price

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

17 Investment accounted for using equity method

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Investment in joint venture	192,129	161,060
Investment in associate	11	11
	192,140	161,071

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

18 Trade and other receivables

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Trade receivables	101,712	122,033
Nigerian Petroleum Development Company (NPDC) receivables	151,615	222,357
National Petroleum Investment Management Services (NAPIMS) receivables	27,323	1,152
Underlift	8,983	11,224
Advances to suppliers	25,855	29,368
Receivables from ANOH	11,429	12,847
Other receivables	7,645	87,781
Total	334,562	486,762

Notes to the interim condensed consolidated financial statements

18.1 Trade receivables

Included in trade receivables is an amount due from Nigerian Gas Marketing Company (NGMC) and Central Bank of Nigeria (CBN) totalling \$35 million (Dec 2019: \$52 million) with respect to the sale of gas. Also included in trade receivables is an amount of \$35 million (Dec 2019: \$52 million) and \$24 million (Dec 2019: \$9 million) due from Mecuria and Shell Western respectively for sale of crude.

Reconciliation of trade receivables

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Gross carrying amount	103,814	124,151
Less: Impairment allowance	(2,102)	(2,118)
Balance as at 30 Sept 2020	101,712	122,033

18.2 NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is \$152 million (Dec 2019: \$170 million).

Reconciliation of NPDC receivables

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Gross carrying amount	159,275	223,817
Less: Impairment allowance	(7,660)	(1,460)
Balance as at 30 Sept 2020	151,615	222,357

18.3 NAPIMS receivables

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

Reconciliation of NAPIMS receivables

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Gross carrying amount	28,492	1,229
Less: Impairment allowance	(1,169)	(77)
Balance as at 30 Sept 2020	27,323	1,152

18.4 Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is an escrow deposit of \$40 million made for a potential investment. The funds were placed in an escrow on 8 January 2019 pursuant to an agreement reached with the vendor on the final terms of the transaction. During the reporting period, the fund has been returned.

Reconciliation of other receivables

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Gross carrying amount	40,597	106,571
Less: Impairment allowance	(32,952)	(18,790)
Balance as at 30 Sept 2020	7,645	87,781

Notes to the interim condensed consolidated financial statements

19 Contract assets

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Revenue on gas sales	9,843	21,259

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

The terms of payments relating to the contract is between 30- 45 days from the invoice date. However, invoices are raised after delivery between 14-21 days when the receivable amount has been established and the right to the receivables crystallizes. The right to the unbilled receivables is recognised as a contract asset. At the point where the final billing certificate is obtained from NGMC authorising the quantities, this will be reclassified from contract assets to trade receivables.

19.1 Reconciliation of contract assets

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

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Balance as at 1 January	21,259	14,096
Addition during the period	77,509	159,956
Receipts for the period	(88,901)	(152,793)
Price adjustments	(24)	-
Closing balance	9,843	21,259

20 Derivative financial instruments

The Group uses its derivatives for economic hedging purposes and not as speculative investments. The fair value of the derivative financial instrument as at 30 Sept 2020 is as a result of a fair value gain on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Asset		
Foreign currency options-crude oil hedges	-	1,486

Liability

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Foreign currency options-crude oil hedges	1,129	-

Notes to the interim condensed consolidated financial statements

21 Cash and bank balances

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

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Cash on hand	8,948	9
Short-term fixed deposits	26,341	96,878
Cash at bank	165,025	229,522
Gross cash and cash equivalent	200,314	326,409
Loss allowance	(78)	(79)
Net cash and cash equivalents per cash flow statement	200,236	326,330
Restricted cash	12,769	6,698
Cash and bank balance	213,005	333,028

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

22 Share Capital

22.1 Authorised and issued share capital

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

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

22.2 Movement in share capital and other reserves

	Number of shares	Issued share capital	Share Premium	Share based payment reserve	Total
	Shares	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 January 2020	575,321,598	1845	503,742	30,426	536,013
Share based payments	-	-	-	7,085	7,085
Vested shares	7,938,589	11	9,515	(9,526)	-
Closing balance as at 30 Sept 2020	583,260,187	1,856	513,257	27,985	543,098

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

Notes to the interim condensed consolidated financial statements

22.3 Share Premium

Section 120.2 of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 requires that where a Company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

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

22.4 Employee share-based payment scheme

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

23 Interest bearing loans and borrowings

23.1 Net debt reconciliation

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

	Borrowings due within 1 year \$'000	Borrowings due above 1 year \$'000	Total \$'000
Balance as at 1 January 2020	112,333	677,075	789,408
Addition	-	10,000	10,000
Principal repayment	(100,000)	-	(100,000)
Interest accrued	51,393	-	51,393
Interest repayment	(58,030)	-	(58,030)
Transfers	88,038	(88,038)	-
Carrying amount as at 30 Sept 2020	93,734	599,037	692,771

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

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

\$350 million Senior notes - March 2018

Interest bearing loans and borrowings include 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 June 2023. The interest accrued up at the reporting date is ₦9.8 billion (\$25.9 million) using an effective interest rate of 10.3%. Transaction costs of ₦2.1 billion (\$7 million) have been included in the amortised cost balance at the end of the reporting period. The amortised

Notes to the interim condensed consolidated financial statements

cost for the senior notes at the reporting period is ₦131 billion (\$345.1 million) (December 2019: ₦107.2 billion, \$349.3 million).

\$350 million Revolving credit facility - December 2019

The Group's parent company on 20 December 2019 also entered into a four-year revolving loan agreement with interest payable semi-annually. There is a two-year moratorium on the principal which ends on 31 December 2021. The revolving loan has an initial contractual interest rate of 6% +Libor (7.7%) and a settlement date of 31 December 2023.

The interest rate of the facility is variable. The interest accrued at the reporting period is ₦7 billion, \$18.3 million using an effective interest rate of 7.5%. The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period. The outstanding amount of this borrowing as the reporting period is ₦93.9 billion \$247.6 million.

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

The Group through its subsidiary Westport on 5th December 2019 entered into a five-year loan agreement with interest payable semi-annually. The RBL facility has an initial contractual interest rate of 8% +Libor as at half year (8.30%) and a settlement date of 29 November 2023.

The RBL is secured against the Group's producing assets in OML 40 via the Group's shares in Elcrest, and by way of a debenture which creates a charge over certain assets of the Group, including its bank accounts.

The available facility is capped at the lower of the available commitments and the borrowing base. In July 2019, following a redetermination, the commitments under the facility increased from N23 billion (\$75.0 million) to N38.4 billion (\$125.0 million). The first reduction in the commitments occurred on 31st December 2019 in line with the commitment reduction schedule contained within the Facility Agreement. This resulted in the available commitments reducing from N45 billion (\$125.0 million) to N40.6 billion (\$112.5 million), with a further reduction to N36.1 billion (\$100.0 million) as at September 2020.

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

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

The interest rate of the facility is variable. The Group made a drawdown of ₦37.95 billion (\$100 million) as at period end. The interest accrued at the reporting period is ₦3.3 billion (\$8.70 million) using an effective interest rate of 8.3%. The interest paid was determined using 6-month LIBOR rate + 8 % on the last business day of the reporting period. The outstanding amount of this borrowing as at the date of acquisition is ₦37.4 billion (\$98.5 million).

24 Trade and other payables

	30 Sept 2020	31 Dec 2019
	\$'000	\$'000
Trade payable	105,577	104,161
Accruals and other payables	158,720	275,233
NDDC levy	93	23
Royalties payable	26,849	29,629
Overlift	17,713	59,758
	308,952	468,804

Included in accruals and other payables are field-related accruals \$124 million (Dec 2019: \$119 million), and other vendor payables of \$35 million (Dec 2019: \$80 million). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

25 Contract liabilities

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

25.1 Reconciliation of contract liabilities

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

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

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

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

26 Computation of cash generated from operations

	9 months ended	9 months ended
	30-Sept-20	30-Sept-19
	\$'000	\$'000
(Loss)/Profit before tax		
Continuing operations	(130,072)	184,810
Discontinued operations	-	3,182
Adjusted for:		
Depletion, depreciation and amortization	100,582	70,940
Depreciation of right-of-use asset	2,546	2,267
Impairment losses on trade and other receivables	21,437	-
Impairment losses on oil and gas assets	158,228	40,136
Interest income	(2,034)	(9,169)
Interest expense on bank loans	51,393	29,358
Interest on lease liabilities	263	398
Unwinding of discount on provision for decommissioning	2,178	3,051
Fair value gain on contingent consideration	-	(18,489)
Fair value (gain)/loss on derivatives	(19,911)	8,396
Unrealised foreign exchange gain	2,122	-
Share based payment expenses	7,085	10,001
Share of profit in joint venture	(1,069)	(742)
Defined benefit expenses	-	1,826
Gain on deconsolidation of subsidiary	-	(2,620)
Changes in working capital:		
Trade and other receivables	153,289	(101,821)
Net working capital on loss of control of subsidiary		150,233
Prepayments	2,834	(32,711)
Contract assets	11,416	4,948
Trade and other payables	(160,565)	(51,121)
Contract liabilities	(899)	5,932
Restricted Cash	(6071)	(2,332)
Inventories	5,024	9,814
Net cash inflow from operating activities	197,776	306,287

Notes to the interim condensed consolidated financial statements

27 Loss/Earnings per share (LPS/EPS)

Basic

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

Diluted

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

	9 months ended 30 Sept 2020 \$'000	9 months ended 30 Sept 2019 \$'000	3 months ended 30 Sept 2020 \$'000	3 Months ended 30 Sept 2019 \$'000
(Loss)/profit from continuing operations	(96,320)	181,416	13,858	62,666
Profit from discontinued operations		3,182		-
(Loss)/Profit for the period	(96,320)	184,598	13,858	62,666
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	580,061	568,775	580,061	568,775
Outstanding share-based payments (shares)	9,679	19,960	9,679	19,960
Weighted average number of ordinary shares adjusted for the effect of dilution	589,740	588,735	589,740	588,735
Basic earnings per share from continuing operations	\$	\$	\$	\$
Basic (loss)/earnings per shares	(0.17)	0.32	0.02	0.11
Diluted (loss)/earnings per shares	(0.16)	0.31	0.02	0.11
Basic earnings per share for the period				
Basic (loss)/earnings per shares	(0.17)	0.32	0.02	0.11
Diluted (loss)/earnings per shares	(0.16)	0.31	0.02	0.11
(Loss)/Profit used in determining basic/diluted earnings per share	(96,320)	181,416	13,858	62,666

The weighted average number of issued shares was calculated as a proportion of the number of months in which they were in issue during the reporting period.

28 Dividend

A final dividend of \$0.05 (2019: \$0.05) per fully paid shares was declared and approved in the period. In line with the Finance Act 2019 which became effective on 1 February 2020, withholding tax amounting to \$2.73 million has been deducted from the aggregate amount of the dividend declared and approved amounting to \$29.21 million. Cash dividend amounting to \$26.48 million was paid during the period.

In addition, the Board has recommended an interim dividend of US\$0.05 per share during the third quarter.

Notes to the interim condensed consolidated financial statements

29 Related party relationships and transactions

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

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

i. Shareholders of the parent company

Shebah Petroleum Development Company Limited SPDCL ('BVI'):

The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The company provided consulting services to Seplat. No services were provided to the Group during the period (2019: \$788 thousand)

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

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

Company is owned by common shareholders with the parent Company. The company provides drilling rigs and drilling services to Seplat. Transactions with this related party amounted to \$6.8 million (2019: \$1.5 million). Payables amounted to \$2.3 million in the current period (Payables in 2019: \$6.3 million).

Inner Ring Engineering & Logistics Services Limited:

Company is owned by common shareholders with the parent Company. Seplat leases a warehouse from Inner Ring Engineering & Logistics Services Limited and the company provides agency and contract workers to Seplat. The Company charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. Transactions with this related party amounted to \$4.2 million (2019: \$6.6 million) are gross i.e. it includes salaries and the Company's mark-up. Payables amounted to \$23 thousand in the current period (2019: nil). All other transactions were made on normal commercial terms and conditions, and at market rates.

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

Abbeycourt Trading Company Limited:

The Chairman of Seplat is a director and shareholder. The company provides diesel supplies to Seplat in respect of Seplat's rig operations. This amounted to \$231 thousand during the period (2019: \$861 thousand). Payables amounted to \$6 thousand in the current period (2019: nil).

Stage leasing (Ndosumili Ventures Limited):

A subsidiary of Platform Petroleum Limited (an entity in which Austin Avuru has an equity interest). The company provides transportation services to Seplat. This amounted to \$334 thousand (2019: \$1.5 million). Receivables and payables were nil in the current period.

30 Commitments and contingencies

30.1 Contingent liabilities

The Company is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities is \$1.3 million (Dec 2019: \$48 million). The contingent liability for the year is determined based on possible occurrences, though unlikely to occur. No provision has been made for this potential liability in these financial statements. Management and the Company's solicitors are of the opinion that the Company will suffer no loss from these claims.

31 Events after the reporting period

The global outbreak of the Coronavirus pandemic continues to cause significant health challenges with a devastating impact on world economies. The impact has been most felt in the steep decline in the global price and demand for crude oil. However, as government-imposed lockdowns eased and fuel demand is increasing, there has been slight increase in the oil price after period end. The Group is currently monitoring the oil prices and taking adequate steps to manage its business and financial impact.