seplat

LEADING NIGERIA'S ENERGY TRANSITION

SEPLAT ENERGY PLC

2021 HALF-YEARLY FINANCIAL RESULTS

29 JULY 2021

www.seplatpetroleum.com

Seplat Energy Plc

Unaudited results for the six months ended 30 June 2021

Lagos and London, 29 July 2021: Seplat Energy Plc ("Seplat Energy" or the "Company"), a leading Nigerian independent energy company listed on both the Nigerian Exchange and the London Stock Exchange, announces its unaudited results for the six months ended 30 June 2021.

Highlights

Operational

- Working-interest oil and gas production within guidance at 50,786 boepd
- Liquids production of 30,028 bopd in H1 2021
- Gas production up 21% to 120 MMscfd
- Oben-50 and 51 gas wells completed in the period and producing
- Safety record extended to more than 20.5 million man hours without LTI on Seplat-operated western assets
- First liftings from Amukpe-Escravos Pipeline expected Q4 2021

Financial

- Revenue up 32% to $308.8 million
- EBITDA of $178.9 million
- Cash generated from operations $125.8 million
- Cash at bank $298.8 million, net debt of $456.4 million
- Successful issue of $650 million 7.75% senior notes to redeem existing $350 million 9.25% senior notes and repay $250 million drawn on $350 million RCF
- Refinanced $100 million Westport RBL facility; raised a $50 million offtake linked to the RBL in July
- Total capital expenditure of $57.5 million

Corporate Actions

- Interim dividend of US2.5 cents per share in line with Seplat's quarterly dividend distribution timetable
- Mr. Damian Dodo, SAN, and Lord Mark Malloch-Brown, both Independent Non-Executive Directors retired from the Board; replaced by Prof. Fabian Ajogwu and Mr. Bello Rabiu effective July 9, 2021.

Corporate updates

- Name changed to Seplat Energy Plc to reflect evolving strategy
- ANOH project now fully funded following successful $260 million debt issue

Outlook

- Expected production unchanged at 48-55 kboepd for full year, subject to market conditions
- Capex now expected to be $180 million for the full year
- ANOH project remains on track for H1 2022 first gas
- 4.0 MMbbls hedged at $35-$50/bbl for H2 2021

Roger Brown, Chief Executive Officer, said:

"Seplat continues to deliver a robust performance despite the ongoing pandemic. Our second-quarter volumes were significantly higher that the first three months and we remain confident of a good outcome to the year as we drive improvements across our operations.

The strength of our balance sheet was demonstrated in March when we were able to refinance at considerably lower cost through the issue of $650 million senior notes. We have since committed to quarterly dividend payments providing more frequent returns to shareholders. For the second quarter, we have declared a dividend of US2.5 cents per share.

In May we announced a change of name to Seplat Energy, reflecting our belief that we must diversify our business so we can offer the optimal mix of energy for Nigeria's future needs. Having established ourselves as one of Nigeria's most successful indigenous independent oil and gas companies, we will now build on that strong base and accelerate our domestic gas business, expanding along the gas value chain into LPG and CNG. As part of Nigeria's energy transition, we will selectively target opportunities in gas to power and solar energy, critical to providing an alternate to expensive diesel generated electricity".

Summary of performance

	$ million			₦ billion	
	6M 2021	6M 2020	% change	6M 2021	6M 2020
Revenue	308.8	233.5	32.3%	120.4	80.1
Gross profit	88.9	37.7	135.8%	34.7	12.9
Impairment of assets *	(0.7)	(160.9)	99.6%	(0.3)	(55.2)
Operating profit (loss)	109.4	(112.9)	196.9%	42.7	(38.7)
Profit (loss) before deferred tax	62.1	(145.3)	142.7%	18.5	(49.8)
Operating cash flow	125.8	176.2	(28.6%)	49.1	63.5
Working interest production (boepd)	50,786	51,178	(0.8%)		
Average realised oil price ($/bbl)	64.69	35.94	80.0%		
Average realised gas price ($/Mscf)	2.86	2.88	(0.7%)		

*Includes $146.0 million IAS36 impairment on revaluation of assets and $14.8 million impairment of financial asset in 2020

Outlook for 2021

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

We have significant cash resources and will continue to manage our finances prudently in 2021, expecting to invest more than $180 million of capital expenditure across the full year, with $57 million already invested. We remain confident that our ongoing cost-cutting initiatives and prudent management of cash will enable further reductions in debt, whilst supporting dividend payments and investment for growth.

Following its successful funding, the completion of the ANOH project remains a major priority and we expect this to be achieved in H1 2022, at lower cost than originally estimated at FID.

Name change to Seplat Energy PLC

The proposed change of name to Seplat Energy Plc was approved by the Shareholders at the Annual General Meeting held on 20 May 2021 and all the necessary legal requirements to effect the name change have been completed at the Nigerian Corporate Affairs Commission. The Company's ticker, Legal Entity Identifier and other identification codes remain unchanged.

The change of name reflects Seplat Energy's desire to lead Nigeria's transition to lower-carbon and renewable energy. It will be accompanied by a rebranding exercise expected to be completed in time for the Seplat Energy Summit scheduled for September 2021.

Q2 2021 interim dividend

Following a review of Seplat's dividend policy, the Board has approved a Q2 2021 interim dividend of US2.5 cents per share (subject to appropriate WHT) to be paid to shareholders whose names appear in the Register of Members as at the close of business on 12th August 2021.

Enquiries:

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Capital Markets Day Presentation

The Executive Management team will host a capital markets event for analysts and investors at the London Stock Exchange at 15:00 on Thursday 29 July.

Representatives of Seplat Energy's executive team will provide an update on corporate strategy and opportunities to drive Nigeria's energy transition.

To view the event online please pre-register using the SparkLive webcast sign-up link here:

https://www.lsegissuerservices.com/spark/SeplatPetroleumDevelopmentCo/events/dd5b2821-f781-4ab3-b4db-3ef843f98cb0

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

Notes to editors

Seplat Energy Plc is Nigeria's leading indigenous energy company. It is listed on the Nigerian Exchange (NGX: 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/

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 Energy's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors, or markets in which Seplat Energy 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 Energy's control or can be predicted by Seplat Energy. Although Seplat Energy 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 Energy or any other entity, and must not be relied upon in any way in connection with any investment decision. Seplat Energy undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Operating review

Drilling programme

During the first half of 2021 we completed the Oben-50 and Oben-51 gas wells, which are now producing at a combined rate of c. 60 MMscfd of gas and 4,000 bopd of condensates. The Umuseti-07 well was spudded in April and upon completion is expected to produce c.1,500 bopd.

Elcrest spudded the Gbetiokun-06 well in June, which is expected to commence production in August. The facilities projects for drilling the next three Gbetiokun wells were also executed in the period. Following completion of the three development wells, the expected production from these wells is c.10,500 bopd.

The ANOH upstream operator, Shell Petroleum Development Company Limited (SPDC), has begun drilling the gas wells at ANOH, with a total of four wells being planned for this year.

For the second half of the year, we have commenced location preparation for the Owu appraisal well in OML 53 and have completed project activities associated with the exploration well in Sibiri (formerly called Amobe). We plan to drill two gas wells at Oben, which are expected to produce 60 MMscfd and 2,400 bopd combined.

HSE performance

Staff and contractors worked a total of 3.8 million man hours with no fatalities, lost-time injuries or minor injuries in the period. The Company has achieved 20.5 million hours without LTI on assets operated by Seplat Energy. There were 43 HSE incidents in total, compared to 48 in H1 2020, including five spills and four gas leaks, all of which were remediated with limited environmental impact. By the end of June, we had conducted 7,719 Covid-19 tests, with a positivity rate of 1.4%. We continue to enforce all Covid-19 control protocols at our field operations and offices, with no major Covid-19 related incidents.

Working-interest production for the six months ended 30 June 2021

		6M 2021			6M 2020		
		Liquids[1]	Gas	Oil equivalent	Liquids	Gas	Oil equivalent
	Seplat Energy %	bopd	MMscfd	Boepd	bopd	MMscfd	boepd
OMLs 4, 38 & 41	45.0%	19,618	120	40,376	19,593	99	36,653
OML 40	45.0%	5,211	-	5,211	9,814	-	9,814
Ubima	88.0%	765	-	765	1,047	-	1,047
OPL 283	40.0%	1,159	-	1,159	863	-	863
OML 53	40.0%	3,275	-	3,275	2,801	-	2,801
Total		30,028	120	50,786	34,118	99	51,178

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

Average working-interest production for the first half of 2021 was well within guidance (48,000-55,000 boepd) at 50,786 boepd, down 0.8% on H1 2020 and impacted by decreased production from OML 40 in the first quarter but offset by improved production from OPL 283 and OML 53.

Within this, liquids production was down 12.0% to 30,028 bopd, while gas production increased from 114 MMscfd achieved in the first three months of 2021 to 120 MMscfd for the six-month period (H1 2020: 99 MMscfd).

During the period, the uptime for the Trans Forcados Pipeline (TFP) was 81% and the produced liquid volumes from OMLs 4, 38 and 41 were subject to 12.1% reconciliation losses.

Oil business performance

Seplat Energy's oil operations produced an average 30,028 bopd on a working-interest basis in H1 2021. Although output increased at OMLs 4,38, 41, OML 53 and OPL 283, the delays in sitting a new storage vessel at OML 40 to replace the MT Harcourt, which was damaged in November 2020, resulted in significantly lower volumes in the first quarter. Production at the Gbetiokun field on OML 40 resumed in March with volumes in the second quarter averaging 6,791 bopd. The Extended Well Test at Ubima has been completed and the production phase commenced in March with volumes averaging 1,189 bopd in the second quarter.

The average price realised per barrel in the first half of 2021 was $64.69 (H1 2020: $35.94), following the recovery of Brent prices on the receding threat from the Covid-19 pandemic and the resultant return of global economic activity.

In accordance with the revised OML 55 commercial arrangement that was agreed in July 2016, which provides for a discharge sum of $330 million to be paid to Seplat Energy over a six-year period through allocation of crude oil volumes produced from OML 55, Seplat Energy received payments amounting to $4.9 million in H1 2021.

OPEC+ quota

During the period, Nigeria's quota stood at 1.6 million barrels per day. However, the country's production has trended below allocated production, largely due to downtime on major pipelines and production capacity constraints in the assets.

Following the July meeting, OPEC+ agreed an increased oil output of 1.8 million barrels for Nigeria, which restores all the production cuts imposed when the Covid-19 pandemic started in 2020. The new quota, which excludes condensates, will take effect from 2022.

Update on Amukpe-Escravos export route

The completion of minor tie-in works on the 160,000 bopd Amukpe-Escravos Pipeline, which are not within Seplat Energy's direct control, have been slower than anticipated due to a combination of challenges associated with access to the Escravos terminal owing to Covid-19 protocols and providing clarifications with the owners of the pipeline. Our partner, NPDC owns a direct stake in the pipeline and are now actively working with Seplat Energy and the pipeline owners and their respective banks, to enable the final completion of the project.

The construction of the entire pipeline system - including the metering facilities, is effectively complete and the pre-commissioning process is progressing well. This process involves functional testing of key components and operating systems integration with the receiving terminal facilities. We therefore expect to introduce hydrocarbons into the line by the end of September, 2021 and during Q4 to lift our crude via the Escravos terminal upon completion of the crude handling agreements (CHA) with Chevron. The imminent conclusion of this project will significantly improve our assets' production uptime compared with the TFP (81% in H1 2021) and reduce losses from crude theft and reconciliation (12.1% in H1 2021).

Gas business performance

Seplat Energy's working interest production for the first half of 2021 was 120.4 MMscfd (20,758 boepd) at an average selling price of $2.86/Mscf. Gas volumes were higher than achieved in Q1 2021 (114 MMscfd), as the production from Oben-50 and 51 came onstream during Q2. Gas contributed 40.9% of Group volumes on a boepd basis, and 20.7% of the Group's revenue.

Oben Gas Plant

The Oben-50 and 51 gas wells were completed in the period and are producing at a combined rate of c. 60 MMscfd of gas and 4,000 bopd of condensates. Another two gas wells are planned for the year and when completed are expected to produce 60 MMscfd and 2,400 bopd.

Sapele Gas Plant

Work continues on the new Sapele Gas Plant; the project is now expected to be completed in the first half of 2023, with Sapele's processing capacity increasing from 60 MMscfd to 75MMscfd. The upgraded facility will produce gas that meets export specifications, and the LPG processing unit module will enhance the economics of the plant, as well as ensuring that gas flaring is eliminated. We are currently accelerating the installation of the AG Booster Compressors at Sapele which will reduce the gas flare at the site.

ANOH Gas Processing Plant development

The ANOH Gas Processing Plant development at OML 53 (and adjacent OML 21 with which the upstream project is unitised) will drive the next phase of growth for Seplat Energy's expanding gas business. The project comprises a phase one 300 MMscfd midstream gas processing plant.

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

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

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

COVID-19 response

The direct impact of Covid-19 has been far less severe in Nigeria than in many other countries. We continue to monitor developments, the health and safety of our employees, contractors, communities, partners and other stakeholders remain top priority. We have implemented preventative measures across all Seplat Energy sites, designed to protect our stakeholders whilst ensuring we can continue to provide the energy and fuels that Nigeria needs. The measures have been very successful to date since the pandemic struck early last year with no incident recorded.

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 across all Seplat Energy locations.

PIB 2020

The Petroleum Industry Bill (PIB) was recently passed by both the House of Representatives and the Senate and is awaiting Presidential Assent. The PIB is designed to reposition the Nigerian oil & gas industry through reforms in four areas, which include Governance, Administration, Host Communities' Welfare, and Fiscal Provision. We are reviewing the terms in the versions passed by both houses to determine the implications and the impact on our business if any and the impact on a conversion to the new PIB regime for Seplat Energy. The bill allows the option to remain in our current fiscal regime until the expiry of our licenses.

Board Changes in July 2021

Mr. Damian Dodo, SAN, and Lord Mark Malloch-Brown, both Independent Non-Executive Directors ("INED"), retired from the Board of the Company. Mr. Dodo was appointed to the Board in March 2014 while Lord Malloch-Brown was appointed in February 2014. For the past seven years, both Directors diligently served the Board and made significant contributions towards the growth of the Company during their tenure.

Prof. Fabian Ajogwu and Mr. Bello Rabiu were appointed as Independent Non-Executive Directors of the Company, joining the Seplat Board effective July 9, 2021.

Prof. Fabian Ajogwu is a Senior Advocate of Nigeria and Lagos Business School Professor of Corporate Governance. He is an Alumnus of the Said Business School of Oxford University, and an Alumnus of the Lagos Business School. Professor Ajogwu holds a doctorate in Law from University of Aberdeen, Scotland; an MBA from the IESE Business School, University of Navarra, Barcelona; and Law degrees from the University of Nigeria, and the University of Lagos.

Professor Ajogwu is a Fellow and Director of the Society for Corporate Governance Nigeria; a Fellow of the Nigerian Institute of Chartered Arbitrators, Fellow of the African Leadership Initiative West Africa, Henry Crown Global Leadership of the Aspen Institute (2009 Class set), Fellow of the AIFA Reading Society, Fellow of the Society for Art Collection, a member of the Oxford Philosophical Society, and a member of the Royal Institute of Philosophy, London

Professor Ajogwu assisted the Securities and Exchange Commission in drafting Nigeria's pioneer Code of Corporate Governance from 2001 to 2003. He chaired the Nigerian Communications Commission Committee on Corporate Governance between 2013 and 2014 that produced the pioneer NCC Code of Corporate Governance for the

Telecommunication sector. He served on the Financial Reporting Council of Nigeria Committee on the 2018 National Code of Corporate Governance. He chairs the Body of Senior Advocates of Nigeria Committee on Continuing Legal Education.

Mr. Bello Rabiu holds a Bachelor's and Master's Degrees in Mathematical Statistics from Ahmadu Bello University Zaria, Nigeria and another Master's Degree in Petroleum Engineering from The Imperial College, London, United Kingdom. He attended many career advancements courses in Nigeria and abroad including the prestigious Wharton Executive Development Program from the University of Pennsylvania in Philadelphia, USA and Leading Global Business Program from Harvard Business School, Boston, USA.

Before his new role at Dankiri Farms, Mr. Rabiu retired from the services of Nigerian National Petroleum Corporation (NNPC) in July 2019 after 28 years of service. He retired from NNPC as the Chief Operating Officer/Group Executive Director, Upstream Business Unit. Prior to his appointment as COO/GED Upstream, NNPC. Mr. Rabiu held dual positions of Group General Manager, Corporate Planning & Strategy Division and Senior Technical Assistant to Group Managing Director, NNPC. He was also the General Manager, Competitive Analysis Department of the same Division from September 2010 till August 11th, 2015. He was at various times between 1991 and 2005 a planning officer and Pioneer Head, Material Management, Frontier Exploration Services at the National Petroleum Investment Management Services (NAPIMS) Division of NNPC.

Mr. Rabiu has a balanced knowledge of the Exploration & Production industry in Nigeria. He has the unusual capability which combines commercial/fiscal knowledge with operations. This was particularly valuable in the development of the recently approved upstream Joint Venture funding scheme which has restored the confidence of the International Oil Companies (IOCs) Partners and the implementation of the 7 Critical Gas Development Projects, an offshoot of Nigerian Gas Master Plan aimed at using gas for Nigeria's industrialization, economic growth and development – where significant consideration had to be given to strategic intent, fiscal rules and commerciality of supply.

The Board of Seplat Energy is pleased to welcome, Prof. Ajogwu and Mr. Rabiu. These two prominent intellectuals bring vast knowledge in important areas such as the energy sector, corporate and business governance, industry regulation, and capital markets. Seplat Energy looks forward to the immense contribution they will make towards its continuing global success.

Financial review

Revenue, production, and commodity prices

On an average daily basis, Brent crude oil traded between $50.7/bbl and $75.4/bbl in the first half of 2021, ending the period at around $74.6/bbl. The increase was driven by the recovery in global oil demand following the easing of Covid-19 lockdown measures around the world, along with OPEC+ imposing production cuts that contributed to a gradual rebalancing of the global oil market.

Total revenue for the period was $308.8 million, up 32.2% from the $233.5 million achieved in 2020. Crude oil revenue was $244.8 million (H1 2020: $180.1 million) a 35.9% increase compared to 2020, reflecting higher realised oil prices of $64.69/bbl for the period (H1 2020: $35.94/bbl). A $59.9 million oil underlift was recorded under other income in the period, compared to $49.4 million in H1 2020 reflecting oil produced but not lifted in the period.

Average working-interest liquids production was 30,028 bopd, down 12.0% from 34,118 bopd in 2020, whilst the total working-interest sales volume for the period was 9.2 MMboe (H1 2020: 9.3 MMboe) with the total volume of crude lifted in the period being 5.4 MMbbl, compared to 6.2 MMbbl in 2020. The lower oil production was caused by a shut-in of production from Gbetiokun in OML 40 in the first quarter of the year, after the MV Harcourt vessel was damaged in November 2020. Production resumed at the Gbetiokun field in March 2021. The Company experienced reconciliation losses of 12.1% for the six-month period on the TFP, and we expect these to fall when the Amukpe-Escravos underground pipeline comes onstream.

Gas sales revenue increased by 19.7% to $63.9 million (H1 2020: $53.5 million), due to higher gas sales volumes of 21.7 Bscf compared to 18 Bscf in H1 2020, which is reflective of the new gas wells brought onstream during the period and the full operations of the Oben gas plant which underwent a turn-around maintenance in Q1 2020. Gas sales contributed 20.7% of total Group revenue in the period (H1 2020: 22.9%) and the average realised gas price was $2.86/Mscf (H1 2020: $2.88/Mscf).

Gross profit

Gross profit increased by 135.8% to $88.9 million (H1 2020: $37.7 million) because of higher revenues. Cost of sales in the period was $219.9 million (H1 2020: $195.9 million). Production evacuation from the Gbetiokun fields resulted in barging costs of $4.7 million; the higher operational and maintenance costs of $54.1 million includes a combination of costs to support extensive asset integrity works carried out in the period and other production costs which were correctly classified in Q3 2020. Consequently, production opex for the period was $9.7/boe (H1 2020: $7.6/boe). Non-production costs primarily consisting of royalties and DD&A were $127.9 million compared to $119.8 million in the prior year, and reflects the higher oil prices during the period.

The 23.3% reduction in general and administrative (G&A) expenses resulted from a combination of the effect of cost reduction initiatives (such as office maintenance, telecommunication, travel and logistics) across the business, one-off payments made for emoluments to former Eland directors in prior period and G&A costs correctly classified in Q3 2020.

Operating results

The operating profit was $109.4 million (H1 2020: $112.9 million loss that resulted mainly from the $160.9 million impairment charges) after recognising other income (fee from use of Group's pipeline to the Warri refinery) of $1.4 million and under-lift (shortfalls of crude lifted below the share of production, which is priced at date of lifting) of $59.9 million. There was a $5.5 million reversal of decommissioning obligation no longer required for Eland in the period. We achieved an adjusted EBITDA of $178.9 million in the period (H1 2020: $126.2 million), when adjusted for non-cash items.

Tax

The Company's tax expense for the first half of 2021 was $25.9 million, compared to a tax credit of $35.1 million for the same period in 2020. The tax expense is made up of a deferred tax expense of $11.3 million and a current tax charge of $14.6 million.

Net result

The profit before tax was $62.1 million (H1 2020: $145.3 million loss). The net finance charge was $47.5 million, and higher than planned due to costs associated with the debt restructuring in the period compared to $34.8 million in 2020. The net profit for H1 2021 was $36.2 million (H1 2020: $110.2 million net loss).

The resultant basic EPS was $0.10 in H1 2021, compared to $0.14 basic loss per share in H1 2020.

Hedging

Seplat's hedging policy aims to guarantee appropriate levels of cash flow assurance in times of oil price weakness and volatility. The hedging programme consists of up-front and deferred premium put options as follows: for Q3, 1.0 MMbbls at a strike price of $35/bbl and 1.0 MMbbls at a strike price of $40/bbl; and for Q4, 1.0 MMbbls at a strike price of $45/bbl and 1.0 MMbbls at a strike price of $50/bbl. The Board and management team continue to closely monitor prevailing oil market dynamics and will consider further measures to provide appropriate levels of cash flow assurance in times of oil price weakness and volatility.

Cash flows from operating activities

Net cash flows from operating activities, after movements in working capital, were $109.9 million, lower than $165.8 million in H1 2020 due to an increase in restricted cash at the end of the period. An income tax payment of $12.4 million was made in the period.

Seplat Energy received $132 million from its JV partner NPDC towards the settlement of its Naira and USD cash calls. We have continued engagements with NPDC to ensure their cash call obligations are met as due. Consequently, NPDC receivables fell from $107 million in December 2020 to $48 million at the end of June 2021.

Cash flows from investing activities

Capital expenditures in the period were $57.5 million, comprising $26.8 million drilling costs in relation to the completion of the two oben gas wells, pre-drill and ongoing drilling operations costs and associated facilities development, and engineering costs of $30.5 million. Gas project costs included the Sapele Gas Plant upgrade project.

Capital expenditures are discretionary with the flexibility to align investment with cash flow in response to prevailing conditions and future growth opportunities. Our original planned capex of $150.0 million for 2021 was designed to arrest decline and increase oil and gas production but was also risked around the timing of approvals with the planned work program. As oil prices rose, and after securing all necessary regulatory approvals in Q2, an additional capex of $30 million was approved to enable us progress with the drilling and engineering projects, which include three development wells at Gbetiokun, another two gas wells in the Western Assets to support contracted gas obligations, one exploration and one appraisal well in OML 40 and OML 53 respectively and capex to support additional investments in the Sapele Gas plant.

The Group received total proceeds of $4.9 million in the period under the revised OML55 commercial arrangement with BelemaOil for the monetisation of 94.2 kbbls.

After adjusting for interest receipts, the net cash outflow from investing activities for the period was $52.5 million, compared to a net cash outflow in 2020 of $109.5 million, when there was a joint venture payment of $30.0 million for additional equity contribution towards the ANOH Gas Processing Plant project.

Cash flows from financing activities

Net cash outflows from financing activities were $36.6 million (H1 2020: $54.8 million). This reflects the debt restructuring where the Group offered senior notes of $650 million. The gross proceeds of the Notes were used to redeem the existing $350 million senior notes and to repay in full drawings of $250 million RCF. Payments of other financing charges and interest totalled $53.2 million and the dividend payment for the period totalled $43.4 million, net of withholding taxes.

Net debt reconciliation at 30 June 2021	$ million	Coupon	Maturity
Senior Notes *	647.0	7.75%	April 2026
Westport RBL *	108.2	Libor+8%	March 2026
Total borrowings	755.2		
Cash and cash equivalents	298.8		
Net debt	**456.4**		

*including amortised interest

Overall, Seplat Energy's aggregate indebtedness was $755.2 million at 30 June 2021, with cash at bank of $298.8 million, leaving net debt at $456.4 million.

Senior Notes

During the period, the Group offered 7.75% senior notes with an aggregate principal of $650 million due in April 2026. The notes, which were priced on 25 March and closed on 1 April 2021, were issued by the Group in March 2021 and guaranteed by certain of its subsidiaries. The gross proceeds of the Notes were used to redeem the existing $350 million 9.25% senior notes due in 2023, to repay in full drawings of $250 million under the existing $350 million RCF for general corporate purposes, and to pay transaction fees and expenses. The RCF remains available for drawing if required.

Reserve-Based Loan (RBL) refinancing

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

On 17th March 2021, Westport signed an amendment and restatement agreement regarding the RBL. As part of the new agreement, the debt utilised and interest rate remain unchanged at $100 million and 8% + LIBOR respectively, however, the maturity date was extended by either five years after the effective date of the loan (March 2026) or by the reserves tail date (expected to be March 2025).

On 24 May 2021 Westport drew down a further $10 million increasing the debt utilised under the RBL from $100 million to $110 million. The amortised cost for this as at the reporting period is $108.2 million (Dec 2020: $98.6 million), although the principal is $110 million.

Events after the reporting period

On July 19, 2021, the Group announced that its wholly owned subsidiary, Westport Oil Limited, had successfully raised a $50 million offtake linked reserved based lending facility due April 2027 (the "Offtake Facility"). The Offtake Facility is subordinated to the $110 million senior reserve-based lending facility (the "RBL"). The Offtake Facility carries initial interest of Libor + 10.5% payable semi-annually and is scheduled to commence repayment from March 2023.

Free float

The Company's free float at 29 July 2021 was 31.23%.

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.

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 Energy to bear. The principal risks and uncertainties facing Seplat Energy at the year-end are detailed in the risk management section of the 2020 Annual Report and Accounts.

The Board has identified the principal risks for the remainder of 2021 to be:

- Field operations and project deliverability
- Third party infrastructure downtime
- Infectious diseases outbreak
- Niger Delta stability, security and other Geopolitical risk
- Oil price volatility
- Changes to tax status and legislation
- Availability of capital

Substantial interest in shares

At 29 July 2021, the following shareholders held more than 5.0% of the issued share capital of the Company:

Shareholder	Number of holdings	%
MPI	120,400,000	20.46
Petrolin	81,015,319	13.77
Professional Support[2]	48,649,952	8.27
Allan Gray	42,132,806	7.16
Sustainable Capital	36,057,420	6.13

Directors' interest in shares

In accordance with Section 275 of the Companies and Allied Matters Act, CAP C20 LFN 2004, the interests of the Directors (and of persons connected with them) in the share capital of the Company (all of which are beneficial unless otherwise stated) are as follows:

	31-Dec-19	31-Dec-20		29-Jul-21	
	No. of Ordinary Shares	**No. of Ordinary Shares**	**As a percentage of Ordinary Shares in issue**	**No. of Ordinary Shares**	**As a percentage of Ordinary Shares in issue**
A.B.C. Orjiako[1]	37,818,522	37,818,522	6.43%	37,818,522	6.43%
Austin Avuru[2]	71,727,906	60,098,823	10.21%	48,968,690	8.32%
Roger Brown	2,022,363	2,840,585	0.48%	2,840,585	0.48%
Effiong Okon	0	0	0.00%	0	0.00%
Bello Rabiu	0	0	0.00%	0	0.00%
Oliver De Langavant	0	0	0.00%	0	0.00%
Arunma Oteh	0	0	0.00%	0	0.00%
Charles Okeahalam	495,238	495,238	0.08%	495,238	0.08%
Basil Omiyi	495,238	495,238	0.08%	495,238	0.08%
Prof. Fabian Ajogwu	0	0	0.00%	0	0.00%
Emeka Onwuka	0	0	0.00%	0	0.00%
Xavier Rolet	0	0	0.00%	0	0.00%
Nathalie Delapalme	0	0	0.00%	0	0.00%
Total	**112,559,267**	**101,748,406**	**17.32%**	**90,618,273**	**15.39%**

1. 24,318,522 ordinary shares are held directly by A.B.C. Orjiako and Shebah Petroleum Development Company Limited, which is an entity controlled by A.B.C. Orjiako and members of his family; 900,000 ordinary shares are held by Pursley Resources Limited, a company owned by A.B.C. Orjiako's wife; and 12,600,000 ordinary shares are held directly by A.B.C. Orjiako's siblings.

2. At 31 December 2019, total direct holdings were nil and indirect ordinary shares were 71,727,906. At 29 July 2020, total direct holdings were nil and indirect ordinary shares were 60,098,823. During the period, a transfer of 7,831,534 ordinary shares held by Platform Petroleum Limited (an entity in which Austin Avuru has an equity interest) to Professional Support Limited (an entity wholly controlled by Austin Avuru). Similarly, a transfer of 12,828,161 shares held directly by Platform Petroleum was made to certain shareholders of Platform Petroleum. A further 1,224,293 LTIP awards for Austin Avuru were released to him and transferred to Professional Support. The Company received a notification on March 26, 2021 of a transfer of 19,760,794 ordinary shares held by Platform Petroleum Limited to various beneficiaries who are Shareholders of Platform Petroleum Limited and they are therefore no longer considered to be connected persons. Amongst these beneficiaries, Professional Support Limited (an entity wholly controlled by Mr. Avuru), received a total of 7,422,770 ordinary shares. Following these transfers, Platform Petroleum now holds 318,738 shares (0.05%), and Professional Support holds 48,649,952 shares (8.26%). Consequently, Mr. Avuru now holds nil direct interest and an indirect interest of 48,968,690 ordinary shares (8.32%) of N0.50k in the Company.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

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

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

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

The Directors of Seplat Energy Plc are as listed in the Group's 2020 Annual Report and Accounts. A list of current Directors is included on the company website: www.seplatpetroleum.com.

By order of the Board,

A. B. C. Orjiako	R.T. Brown	E. Onwuka
FRC/2013/IODN/00000003161	FRC/2014/ANAN/00000017939	FRC/2020/003/00000020861
Chairman	Chief Executive Officer	Chief Financial Officer
29 July 2021	29 July 2021	29 July 2021

pwc

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE MEMBERS OF SEPLAT ENERGY PLC

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Seplat Energy Plc, ("the Company") and its subsidiaries (together "the Group"), as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2021, and of its financial performance and its cash flows for the period then ended in accordance with the International Accounting Standard 34 "Interim financial reporting".

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
1011416

Pedro Omontuemhen

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

29 July 2021

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

General information

Board of Directors		
Ambrosie Bryant Chukwueloka Orjiako	Chairman	Nigerian
Roger Thompson Brown	Managing Director and Chief Executive Officer	British
Emeka Onwuka	Chief Financial Officer (Executive Director)	Nigerian
Effiong Okon	Operations Director (Executive Director)	Nigerian
Ojunekwu Augustine Avuru	Non-Executive Director	Nigerian
Madame Nathalie Delapalme	Non-Executive Director	French
Olivier Cleret De Langavant	Non-Executive Director	French
Basil Omiyi	Senior Independent Non-Executive Director	Nigerian
Arunma Oteh	Independent Non-Executive Director	Nigerian
Xavier Rolet	Independent Non-Executive Director	French
Charles Okeahalam	Independent Non-Executive Director	Nigerian
Prof. Fabian Ajogwu	Independent Non-Executive Director	Nigerian
Bello Rabiu	Independent Non-Executive Director	Nigerian
Company Secretary	Edith Onwuchekwa	
Registered office and business address of Directors	16a Temple Road (Olu Holloway) Ikoyi, Lagos, Nigeria	
Registered number	RC No. 824838	
FRC number	FRC/2013/NBA/00000003660	
Auditor	PriceWaterhouseCoopers Landmark Towers, 5b Water Corporation Road Victoria Island, Lagos, Nigeria	
Registrar	DataMax Registrars Limited 2c Gbagada Expressway Gbagada Phase 1, Lagos, Nigeria	
Solicitors	Olaniwun Ajayi LP Adepetun Caxton-Martins Agbor & Segun ("ACAS-Law") White & Case LLP Herbert Smith Freehills LLP Whitehall Solicitors Chief J.A. Ororho & Co. Ogaga Ovrawah & Co. Consolex LP Banwo-Ighodalo Latham & Watkins LLP V.E. Akpoguma & Co. Thompson Okpoko & Partners G.C. Arubayi & Co. Chukwuma Chambers Abraham Uhunmwagho & Co Walles & Tarres Solicitors Streamsowers & Kohn	
Bankers	First Bank of Nigeria Limited Stanbic IBTC Bank Plc United Bank for Africa Plc Zenith Bank Plc Citibank Nigeria Limited Standard Chartered Bank HSBC Bank FirstRand Bank Limited Acting Natixis Nedbank Limited Nomura International Plc The Standard Bank of South Africa The Mauritius Commercial Bank	

Half-yearly results

For the six months ended 30 June 2021

(Expressed in Nigerian Naira)

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

For the half year ended 30 June 2021

	Notes	Half year ended 30 June 2021 Unaudited ₦'million	Half year ended 30 June 2020 Unaudited ₦'million	3 Months ended 30 June 2021 Unaudited ₦'million	3 Months ended 30 June 2020 Unaudited ₦'million
Revenue from contracts with customers	7	120,444	80,106	62,514	37,698
Cost of sales	8	(85,764)	(67,189)	(47,893)	(35,538)
Gross profit		34,680	12,917	14,621	2,160
Other income	9	25,658	17,622	19,877	1,976
General and administrative expenses	10	(14,213)	(16,336)	(7,294)	(5,940)
Impairment loss on financial assets-net	11.1	(287)	(5,101)	(18)	(7,917)
Impairment loss on non-financial assets	11.2	-	(50,086)	-	-
Fair value (loss)/gain	12	(3,138)	2,272	(1,362)	(3,954)
Operating profit/(loss)		**42,700**	**(38,712)**	**25,824**	**(13,675)**
Finance income	13	4	601	1	254
Finance cost	13	(18,519)	(12,536)	(12,128)	(5,593)
Finance cost-net		(18,515)	(11,935)	(12,127)	(5,339)
Share of profit/(loss) from joint venture accounted for using the equity method		41	809	(118)	287
Profit/(loss) before taxation		**24,226**	**(49,838)**	**13,579**	**(18,727)**
Income tax (expense)/credit	14	(10,108)	12,056	(8,910)	15,572
Profit/(loss) for the period		**14,118**	**(37,782)**	**4,669**	**(3,155)**
Attributable to:					
Equity holders of the parent		22,071	(28,256)	8,521	(3,635)
Non-controlling interests		(7,953)	(9,526)	(3,852)	480
		14,118	**(37,782)**	**4,669**	**(3,155)**
Earnings/(loss) per share for the period					
Basic earnings /(loss) per share (₦)	27	**37.86**	**(48.85)**	**14.62**	**(6.28)**
Diluted earnings/(loss) per share (₦)	27	**37.51**	**(48.05)**	**14.48**	**(6.18)**

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

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

For the half year ended 30 June 2021

	Notes	Half year ended 30 June 2021 Unaudited ₦'million	Half year ended 30 June 2020 Unaudited ₦'million	3 Months ended 30 June 2021 Unaudited ₦'million	3 Months ended 30 June 2020 Unaudited ₦'million
Profit/(loss) for the period		**14,118**	**(37,782)**	**4,669**	**(3,155)**
Other comprehensive income:					
Items that may be reclassified to profit or loss (net of tax):					
Foreign currency translation difference		50,134	95,635	50,134	1,723
Total comprehensive income/(loss) for the period		**64,252**	**57,853**	**54,803**	**(1,432)**
Attributable to:					
Equity holders of the parent		72,205	66,879	58,655	(1,912)
Non-controlling interests		(7,953)	(9,026)	(3,852)	480
		64,252	**57,853**	**54,803**	**(1,432)**

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

Interim condensed consolidated statement of financial position

As at 30 June 2021

		30 June 2021	31 Dec 2020
		Unaudited	Audited
Assets	Notes	₦' million	₦'million
Non-current assets			
Oil & gas properties	15	656,858	609,475
Other property, plant and equipment		4,723	5,330
Right-of-use assets		3,530	3,965
Intangible assets	16	21,704	22,301
Other assets		46,167	44,630
Investment accounted for using equity accounting	17	91,410	84,642
Long-term prepayments		26,919	23,463
Deferred tax	14	309,397	289,877
Total non-current assets		**1,160,708**	**1,083,683**
Current assets			
Inventories		30,315	28,337
Trade and other receivables	18	97,062	96,774
Prepayments		1,869	1,385
Contract assets	19	4,797	2,343
Cash and bank balances	21	122,559	98,315
Total current assets		**256,602**	**227,154**
Total assets		**1,417,310**	**1,310,837**
Equity and Liabilities			
Equity			
Issued share capital	22.1	296	293
Share premium	22.2	90,284	86,917
Share based payment reserve		3,871	7,174
Capital contribution		5,932	5,932
Retained earnings		216,988	211,790
Foreign currency translation reserve		381,423	331,289
Non-controlling interest		(19,011)	(11,058)
Total shareholders' equity		**679,783**	**632,337**
Non-current liabilities			
Interest bearing loans and borrowings	23.1	284,980	229,880
Lease Liabilities		1,925	1,591
Provision for decommissioning obligation		64,547	61,795
Deferred tax liabilities		219,211	202,020
Defined benefit plan		5,142	4,063
Total non-current liabilities		**575,805**	**499,349**
Current liabilities			
Interest bearing loans and borrowings	23.1	24,782	35,518
Lease liabilities		552	679
Derivative financial instruments	20	2,106	626
Trade and other payables	24	120,567	130,468
Contract liabilities	25	3,884	3,599
Current tax liabilities		9,831	8,261
Total current liabilities		**161,722**	**179,151**
Total liabilities		**737,527**	**678,500**
Total shareholders' equity and liabilities		**1,417,310**	**1,310,837**

Interim condensed consolidated statement of financial position - continued

As at 30 June 2021

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

The Group financial statements of Seplat Energy Plc and its subsidiaries (The Group) for half year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 29 July 2021 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
29 July 2021	29 July 2021	29 July 2021

Interim condensed consolidated statement of changes in equity

For the half year ended 30 June 2021

	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 2020	289	84,045	8,194	5,932	259,690	202,910	(7,252)	553,808
Loss for the period	-		-	-	(28,256)	-	(9,526)	(37,782)
Other comprehensive income	-	-	-	-	-	95,135	500	95,635
Total comprehensive (loss)/income for the period	-	-	-	-	(28,256)	95,135	(9,026)	57,853
Transactions with owners in their capacity as owners:								
Dividend	-	-	-	-	(10,621)			(10,621)
Share based payments	4	3,263	(1,647)	-	-	-	-	1,620
Total	4	3,263	(1,647)	-	(10,621)	-	-	(9,001)
At 30 June 2020 (unaudited)	**293**	**87,308**	**6,547**	**5,932**	**220,813**	**298,045**	**(16,278)**	**602,660**
At 1 January 2021	**293**	**86,917**	**7,174**	**5,932**	**211,790**	**331,289**	**(11,058)**	**632,337**
Profit/(loss) for the period	-		-	-	22,071	-	(7,953)	14,118
Other comprehensive income	-	-	-	-	-	50,134		50,134
Total comprehensive income/(loss) for the period	-	-	-	-	22,071	50,134	(7,953)	64,252
Transactions with owners in their capacity as owners:								
Unclaimed dividend	-	-	-	-	47	-	-	47
Dividend paid	-	-	-	-	(16,920)			(16,920)
Share based payments	-	-	887	-	-	-	-	887
Vested shares	3	3,367	(4,190)	-	-	-	-	(820)
Total	3	3,367	(3,303)	-	(16,873)	-	-	(16,806)
At 30 June 2021 (unaudited)	**296**	**90,284**	**3,871**	**5,932**	**216,988**	**381,423**	**(19,011)**	**679,783**

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

Interim condensed consolidated statement of cash flows

For the half year ended 30 June 2021

	Notes	Half year ended 30 June 2021 ₦'Million Unaudited	Half year ended 30 June 2020 ₦' million Unaudited
Cash flows from operating activities			
Cash generated from operations	26	49,062	63,460
Income tax paid		(4,818)	(3,559)
Hedge Premium paid		(1,378)	-
Net cash inflows from operating activities		42,866	59,901
Cash flows from investing activities			
Investment in oil and gas properties		(22,325)	(30,118)
Investment in other property, plant and equipment		(52)	(915)
Receipts from other asset		1,910	1,710
Investment in joint venture		-	(10,830)
Interest received		4	601
Net cash outflows used in investing activities		(20,463)	(39,552)
Cash flows from financing activities			
Repayments of loans and borrowings		(234,044)	-
Proceeds from loans and borrowings		257,448	3,610
Dividend paid		(16,920)	(9,559)
Lease payment		(13)	(1,247)
Payment of other financing charges		(7,994)	-
Interest paid on loans and borrowings		(12,766)	(12,596)
Net cash outflows used in financing activities		(14,289)	(19,792)
Net increase in cash and cash equivalents		8,114	557
Cash and cash equivalents at beginning of the period		85,554	100,184
Effects of exchange rate changes on cash and cash equivalents		6,833	18,330
Cash and cash equivalents at end of the period	21	**100,501**	**119,071**

For the purposes of the cash flow statements, the restricted cash balance of ₦5.3 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.

An additional ₦8.5 billion of funds deposited in Access Bank Plc bank accounts in the ordinary course of business are being unilaterally restricted by Access Bank Plc in connection with the court case between Seplat Energy Plc and Access Bank Plc.

Also included in the restricted cash balance is a cash-backed guarantee of ₦8.2 billion set aside with Zenith Bank Plc to fulfil the requirement of an order of the Court of Appeal, to seek the release of any order relating to the case between Seplat Energy Plc and Access Bank Plc.

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

Notes to the interim condensed consolidated financial statements

1. Corporate Structure and business

Seplat Energy Plc (formerly called Seplat Petroleum Development Company Plc, hereinafter referred to as '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.

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

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

On 31 December 2019, Seplat Energy Plc 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- continued

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

On 20 May 2021, following a special resolution by the Board in view of the Company's strategy of transitioning into an energy Company promoting renewable energy, sustainability, and new energy, the name of the Company was changed from Seplat Petroleum Development Company Plc to Seplat Energy Plc under the Companies and Allied Matters Act 2020.

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

Notes to the interim condensed consolidated financial statements- continued

2. Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 30 June 2021:

- During the period, the Group offered 7.75% senior notes with an aggregate principal of ₦266.6 billion due in April 2026. The notes, which were priced on 25 March and closed on 1 April 2021, were issued by the Group in March 2021 and guaranteed by certain of its subsidiaries. The gross proceeds of the Notes were used to redeem the existing ₦133 billion 9.25% senior notes due in 2023, to repay in full drawings of ₦95 billion under the existing ₦133 billion revolving credit facility for general corporate purposes, and to pay transaction fees and expenses. The revolving credit facility remains available for drawings if required.
- On 20 May 2021, following a special resolution by the Board in view of the Company's strategy of transitioning into an energy Company promoting renewable energy, sustainability, and new energy, the name of the Company was changed from Seplat Petroleum Development Company Plc to Seplat Energy Plc under the Companies and Allied Matters Act 2020.
- On 24 May 2021, the Group drew down a further ₦4.1 billion increasing the debt utilised under the Reserved based lending (RBL) from ₦36.1 billion to ₦40.2 billion.

3. Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

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

3.2 Basis of preparation

The interim condensed consolidated financial statements of the Group for the half year ended 30 June 2021 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 2020 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 financial instruments measured at fair value on initial recognition, derivative financial instruments and defined benefit plans – plan assets measured at fair value. The financial statements are presented in Nigerian Naira and all values are rounded to the nearest million (₦'million), except when otherwise indicated.

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

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

3.3 New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

a) Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform – Phase 2*
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. The practical expedient is required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39) and for IFRS 16 Leases, to lease modifications required by IBOR reform. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognise hedge ineffectiveness. In addition, the amendments provide temporary relief

to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. These amendments had no impact on the interim condensed consolidated financial statements of the Group as (i) it does not have any interest rate hedge relationships; and (ii) the cessation date for publication of the IBORs to which the borrowings are exposed is expected to be after 31 December 2021.

3.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. 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
- Amendments to IFRS 3 Business Combination – Reference to the Conceptual Framework - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IAS 41 Agriculture - Taxation in fair value measurements - Effective date for annual periods beginning on or after 1 January 2022

3.5 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021.

This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2020.

3.6 Functional and presentation currency

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

i. Transactions and balances

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

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

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

ii. Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the reporting date.

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

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

4. Significant accounting judgements estimates and assumptions

4.1 Judgements

Management judgements at the end of the half year are consistent with those disclosed in the 2020 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. Lease liabilities

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

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

iv. 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 ₦12 billion, 2020: ₦8 billion.

v. Consolidation of Elcrest

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

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

Notes to the interim condensed consolidated financial statements- continued

vi. Revenue recognition

Performance obligations

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

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

Significant financing component

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

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

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

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

Transactions with Joint Operating arrangement (JOA) partners

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

Exploration and evaluation assets

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief financial officer, the general manager (Finance), the general manager (Gas) and the financial reporting manager. See further details in note 6.

Notes to the interim condensed consolidated financial statements- continued

4.2. Estimates and assumptions

The key assumptions concerning the future and the other key source of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed in the most recent 2020 annual financial statements.

The following are some of the estimates and assumptions made:

i. Defined benefit plans (pension benefits)

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

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

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

ii. Oil and gas reserves

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

iii. Share-based payment reserve

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

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

iv. Provision for decommissioning obligations

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

v. Property, plant and equipment

The Group assesses its property, plant and equipment, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date.

If there are low oil prices or natural gas prices during an extended period, the Group may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, higher of fair value less cost to dispose and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas.

The Group uses the higher of the fair value less cost to dispose and the value in use in determining the recoverable amount of the cash-generating unit. In determining the value, the Group uses a forecast of the annual net cash flows over the life of proved plus probable reserves, production rates, oil and gas prices, future costs (excluding (a) future restructurings to which the entity is not yet committed; or (b) improving or enhancing the asset's performance) and other relevant assumptions based on the year end Competent Persons Report (CPR). The pre-tax future cash flows are adjusted for risks specific to the forecast and discounted using a pre-tax discount rate which reflects both current market assessment of the time value of money and risks specific to the asset.

Management considers whether a reasonable possible change in one of the main assumptions will cause an impairment and believes otherwise.

vi. Useful life of other property, plant and equipment

The Group recognises depreciation on other property, plant and equipment on a straight-line basis in order to write-off the cost of the asset over its expected useful life. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal and other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Group may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

vii. Income taxes

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

viii. Impairment of financial assets

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

ix. Intangible asset

The contract based intangible assets were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line bases over their estimated useful lives which is also the economic life of the asset.

The fair value of contract based intangible assets is estimated using the multi period excess earnings method. This requires a forecast of revenue and all cost projections throughout the useful life of the intangible assets. A contributory asset charge that reflects the return on assets is also determined and applied to the revenue but subtracted from the operating cash flows to derive the pre-tax cash flow. The post-tax cashflows are then obtained by deducting out the tax using the effective tax rate.

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

5. Financial risk management

5.1 Financial risk factors

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

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

Notes to the interim condensed consolidated financial statements- continued

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in US dollars.	Cash flow forecasting Sensitivity analysis	Match and settle foreign denominated cash inflows with 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 bank balances as well as credit exposures to customers (i.e. Mercuria, Shell western, Pillar, Azura, Geregu Power, Sapele Power and Nigerian Gas Marketing Company (NGMC) receivables), and other parties (i.e. NAPIMS receivables, NPDC receivables and other receivables).

a) Risk management

The Group is exposed to credit risk from its sale of crude oil to Mercuria, Vitol, Eni Trading and Shell western. There is a 30-day payment term after Bill of Lading date in the off-take agreement with Mercuria (OMLs 4, 38 &41) which runs for five years until 31 July 2021, while payment term is 10 days in the Eni off-take agreement (OML53 – Jisike Field) which expires in December 2021. 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 its customers.

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

b) Estimation uncertainty in measuring impairment loss

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

i. Significant unobservable inputs

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

	Effect on profit before tax	Effect on other components of equity before tax
	30 June 2021	30 June 2021
Increase/decrease in loss given default		
+10%	(659)	-
-10%	659	-

Notes to the interim condensed consolidated financial statements- continued

	Effect on profit before tax 31 Dec 2020	Effect on other components of equity before tax 31 Dec 2020
	N'million	N'million
Increase/decrease in loss given default		
+10%	(285)	-
-10%	285	-

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

	Effect on profit before tax 30 June 2021	Effect on other components of equity before tax 30 June 2021
	N'million	N'million
Increase/decrease in loss given default		
+10%	(114)	-
-10%	114	-

	Effect on profit before tax 31 Dec 2020	Effect on other components of equity before tax 31 Dec 2020
	N'million	N'million
Increase/decrease in probability of default		
+10%	(188)	-
-10%	188	-

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

	Effect on profit before tax 30 June 2021	Effect on other components of equity before tax 30 June 2021
	N'million	N'million
Increase/decrease in forward looking macroeconomic indicators		
+10%	(97)	
-10%	97	

Notes to the interim condensed consolidated financial statements- continued

	Effect on profit before tax	Effect on other components of equity before tax
	31 Dec 2020	31 Dec 2020
	N ’million	N ‘million
Increase/decrease in forward looking macroeconomic indicators		
+10%	(230)	-
-10%	230	-

5.1.2 Liquidity risk

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

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

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

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
30 June 2021						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	7.75%	10,561	41,900	21,008	298,078	371,547
Variable interest rate borrowings						
The Mauritius Commercial Bank Ltd	8.00% + Libor	980	2,882	5,443	10,793	20,098
Stanbic IBTC Bank Plc	8.00% + Libor	1,001	2,943	5,556	11,017	20,517
Standard Bank of South Africa	8.00% + Libor	572	1,681	3,175	6,296	11,724
First City Monument Ltd (FCMB)	8.00% + Libor	256	751	1,418	2,811	5,236
Total variable interest borrowings		**2,809**	**8,257**	**15,592**	**30,917**	**57,575**
Other non - derivatives						
-Trade and other payables*		120,567	-	-	-	120,567
Lease liability		1,007	1,725	789	27	3,548
		134,944	**51,882**	**37,389**	**329,022**	**553,237**

Notes to the interim condensed consolidated financial statements- continued

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	-	-	133,000	-	133,000
Variable interest rate borrowings						
Citibank, N.A., London Branch	6% + Libor	724	10,133	-	-	10,857
Nedbank Limited London	6% + Libor	724	10,133	-	-	10,857
Stanbic IBTC Bank Plc	6% + Libor	362	5,067	-	-	5,429
The Standard Bank of South Africa Limited	6% + Libor	362	5,067	-	-	5,429
RMB International (Mauritius) Limited	6% + Libor	724	10,133	-	-	10,857
The Mauritius Commercial Bank Ltd	6% + Libor	724	10,133	-	-	10,857
JPMorgan Chase Bank, N.A., London Branch	6% + Libor	543	7,600	-	-	8,143
Standard Chartered Bank	6% + Libor	543	7,600	-	-	8,143
Natixis	6% + Libor	543	7,600	-	-	8,143
Société Générale, London Branch	6% + Libor	271	3,800	-	-	4,071
Zenith Bank Plc	6% + Libor	271	3,800	-	-	4,071
United Bank for Africa Plc	6% + Libor	271	3,800	-	-	4,071
First City Monument Bank Limited	6% + Libor	271	3,800	-	-	4,071
First Bank of Nigeria	8% + Libor	1,140	2,993	428	-	4,561
The Mauritius Commercial Bank Ltd	8% + Libor	3,268	8,579	1,226	-	13,073
Stanbic IBTC Bank Plc/ The Standard Bank of South Africa Limited	8% + Libor	5,092	13,367	1,910	-	20,369
Total variable interest borrowings		**15,833**	**113,605**	**3,564**	**-**	**133,002**
Other non - derivatives						
Trade and other payables*		130,468	-	-	-	130,468
Lease liability		933	895	731	25	2,584
		131,401	**895**	**731**	**25**	**133,052**
Total		**147,234**	**114,500**	**137,295**	**25**	**399,054**

* 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- continued

5.1.3 Fair value measurements

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

	Carrying amount		Fair value	
	As at 30 June 2021	As at 31 Dec 2020	As at 30 June 2021	As at 31 Dec 2020
	₦'million	₦'million	₦'million	₦'million
Financial assets at amortised cost				
Trade and other receivables*	69,001	58,398	69,001	58,398
Contract assets	4,797	2,343	4,797	2,343
Cash and bank balances	122,559	98,315	122,559	98,315
	196,357	**159,056**	**196,357**	**159,056**
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	309,762	265,398	304,675	277,170
Trade and other payables**	120,568	93,537	120,568	93,537
	430,330	**358,935**	**425,243**	**370,707**
Financial liabilities at fair value				
Derivative financial instruments	2,106	626	2,106	626
	2,106	**626**	**2,106**	**626**

* 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 were no transfers of financial instruments between fair value hierarchy levels during the year.

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

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

Recurring fair value measurements

Financial liabilities

30 June 2021	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million
Financial liabilities:			
Derivative financial instruments	-	2,106	-
	-	2,106	-

Notes to the interim condensed consolidated financial statements- continued

31 Dec 2020	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million
Financial liabilities:			
Derivative financial instruments	-	626	-
	-	**626**	**-**

The fair value of the Group's derivative financial instruments has been determined using a proprietary pricing model that uses marked to market valuation. The valuation represents the mid-market value and the actual close-out costs of trades involved. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models. The derivative financial instruments are in level 2.

Financial Liabilities

30 June 2021	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million
Financial liabilities:			
Interest bearing loans and borrowings	-	304,675	-
	-	**304,675**	**-**

31 Dec 2020	Level 1 ₦'million	Level 2 ₦'million	Level 3 ₦'million
Financial liabilities:			
Interest bearing loans and borrowings	-	277,170	-
	-	**277,170**	**-**

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

The valuation process

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

6. Segment reporting

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

For the period ended 30 June 2021, 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- continued

6.1 Segment profit disclosure

	Half year ended 30 June 2021 ₦'million	Half year ended 30 June 2020 ₦'million	3 Months ended 30 June 2021 ₦'million	3 Months ended 30 June 2020 ₦'million
Oil	1,016	(52,330)	(2,879)	(8,935)
Gas	13,102	14,548	7,548	5,780
Total profit/(loss) for the period	**14,118**	**(37,782)**	**4,669**	**(3,155)**

Oil

	Half year ended 30 June 2021 ₦'million	Half Year ended 30 June 2020 ₦'million	3 months ended 30 June 2021 ₦'million	3 months ended 30 June 2020 ₦'million
Revenue from contract with customers				
Crude oil sales	95,487	61,768	48,335	26,868
Operating profit before depreciation, amortisation and impairment	49,388	26,728	29,296	59,343
Depreciation, amortisation and impairment	(26,681)	(79,909)	(14,370)	(79,241)
Operating profit/(loss)	**22,707**	**(53,181)**	**14,926**	**(19,898)**
Finance income	4	601	1	254
Finance costs	(18,519)	(12,536)	(12,128)	(5,593)
Profit/(loss) before taxation	4,192	(65,116)	2,799	(25,237)
Income tax (expense)/ credit	(3,176)	12,786	(5,678)	16,302
Profit/(loss) for the period	**1,016**	**(52,330)**	**(2,879)**	**(8,935)**

Gas

	Half year ended 30 June 2021 ₦'million	Half Year ended 30 June 2020 ₦'million	3 Months ended 30 June 2021 ₦'million	3 Months ended 30 June 2020 ₦'million
Revenue from contract with customer				
Gas sales	24,957	18,338	14,179	10,830
Operating profit before depreciation, amortisation and impairment	20,511	16,128	11,399	7,871
Depreciation, amortisation and impairment	(518)	(1,659)	(501)	(1,648)
Operating profit	**19,993**	**14,469**	**10,898**	**6,223**
Share of profit/(loss) from joint venture accounted for using equity method	41	809	(118)	287
Profit before taxation	20,034	15,278	10,780	6,510
Income tax expense	(6,932)	(730)	(3,232)	(730)
Profit for the period	**13,102**	**14,548**	**7,548**	**5,780**

Notes to the interim condensed consolidated financial statements- continued

6.1.1 Disaggregation of revenue from contracts with customers

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

	Half year ended 30 June 2021 Oil ₦'million	Half year ended 30 June 2021 Gas ₦'million	Half year ended 30 June 2021 Total ₦'million	Half year ended 30 June 2020 Oil ₦'million	Half year ended 30 June 2020 Gas ₦'million	Half year ended 30 June 2020 Total ₦'million
Geographical markets						
Bahamas	7,102	-	7,102	-	-	-
Nigeria	-	24,957	24,957	21,673	18,338	40,011
Switzerland	80,655	-	80,655	40,095	-	40,095
United Kingdom	7,730	-	7,730	-	-	-
Revenue from contract with customers	95,487	24,957	120,444	61,768	18,338	80,106
Timing of revenue recognition						
At a point in time	95,487	-	95,487	61,768	-	61,768
Over time	-	24,957	24,957	-	18,338	18,338
Revenue from contract with customers	**95,487**	**24,957**	**120,444**	**61,768**	**18,338**	**80,106**

	3 Months ended 30 June 2021 Oil ₦'million	3 Months ended 30 June 2021 Gas ₦'million	3 Months ended 30 June 2021 Total ₦'million	3 Months ended 30 June 2020 Oil ₦'million	3 Months ended 30 June 2020 Gas ₦'million	3 Months ended 30 June 2020 Total ₦'million
Geographical markets						
Bahamas	184	-	184	-	-	-
Nigeria	-	14,179	14,179	12,427	10,830	23,257
Switzerland	45,090	-	45,090	14,441	-	14,441
United Kingdom	3,061	-	3,061	-	-	-
Revenue from contract with customers	**48,335**	**14,179**	**62,514**	**26,868**	**10,830**	**37,698**
Timing of revenue recognition						
At a point in time	48,335	-	48,335	26,868	-	26,868
Over time	-	14,179	14,179	-	10,830	10,830
Revenue from contract with customers	**48,335**	**14,179**	**62,514**	**26,868**	**10,830**	**37,698**

The Group's transactions with its major customer, Mercuria, constitutes more than 84% (₦81 billion) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with Gerugu Power, Sapele Power, NGMC and Azura (₦25 billion) accounted for the total revenue from the gas segment.

6.1.2 Impairment loss on financial assets by reportable segments

	Half year ended 30 Jun 2021 Oil ₦'million	Half year ended 30 Jun 2021 Gas ₦'million	Half year ended 30 Jun 2021 Total ₦'million	Half year ended 30June 2020 Oil ₦'million	Half year ended 30 June 2020 Gas ₦'million	Half year ended 30 June 2020 Total ₦'million
Impairment loss	(267)	(20)	(287)	(5,101)	-	(5,101)

	3 Months ended 30 Jun 2021 Oil ₦'million	3 Months ended 30 Jun 2021 Gas ₦'million	3 Months ended 30 Jun 2021 Total ₦'million	3 Months ended 30 Jun 2020 Oil ₦'million	3 Months ended 30 Jun 2020 Gas ₦'million	3 Months ended 30 Jun 2020 Total ₦'million
Impairment loss	(15)	(3)	(18)	(7,917)	-	(7,917)

Notes to the interim condensed consolidated financial statements- continued

6.1.3 Impairment loss on non-financial assets by reportable segments

	Half year ended 30 Jun 2021	Half year ended 30 Jun 2021	Half year ended 30 Jun 2021	Half year ended 30June 2020	Half year ended 30 June 2020	Half year ended 30 June 2020
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Impairment loss	-	-	-	(50,086)	-	(50,086)

6.2 Segment assets

Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the reporting segment and the physical location of the asset. The Group had no non-current assets domiciled outside Nigeria.

	Oil	Gas	Total
Total segment assets	₦'million	₦'million	₦'million
30 June 2021	1,232,097	185,213	1,417,310
31 December 2020	1,101,463	209,374	1,310,837

6.3 Segment liabilities

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

	Oil	Gas	Total
Total segment liabilities	₦'million	₦'million	₦'million
30 June 2021	629,570	107,957	737,527
31 December 2020	654,095	24,405	678,500

7. Revenue from contracts with customers

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	₦'million	₦'million	₦'million	₦'million
Crude oil sales	95,487	61,768	48,335	26,868
Gas sales	24,957	18,338	14,179	10,830
	120,444	**80,106**	**62,514**	**37,698**

The major off takers for crude oil are Mercuria and Shell West. The major off takers for gas are Geregu Power, Sapele Power, Nigerian Gas Marketing Company and Azura.

8. Cost of sales

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	₦'million	₦'million	₦'million	₦'million
Royalties	24,739	17,519	13,946	7,119
Depletion, depreciation and amortisation	25,175	23,555	13,427	14,534
Crude handling fees	11,611	8,864	6,862	2,289
Nigeria Export Supervision Scheme (NESS) fee	122	44	67	15
Niger Delta Development Commission Levy	1,152	1,737	175	605
Barging and Trucking	1,851	3,666	1,027	3,666
Operational & maintenance expenses	21,114	11,804	12,389	7,310
	85,764	**67,189**	**47,893**	**35,538**

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. Included in operational and maintenance is gas flare penalty of ₦1.6 billion (2020: ₦1.1 billion).

Notes to the interim condensed consolidated financial statements- continued

Barging and Trucking relates to costs for the OML 40 Gbetiokun filed and OML 17 Ubima filed respectively under Eland Group.

9. Other incomes

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	₦'million	₦'million	₦'million	₦'million
Underlift	23,351	16,929	20,236	1,712
(Loss)/gains on foreign exchange	(392)	672	(506)	247
Tarrifs	543	-	(1,984)	-
Others	2,156	21	2,131	17
	25,658	**17,622**	**19,877**	**1,976**

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 any difference arising from subsequent remeasurement are 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.

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

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

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

Others relates to the reversal of decommissioning obligation no longer required for Eland.

10. General and administrative expenses

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	₦'million	₦'million	₦'million	₦'million
Depreciation and amortisation	1,033	967	501	475
Depreciation of right-of-use assets	704	582	389	396
Professional and consulting fees	2,301	1,947	1,213	558
Auditor's remuneration	48	27	54	27
Directors' emoluments (executive)	242	327	(21)	(497)
Directors' emoluments (non-executive)	980	601	432	281
Employee benefits	6,908	6,150	2,619	2,485
Share-based benefits	887	1,636	343	1,000
Flights and other travel costs	489	476	291	210
Rentals	124	90	118	45
Other general expenses	497	3,533	1,355	960
	14,213	**16,336**	**7,294**	**5,940**

Directors' emoluments have been split between executive and non-executive directors. Included in the non-executive directors' emoluments are amounts paid to four new non-executive directors. Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others.

Notes to the interim condensed consolidated financial statements- continued

11. Impairment loss

	Half year ended 30 June 2021 ₦'million	Half year ended 30 June 2020 ₦'million	3 months ended 30 June 2021 ₦'million	3 months ended 30 June 2020 ₦'million
Impairment losses on financial assets-net (Note 11.1)	287	5,101	18	7,917
Impairment loss on non-financial assets (Note 11.2)	-	50,086	-	-
	287	**55,187**	**18**	**7,917**

11.1 Impairment losses on financial assets-net

	Half year ended 30 June 2021 ₦'million	Half year ended 30 June 2020 ₦'million	3 months ended 30 June 2021 ₦'million	3 months ended 30 June 2020 ₦'million
Impairment losses:				
Impairment loss on trade receivables	276	93	15	151
Impairment loss on other financial assets	11	5,159	3	7,766
	287	5,252	**18**	7,917
Reversal of impairment losses:				
Reversal of impairment loss on trade receivables	-	(151)	-	-
Reversal of impairment loss on other financial assets	-	-	-	-
	-	**(151)**	-	**-**
	287	**5,101**	**18**	**7,917**

11.2 Impairment loss on non-financial assets

	Half year ended 30 June 2021 ₦'million	Half year ended 30 June 2020 ₦'million	3 months ended 30 June 2021 ₦'million	3 months ended 30 June 2020 ₦'million
Impairment loss on oil and gas properties	**-**	**50,086**	-	-

During the period, there was no impairment loss recognised (2020: N50.1 billion) on its non-financial assets.

12. Fair value (loss)/gain

	Half year ended 30 June 2021 ₦'million	Half year ended 30 June 2020 ₦'million	3 months ended 30 June 2021 ₦'million	3 months ended 30 June 2020 ₦'million
Realised fair value loss on derivatives	(1,779)	-	(1,217)	-
Unrealised fair value (loss)/gain on derivatives	(1,359)	2,272	(145)	(3,954)
	(3,138)	**2,272**	**(1,362)**	**(3,954)**

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

13. Finance income/(cost)

	Half year ended 30 June 2021 ₦'million	Half year ended 30 June 2020 ₦'million	3 months ended 30 June 2021 ₦'million	3 months ended 30 June 2020 ₦'million
Finance income				
Interest income	4	601	1	254
Finance cost				
Interest on bank loans	(18,323)	(11,961)	(12,101)	(5,292)
Interest on lease liabilities	(5)	(77)	52	(39)
Unwinding of discount on provision for decommissioning	(191)	(498)	(79)	(262)
	(18,519)	**(12,536)**	**(12,128)**	**(5,593)**
Finance cost - net	**(18,515)**	**(11,935)**	**(12,127)**	**(5,339)**

Finance income represents interest on short-term fixed deposits. Interest on bank loans is determined using effective interest rate.

Notes to the interim condensed consolidated financial statements- continued

14. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 June 2021 is 85% for crude oil activities and 30% for gas activities. As at 31 December 2020, the applicable tax rate was 85%, 65.75% and 30% respectively.

The effective tax rate for the period was 42% (2020: 23.3%)

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

	Half year ended 30 June 2021 ₦'million	Half year ended 30 June 2020 ₦'million	3 months ended 30 June 2021 ₦'million	3 months ended 30 June 2020 ₦'million
Current tax:				
Current tax expense on profit for the period	4,699	1,140	2,134	921
Education tax	987	185	531	150
Total current tax	**5,686**	1,325	**2,665**	1,071
Deferred tax:				
Deferred tax expense/ (income) in profit or loss	4,422	(13,381)	6,245	(16,643)
Total tax expense/ (income) in statement of profit or loss	**10,108**	**(12,056)**	**8,910**	**(15,572)**

14.1 Deferred tax

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

	As at 30 June 2021 ₦'million	As at 31 Dec 2020 ₦'million
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	10,089	9,437
Deferred tax asset to be recovered after more than 12 months	299,308	280,440

	As at 30 June 2021 ₦'million	As at 31 Dec 2020 ₦'million
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	(4,199)	(2,282)
Deferred tax liabilities to be recovered after more than 12 months	(215,012)	(199,738)
Net deferred tax asset	**90,186**	**87,857**

Notes to the interim condensed consolidated financial statements- continued

14.2 Deferred tax assets

	Balance as at 1 Jan 2021 ₦'million	Charged /credited to profit or loss ₦'million	Balance as at 30 June 2021 ₦'million
Tax losses	927	-	927
Unutilised capital allowance	168,996	(2,284)	166,712
Provision for decommissioning	1,120	-	1,120
Provision for defined benefit	3,780	-	3,780
Share based payment plan	6,393	-	6,393
Unrealized foreign exchange	18,139	-	18,139
Overlift/(underlift)	(978)	(185)	(1,163)
Acquired in business combination	27,686	-	27,686
Impairment provision on trade and other receivables	10,415	183	10,598
Unrecognised deferred tax asset	6,050	(1,051)	4,999
	242,528	(3,337)	239,191
Exchange difference	47,349	-	70,206
	289,877	**(3,337)**	**309,397**

14.3 Deferred tax liabilities

	Balance as at 1 Jan 2021 ₦'million	Charged /credited to profit or loss ₦'million	Balance as at 30 June 2021 ₦'million
Tax losses	1,131	(57)	1,074
Fixed assets	167,879	1,142	169,021
Derivative financial instruments	2,282	-	2,282
	171,292	**1,085**	**172,377**
Effect of exchange differences	30,728	-	46,834
	202,020	**1,085**	**219,211**

15. Oil & Gas Properties

During the six months ended 30 June 2021, the Group acquired assets amounting to ₦ 22.3 billion.

Notes to the interim condensed consolidated financial statements- continued

16. Intangible asset

Cost	License ₦'million	Total ₦'million
At 1 January 2021	55,751	55,751
Additions	-	-
At 30 June 2021	**55,751**	**55,751**
Amortisation		
At 1 January 2021	33,450	33,450
Charge for the period	2,253	2,253
Exchange differences	(1,656)	(1,656)
At 30 June 2021	**34,047**	**34,047**
Net Book Value (NBV)		
At 30 June 2021	**21,704**	**21,704**
At 31 December 2020	**22,301**	**22,301**

17. Investment accounted for using equity method

	30 June 2021 ₦'million	31 Dec 2020 ₦'million
Investment in joint venture	91,407	84,639
Investment in associate	3	3
	91,410	**84,642**

18. Trade and other receivables

	30 June 2021 ₦'million	31 Dec 2020 ₦'million
Trade receivables	21,355	20,662
Nigerian Petroleum Development Company (NPDC) receivables	19,607	40,681
National Petroleum Investment Management Services (NAPIMS) receivables	12,221	11,353
Underlift	32,673	7,827
Advances to suppliers	3,513	10,280
Receivables from ANOH	5,732	4,926
Other receivables	1,961	1,045
Total	**97,062**	**96,774**

18.1 Trade receivables

Included in trade receivables is an amount due from Geregu Power ₦8.7 billion million (Dec 2020: ₦8.6 billion), Sapele Power ₦2.8 billion (Dec 2020: ₦2.7 billion) and Nigerian Gas Marketing Company ₦5.7 billion (Dec: ₦1.3 billion) totalling ₦17.2 billion (Dec 2020: ₦12.6 billion) with respect to the sale of gas. Also included in trade receivables is an amount of ₦1.4 billion (Dec 2020: nil) and ₦6.6 million (Dec 2020: ₦7 billion) due from Mecuria and Shell Western respectively for sale of crude.

18.2 NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is ₦22.6 billion (Dec 2020: ₦40.8 billion).

18.3 Other receivables

Other receivables are amounts outside the usual operating activities of the Group.

Notes to the interim condensed consolidated financial statements- continued

18.4 Reconciliation of trade receivables

	30 June 2021	31 Dec 2020
	₦'million	₦'million
Gross carrying amount	23,691	21,206
Less: Impairment allowance	(2,336)	(544)
Net carrying amount	**21,355**	**20,662**

18.5 Reconciliation of NPDC receivables

	30 June 2021	31 Dec 2020
	₦'million	₦'million
Gross carrying amount	22,623	40,852
Less: Impairment allowance	(3,016)	(171)
Net carrying amount	**19,607**	**40,681**

18.6 Reconciliation of NAPIMS receivables

	30 June 2021	31 Dec 2020
	₦'million	₦'million
Gross carrying amount	12,773	11,809
Less: Impairment allowance	(552)	(456)
Net carrying amount	**12,221**	**11,353**

18.7 Reconciliation of other receivables

	30 June 2021	31 Dec 2020
	₦'million	₦'million
Gross carrying amount	20,550	10,593
Less: Impairment allowance	(18,589)	(9,548)
Net carrying amount	**1,961**	**1,045**

19. Contract assets

	30 June 2021	31 Dec 2020
	₦'million	₦'million
Revenue on gas sales	4,808	2,343
Less: Impairment loss on contract assets	(11)	-
	4,797	**2,343**

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.

Notes to the interim condensed consolidated financial statements- continued

19.1 Reconciliation of contract assets

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

	30 June 2021 ₦'million	31 Dec 2020 ₦'million
Balance as at 1 January	2,343	6,527
Addition during the period	4,582	29,200
Receipts for the period	(2,343)	(32,895)
Price adjustment	(10)	(13)
Impairment	(11)	-
Exchange difference	236	(476)
Closing balance	**4,797**	**2,343**

20. Derivative financial instruments

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

The fair value of the derivative financial instrument as at 30 June 2021 is as a result of a fair value gain on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	30 June 2021 ₦'million	31 Dec 2020 ₦'million
Foreign currency options-crude oil hedges	2,106	626
	2,106	**626**

21. Cash and bank balances

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

	30 June 2021 ₦'million	31 Dec 2020 ₦'million
Cash on hand	19	2,620
Short-term fixed deposits	141	160
Cash at bank	100,442	82,867
Gross cash and cash equivalent	100,602	85,647
Loss allowance	(101)	(93)
Net cash and cash equivalents per cash flow statement	100,501	85,554
Restricted cash	22,058	12,761
Cash and bank balance	**122,559**	**98,315**

Included in restricted cash, is a balance of ₦5.3 billion set aside in the Stamping Reserve account for the revolving credit facility (RCF). The amount is to be used for the settlement of all fees and costs payable for the purposes of stamping and registering the Security Documents at the stamp duties office and at the Corporate Affairs Commission (CAC). These amounts are subject to legal restrictions and are therefore not available for general use by the Group. These amounts have therefore been excluded from cash and bank balances for the purposes of cash flow.

An additional ₦8.5 billion of funds deposited in Access bank Plc bank accounts in the ordinary course of business are being unilaterally restricted by Access bank Plc in connection with the court case between Seplat Energy Plc and Access Bank Plc.

Also included in the restricted cash balance is a cash-backed guarantee of ₦8.2 billion set aside with Zenith Bank Plc to fulfil the requirement of an order of the Court of Appeal, to seek the release of any order relating to the case between Seplat Energy Plc and Access Bank Plc.

Notes to the interim condensed consolidated financial statements- continued

22. Share Capital

22.1 Authorised and issued share capital

	30 June 2021	31 Dec 2020
	₦'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		
588,359,878 (2020: 581,840,856) issued shares denominated in Naira of 50 kobo per share	296	293

The Group's issued and fully paid as at the reporting date consists of 588,359,878 ordinary shares (excluding the additional shares held in trust) of ₦0.50k each, all with voting rights. Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

22.2 Movement in share capital 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 2021	581,840,856	293	86,917	7,174	94,384
Share based payments	-	-	-	887	887
Vested shares	6,519,022	3	3,367	(4,190)	(820)
Closing balance as at 30 June 2021	**588,359,878**	**296**	**90,284**	**3,871**	**94,451**

Vested shares of ₦820 million represent shares purchased in the open market for employees of the Group.

22.3 Employee share-based payment scheme

As at 30 June 2021, the Group had awarded 60,487,999 shares (Dec 2020: 60,487,999 shares) to certain employees and senior executives in line with its share-based incentive scheme. During the six months ended 30 June 2021, 6,519,022 shares were vested (Dec 2020: 6,519,258 shares).

Notes to the interim condensed consolidated financial statements- continued

23. Interest bearing loans and borrowings

23.1 Reconciliation of interest- bearing loans and borrowings

Below is the reconciliation of interest-bearing loans and borrowings as at 30 June 2021:

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦'million	₦'million	₦'million
Balance as at 1 January 2021	35,518	229,880	265,398
Addition	257,448	-	257,448
Interest accrued	18,323	-	18,323
Principal repayment	(234,044)	-	(234,044)
Interest repayment	(12,766)	-	(12,766)
Other financing charges	(7,994)	-	(7,994)
Transfers	(35,030)	35,030	-
Exchange differences	3,327	20,070	23,397
Carrying amount as at 30 June 2021	**24,782**	**284,980**	**309,762**

Below is the reconciliation of interest-bearing loans and borrowings as at 31 December 2020:

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦'million	₦'million	₦'million
Balance as at 1 January 2020	34,486	207,863	242,349
Interest accrued	17,504	-	17,504
Interest capitalized	5,449	-	5,449
Principal repayment	(35,991)	-	(35,991)
Interest repayment	(23,310)	-	(23,310)
Transfers	(29,559)	(29,559)	-
Proceeds from loan financing	-	3,599	3,599
Exchange differences	7,821	47,977	55,798
Carrying amount as at 31 December 2020	**35,518**	**229,880**	**265,398**

$650 million Senior notes - April 2021

In March 2021, the Group offered 7.75% senior notes with an aggregate principal of ₦266.6 billion due in April 2026. The notes, which were priced on 25 March and closed on 1 April 2021, were issued by the Group in March 2021 and guaranteed by certain of its subsidiaries. The gross proceeds of the Notes were used to redeem the existing ₦133 billion 9.25% senior notes due in 2023, to repay in full drawings of ₦95 billion under the existing ₦133 billion revolving credit facility for general corporate purposes, and to pay transaction fees and expenses. The amortised cost for the senior notes as at the reporting period is ₦265 billion, although the principal is ₦266.6 billion.

$110 million Reserved based lending (RBL) facility - March 2021

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. The current borrowing base is more than ₦38 billion, with the available commitments at ₦38 billion. The commitments are scheduled to reduce to ₦33.3 billion on 31 March 2021. The first reduction in the commitments occurred on 31st December 2019

Notes to the interim condensed consolidated financial statements- continued

in line with the commitment reduction schedule contained within the Facility Agreement. This resulted in the available commitments reducing from ₦45 billion to ₦40.6 billion, with a further reduction to ₦36.1 billion as at December 2020.

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

On 4th February 2020 Westport drew down a further ₦3.6 billion increasing the debt utilised under the RBL from ₦32.4 billion to ₦36.1 billion.

The interest rate of the facility is variable. The interest accrued at the reporting period is ₦1.5 billion using an effective interest rate of 8.8%. The interest paid was determined using 6-month LIBOR rate + 8 % on the last business day of the reporting period.

On 17th March 2021, Westport signed an amendment and restatement agreement regarding the RBL. As part of the new agreement, the debt utilised and interest rate remain unchanged at ₦38 billion and 8% + LIBOR respectively, however, the maturity date was extended by either five years after the effective date of the loan (March 2026) or by the reserves tail date (expected to be March 2025). Due to the modification of the original agreement and based on the facts and circumstances, it was determined that the loan modifications were substantial. Therefore, the existing facility was derecognised, and a new liability was recognised, and the present value of the loan commitment was moved to long term liabilities (Borrowings due above 1 year).

On 24 May 2021 Westport drew down a further ₦4.1 billion increasing the debt utilised under the RBL from ₦36.1 billion to ₦40.2 billion. The amortised cost for this as at the reporting period is ₦44.4 billion (Dec 2020: ₦37.4 billion).

24. Trade and other payables

	30 June 2021	31 Dec 2020
	₦'million	₦'million
Trade payable	48,526	51,351
Accruals and other payables	48,188	56,816
NDDC levy	2,653	4,780
Royalties payable	13,421	10,500
Overlift	7,779	7,021
	120,567	**130,468**

Included in accruals and other payables are field accruals of ₦19.8 billion (Dec 2020: ₦41 billion), and other vendor payables of ₦18.18 billion (Dec 2020: ₦19 billion). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

25. Contract liabilities

	30 June 2021	31 Dec 2020
	₦'million	₦'million
Contract liabilities	3,884	**3,599**

25.1 Reconciliation of contract liabilities

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

	30 June 2021	31 Dec 2019
	₦'million	₦'million
Balance as at 1 January	3,599	5,005
Recognised as revenue during the period	-	(1,406)
Exchange difference	285	-
Closing balance	**3,884**	**3,599**

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

Notes to the interim condensed consolidated financial statements- continued

26. Computation of cash generated from operations

	Half year ended 30-June-21 ₦'million	Half year ended 30-June-20 ₦'million
Profit/ (loss) before tax:	24,226	(49,838)
Adjusted for:		
Depletion, depreciation and amortization	26,208	24,522
Depreciation of right-of-use asset	704	582
Impairment losses on trade and other receivables	287	5,101
Impairment losses on oil and gas assets	-	50,086
Interest income	(4)	(601)
Interest expense on bank loans	18,323	11,961
Interest on lease liabilities	5	77
Unwinding of discount on provision for decommissioning	191	498
Unrealised fair value loss/(gain) on derivatives	1,359	(2,272)
Realised fair value loss	1,779	-
Unrealised foreign exchange loss	392	1,903
Share based payment expenses	887	1,620
Share of profit in joint venture accounted for using the equity method	(41)	(809)
Defined benefit expenses	719	-
Changes in working capital:		
Trade and other receivables	5,357	52,485
Prepayments	(1,871)	272
Contract assets	(2,166)	4,264
Trade and other payables	(19,674)	(35,258)
Contract liabilities	-	(325)
Restricted cash	(7,878)	(2,551)
Inventories	259	1,743
Cash generated from operations	**49,062**	**63,460**

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

Basic

Basic EPS is calculated on the Group's profit/(loss) after taxation attributable to the ordinary equity holders of 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 ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus all the dilutive potential ordinary shares (arising from outstanding share awards in the share-based payment scheme) into ordinary shares.

Notes to the interim condensed consolidated financial statements- continued

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 Months ended 30 June 2020
	₦'million	₦'million	₦'million	₦'million
Profit/(loss) for the period	**22,071**	**(28,256)**	**8,521**	**(3,635)**
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	582,927	578,436	582,927	578,436
Outstanding share-based payments (shares)	5,518	9,679	5,518	9,679
Weighted average number of ordinary shares adjusted for the effect of dilution	588,445	588,115	588,445	588,115
Basic earnings per share for the period	₦	₦	₦	₦
Basic earnings/(loss) per shares	37.86	(48.85)	14.62	(6.28)
Diluted earnings/(loss) per shares	37.51	(48.05)	14.48	(6.18)
Profit/(loss) used in determining basic/diluted earnings per share	**22,071**	**(28,256)**	**8,521**	**(3,635)**

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 ₦19.50 (2020: ₦18.05) per fully paid shares was declared and approved in the period. In line with the Finance Act 2020 which became effective on 1 January 2021, withholding tax amounting to ₦1.58 billion has been deducted from the aggregate amount of the dividend declared and approved amounting to ₦16.93 billion. Cash dividend amounting to ₦15.35 billion was paid during the period.

The Group's directors propose an interim dividend of 2.5 cents per share for the reporting period.

29. Related party relationships and transactions

The Group is controlled by Seplat Energy 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 8.32% 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. Services provided to the Group during the period amounted to ₦238.3 million (2020: ₦162 million).

ii. Entities controlled by key management personnel (Contracts>$1million in 2021)

Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited): Is owned by common shareholders with the parent Company. The company provides drilling rigs and drilling services to Seplat. Transactions with this related party amounted to nil (2020: ₦614 million). Receivables amounted to nil in the current period (payables in 2020: ₦883 million).

iii. Entities controlled by key management personnel (Contracts<$1million in 2021)

Abbeycourt Trading Company Limited: The Chairman of Seplat is a director and shareholder. The Company provides diesel supplies to Seplat offices in Lagos and Abuja. This amounted to ₦44.7 million during the period (2020: ₦31 million).

Stage leasing (Ndosumili Ventures Limited): is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat. This amounted to ₦102.2 million (2020: ₦124 million). Receivables and payables were nil in the current period.

Notes to the interim condensed consolidated financial statements- continued

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 ₦164 million (Dec 2020: ₦23.2 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

In July 2021, the Group raised a ₦21 billion offtake linked Reserved Based Lending Facility. The Facility has a 6-year tenor, maturing in 2027.

32. Exchange rates used in translating the accounts to Naira

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

	Basis	30 June 2021	30 June 2020	31 Dec 2020
		₦/$	₦/$	₦/$
Fixed assets – opening balances	Historical rate	Historical	Historical	Historical
Fixed assets - additions	Average rate	390.07	324.98	359.91
Fixed assets - closing balances	Closing rate	410.19	361.00	380
Current assets	Closing rate	410.19	361.00	380
Current liabilities	Closing rate	410.19	361.00	380
Equity	Historical rate	Historical	Historical	Historical
Income and Expenses:	Overall Average rate	390.07	324.98	359.91

Half-yearly results

For the six months ended 30 June 2021

(Expressed in US dollars)

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

For the half year ended 30 June 2021

	Notes	Half year ended 30 June 2021 Unaudited $'000	Half year ended 30 June 2020 Unaudited $'000	3 Months ended 30 June 2021 Unaudited $'000	3 Months ended 30 June 2020 Unaudited $'000
Revenue from contracts with customers	7	308,771	233,549	156,323	103,056
Cost of sales	8	(219,865)	(195,892)	(120,206)	(98,505)
Gross profit		**88,906**	**37,657**	**36,117**	**4,551**
Other income	9	65,780	51,376	50,566	3,235
General and administrative expenses	10	(36,455)	(47,645)	(18,235)	(15,651)
Impairment loss on financial assets-net	11.1	(737)	(14,872)	(30)	(15,447)
Impairment loss on non-financial asset	11.2	-	(146,028)	-	-
Fair value (loss)/gain	12	(8,045)	6,623	(3,369)	(12,535)
Operating profit/(loss)		109,449	(112,889)	65,049	(35,847)
Finance income	13	11	1,752	4	685
Finance cost	13	(47,474)	(36,549)	(30,657)	(15,186)
Finance cost-net		(47,463)	(34,797)	(30,653)	(14,501)
Share of profit/(loss) from joint venture accounted for using the equity method		106	2,359	(312)	752
Profit/(loss) before taxation		62,092	(145,327)	34,084	(49,596)
Income tax (expense)/credit	14	(25,915)	35,149	(22,763)	45,968
Profit/(loss) for the period		**36,177**	**(110,178)**	**11,321**	**(3,628)**
Attributable to:					
Equity holders of the parent		56,566	(82,405)	20,919	(5,027)
Non-controlling interests		(20,389)	(27,773)	(9,598)	1,399
		36,177	**(110,178)**	**11,321**	**(3,628)**
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period		**36,177**	**(110,178)**	**11,321**	**(3,628)**
Earnings/(loss) per share for the period					
Basic earnings/(loss) per share ($)	27	0.10	(0.14)	0.04	(0.01)
Diluted earnings/(loss) per share ($)	27	0.10	(0.14)	0.04	(0.01)

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

Interim condensed consolidated statement of financial position
As at 30 June 2021

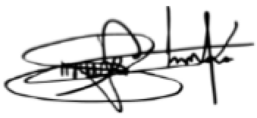
	Notes	30 June 2021 Unaudited	31 Dec 2020 Audited
Assets		$'000	$'000
Non-current assets			
Oil & gas properties	15	1,601,354	1,603,888
Other property, plant and equipment		11,514	14,027
Right-of-use assets		8,606	10,435
Intangible assets	16	52,912	58,687
Other assets		112,551	117,448
Investment accounted for using equity accounting	17	222,847	222,741
Long-term prepayments		65,626	61,744
Deferred tax	14	754,278	762,833
Total non-current assets		**2,829,688**	**2,851,803**
Current assets			
Inventories		73,906	74,570
Trade and other receivables	18	236,620	254,671
Prepayments		4,558	3,644
Contract assets	19	11,694	6,167
Cash and bank balances	21	298,789	258,718
Total current assets		**625,567**	**597,770**
Total assets		**3,455,255**	**3,449,573**
Equity and Liabilities			
Equity			
Issued share capital	22.1	1,862	1,855
Share premium		519,931	511,723
Share based payment reserve	22.2	19,651	27,592
Capital contribution		40,000	40,000
Retained earnings		1,129,389	1,116,079
Foreign currency translation reserve		992	992
Non-controlling interest		(54,585)	(34,196)
Total shareholders' equity		**1,657,240**	**1,664,045**
Non-current liabilities			
Interest bearing loans and borrowings	23.1	694,750	604,947
Lease liabilities		4,693	4,187
Provision for decommissioning obligation		157,360	162,619
Deferred tax liabilities		534,414	531,632
Defined benefit plan		12,535	10,691
Total non-current liabilities		**1,403,752**	**1,314,076**
Current liabilities			
Interest bearing loans and borrowings	23.1	60,417	93,468
Lease Liabilities		1,345	1,787
Derivative financial instruments	20	5,134	1,648
Trade and other payables	24	293,931	343,340
Contract liabilities	25	9,470	9,470
Current tax liabilities		23,966	21,739
Total current liabilities		**394,263**	**471,452**
Total liabilities		**1,798,015**	**1,785,528**
Total shareholders' equity and liabilities		**3,455,255**	**3,449,573**

Interim condensed consolidated statement of financial position - continued

As at 30 June 2021

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

The Group financial statements of Seplat Energy Plc and its subsidiaries (The Group) for half year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 29 July 2021 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
29 July 2021	29 July 2021	29 July 2021

Interim condensed consolidated statement of changes in equity

For the half year ended 30 June 2021

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2020	1,845	503,742	30,426	40,000	1,249,156	2,391	(23,621)	1,803,939
Loss for the period	-	-	-	-	(82,405)	-	(27,773)	(110,178)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(82,405)	-	(27,773)	(110,178)
Transactions with owners in their capacity as owners:								
Dividend	-	-	-	-	(29,422)	-	-	(29,422)
Share based payments	10	9,516	(4,803)	-	-	-		4,723
Total	10	9,516	(4,803)	-	(29,422)	-	-	(24,699)
At 30 June 2020 (unaudited)	**1,855**	**513,258**	**25,623**	**40,000**	**1,137,329**	**2,391**	**(51,394)**	**1,669,062**
At 1 January 2021	**1,855**	**511,723**	**27,592**	**40,000**	**1,116,079**	**992**	**(34,196)**	**1,664,045**
Profit/(loss) for the period	-	-	-	-	56,566	-	(20,389)	36,177
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	56,566	-	(20,389)	36,177
Transactions with owners in their capacity as owners:								
Unclaimed dividend	-	-	-	-	120	-	-	120
Dividend paid	-	-	-	-	(43,376)	-	-	(43,376)
Share based payments	-	-	2,274	-	-	-		2,274
Vested shares	7	8,208	(10,215)	-	-	-	-	(2,000)
Total	7	8,208	(7,941)	-	(43,256)	-	-	(42,982)
At 30 June 2021 (unaudited)	**1,862**	**519,931**	**19,651**	**40,000**	**1,129,389**	**992**	**(54,585)**	**1,657,240**

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

Interim condensed consolidated statement of cash flows

For the half year ended 30 June 2021

	Notes	Half year ended 30 June 2021 $'000 Unaudited	Half year ended 30 June 2020 $'000 Unaudited
Cash flows from operating activities			
Cash generated from operations	26	125,762	176,220
Income tax paid		(12,351)	(10,376)
Hedge premium paid		(3,353)	-
Net cash inflows from operating activities		**109,878**	**165,844**
Cash flows from investing activities			
Payment for acquisition of oil and gas properties		(57,233)	(83,429)
Payment for acquisition of other property, plant and equipment		(134)	(2,535)
Receipts from other asset		4,897	4,737
Investment in Joint venture		-	(30,000)
Interest received		11	1,752
Net cash outflows used in investing activities		**(52,459)**	**(109,475)**
Cash flows from financing activities			
Repayments of loans and borrowings		(600,000)	-
Proceeds from loans and borrowings		660,000	10,000
Dividend paid		(43,376)	(26,480)
Lease payment		(33)	(3,453)
Payment of other financing charges		(20,494)	-
Interest paid on loans and borrowings		(32,727)	(34,892)
Net cash outflows used in financing activities		**(36,630)**	**(54,825)**
Net increase in cash and cash equivalents		20,789	1,544
Cash and cash equivalents at beginning of the period		225,137	326,330
Effects of exchange rate changes on cash and cash equivalents		(913)	1,959
Cash and cash equivalents at end of the period	21	**245,013**	**329,833**

For the purposes of the cash flow statements, the restricted cash balance of $12.8 million 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.

An additional $20.8 million of funds deposited in Access bank Plc bank accounts in the ordinary course of business are being unilaterally restricted by Access bank Plc in connection with the court case between Seplat Energy Plc and Access Bank Plc.

Also included in the restricted cash balance is a cash-backed guarantee of $20.2 million set aside with Zenith Bank Plc to fulfil the requirement of an order of the Court of Appeal, to seek the release of any order relating to the case between Seplat Energy Plc and Access Bank Plc.

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

Notes to the interim condensed consolidated financial statements

1 Corporate Structure and business

Seplat Energy Plc (formerly called Seplat Petroleum Development Company Plc, hereinafter referred to as '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.

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

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

On 31 December 2019 Seplat Energy Plc 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 - continued

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

On 20 May 2021, following a special resolution by the Board in view of the Company's strategy of transitioning into an energy Company promoting renewable energy, sustainability, and new energy, the name of the Company was changed from Seplat Petroleum Development Company Plc to Seplat Energy Plc under the Companies and Allied Matters Act 2020.

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

Notes to the interim condensed consolidated financial statements - continued

2 Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 30 June 2021:

- During the period, the Group offered 7.75% senior notes with an aggregate principal of $650 million due in April 2026. The notes, which were priced on 25 March and closed on 1 April 2021, were issued by the Group in March 2021 and guaranteed by certain of its subsidiaries. The gross proceeds of the Notes were used to redeem the existing $350 million 9.25% senior notes due in 2023, to repay in full drawings of $250 million under the existing $350 million revolving credit facility for general corporate purposes, and to pay transaction fees and expenses. The revolving credit facility remains available for drawings if required.
- On 20 May 2021, following a special resolution by the Board in view of the Company's strategy of transitioning into an energy Company promoting renewable energy, sustainability, and new energy, the name of the Company was changed from Seplat Petroleum Development Company Plc to Seplat Energy Plc under the Companies and Allied Matters Act 2020.
- On 24 May 2021, the Group drew down a further $10million increasing the debt utilised under the Reserved based lending (RBL) from $100 million to $110 million.

3 Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

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

3.2 Basis of preparation

The interim condensed consolidated financial statements of the Group for the half year ended 30 June 2021 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 2020 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 financial instruments measured at fair value on initial recognition, derivative financial instruments and defined benefit plans – plan assets measured at fair value. 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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

a) Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform – Phase 2*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. The practical expedient is required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39) and for IFRS 16 Leases, to lease modifications required by IBOR reform. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognise hedge ineffectiveness. In addition, the amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as (i) it does not have any interest rate hedge relationships; and (ii) the cessation date for publication of the IBORs to which the borrowings are exposed is expected to be after 31 December 2021.

3.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. 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
- Amendments to IFRS 3 Business Combination – Reference to the Conceptual Framework - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IAS 41 Agriculture - Taxation in fair value measurements - Effective date for annual periods beginning on or after 1 January 2022

3.5 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021.

This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2020.

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.

Notes to the interim condensed consolidated financial statements - continued

ii. Group companies

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

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

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

4 Significant accounting judgements estimates and assumptions

4.1 Judgements

Management judgements at the end of the half year are consistent with those disclosed in the 2020 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. Lease liabilities

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

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

iv. Consolidation of Elcrest

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

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

Eland Oil and Gas Plc has the power to affect the amount of returns from Elcrest through its right to direct the activities of Elcrest and its exposure to returns.

Notes to the interim condensed consolidated financial statements - continued

v. Revenue recognition

Performance obligations

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

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

Significant financing component

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

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

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

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

Transactions with Joint Operating arrangement (JOA) partners

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

Exploration and evaluation assets

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief financial officer, the general manager (Finance), the general manager (Gas) and the financial reporting manager. See further details in note 6.

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 2020 annual financial statements.

The following are some of the estimates and assumptions made:

i. Defined benefit plans (pension benefits)

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

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

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

ii. Oil and gas reserves

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

iii. Share-based payment reserve

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

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

iv. Provision for decommissioning obligations

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

v. Property, plant and equipment

The Group assesses its property, plant and equipment, including exploration and evaluation assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date.

If there are low oil prices or natural gas prices during an extended period, the Group may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, higher of fair value less cost to dispose and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas.

The Group uses the higher of the fair value less cost to dispose and the value in use in determining the recoverable amount of the cash-generating unit. In determining the value, the Group uses a forecast of the annual net cash flows over the life of proved plus probable reserves, production rates, oil and gas prices, future costs (excluding (a) future restructurings to which the entity is not yet committed; or (b) improving or enhancing the asset's performance) and other relevant assumptions based on the year end Competent Persons Report (CPR). The pre-tax future cash flows are adjusted for risks specific to the forecast and discounted using a pre-tax discount rate which reflects both current market assessment of the time value of money and risks specific to the asset.

Management considers whether a reasonable possible change in one of the main assumptions will cause an impairment and believes otherwise.

vi. Useful life of other property, plant and equipment

The Group recognises depreciation on other property, plant and equipment on a straight-line basis in order to write-off the cost of the asset over its expected useful life. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal and other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Group may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

vii. Income taxes

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

viii. Impairment of financial assets

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

ix. Intangible asset

The contract based intangible assets were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line bases over their estimated useful lives which is also the economic life of the asset.

The fair value of contract based intangible assets is estimated using the multi period excess earnings method. This requires a forecast of revenue and all cost projections throughout the useful life of the intangible assets. A contributory asset charge that reflects the return on assets is also determined and applied to the revenue but subtracted from the operating cash flows to derive the pre-tax cash flow. The post-tax cashflows are then obtained by deducting out the tax using the effective tax rate.

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

Notes to the interim condensed consolidated financial statements - continued

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 bank balances as well as credit exposures to customers (i.e. Mercuria, Shell western, Pillar, Azura, Geregu Power, Sapele Power and Nigerian Gas Marketing Company (NGMC) receivables), and other parties (i.e. NAPIMS receivables, NPDC receivables and other receivables).

a) Risk management

The Group is exposed to credit risk from its sale of crude oil to Mercuria, Vitol, Eni Trading and Shell western. There is a 30-day payment term after Bill of Lading date in the off-take agreement with Mercuria (OMLs 4, 38 &41) which runs for five years until 31 July 2021, while payment term is 10 days in the Eni off-take agreement (OML53 – Jisike Field) which expires in December 2021. 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 its customers.

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

b) 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:

Notes to the interim condensed consolidated financial statements - continued

	Effect on profit before tax 30 June 2021	Effect on other components of equity before tax 30 June 2021
	$'000	$'000
Increase/decrease in loss given default		
+10%	(1,688)	-
-10%	1,688	-

	Effect on profit before tax 31 Dec 2020	Effect on other components of equity before tax 31 Dec 2020
	$'000	$'000
Increase/decrease in loss given default		
+10%	(749)	-
-10%	749	-

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

	Effect on profit before tax 30 June 2021	Effect on other components of equity before tax 30 June 2021
	$'000	$'000
Increase/decrease in probability of default		
+10%	(293)	-
-10%	293	-

	Effect on profit before tax 31 Dec 2020	Effect on other components of equity before tax 31 Dec 2020
	$'000	$'000
Increase/decrease in probability of default		
+10%	(496)	-
-10%	496	-

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:

Notes to the interim condensed consolidated financial statements - continued

	Effect on profit before tax 30 June 2021	Effect on other components of equity before tax 30 June 2021
	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators		
+10%	(247)	-
-10%	247	-

	Effect on profit before tax 31 Dec 2020	Effect on other components of equity before tax 31 Dec 2020
	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators		
+10%	(605)	-
-10%	605	-

5.1.2 Liquidity risk

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

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

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

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 -5 years	Total
	%	$'000	$'000	$'000	$'000	$'000
30 June 2021						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	7.75%	**25,747**	**102,149**	**51,215**	**726,682**	**905,793**
Variable interest rate borrowings						
The Mauritius Commercial Bank Ltd	8.00% + Libor	2,390	7,027	13,269	26,311	48,997
Stanbic IBTC Bank Plc	8.00% + Libor	2,440	7,174	13,546	26,859	50,019
Standard Bank of South Africa	8.00% + Libor	1,394	4,099	7,740	15,348	28,581
First City Monument Ltd (FCMB)	8.00% + Libor	623	1,830	3,456	6,852	12,761
Total variable interest borrowings		**6,847**	**20,130**	**38,011**	**75,370**	**140,358**
Other non - derivatives						
-Trade and other payables*		293,931	-	-	-	293,931
Lease liability		2,455	4,205	1,924	67	8,651
Total		**328,980**	**126,484**	**91,150**	**802,119**	**1,348,733**

Notes to the interim condensed consolidated financial statements - continued

	Effective interest rate %	Less than 1 year $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
31 December 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	-	-	**350,000**	-	**350,000**
Variable interest rate borrowings						
Citibank, N.A., London Branch	6% + Libor	1,905	26,667	-	-	28,572
Nedbank Limited London	6% + Libor	1,905	26,667	-	-	28,572
Stanbic IBTC Bank Plc	6% + Libor	952	13,333	-	-	14,285
The Standard Bank of South Africa Limited	6% + Libor	952	13,333	-	-	14,285
RMB International (Mauritius) Limited	6% + Libor	1,905	26,667	-	-	28,572
The Mauritius Commercial Bank Ltd	6% + Libor	1,905	26,667	-	-	28,572
JPMorgan Chase Bank, N.A., London Branch	6% + Libor	1,429	20,000	-	-	21,429
Standard Chartered Bank	6% + Libor	1,429	20,000	-	-	21,429
Natixis	6% + Libor	1,429	20,000	-	-	21,429
Société Générale, London Branch	6% + Libor	714	10,000	-	-	10,714
Zenith Bank Plc	6% + Libor	714	10,000	-	-	10,714
United Bank for Africa Plc	6% + Libor	714	10,000	-	-	10,714
First City Monument Bank Limited	6% + Libor	713	10,000	-	-	10,713
First Bank of Nigeria	8% + Libor	3,000	7,875	1,125	-	12,000
The Mauritius Commercial Bank Ltd	8% + Libor	8,600	22,575	3,225	-	34,400
Stanbic IBTC Bank Plc/ The Standard Bank of South Africa Limited	8% + Libor	13,400	35,175	5,025	-	53,600
Total variable interest borrowings		**41,666**	**298,959**	**9,375**	-	**350,000**
Other non - derivatives						
Trade and other payables*		343,341	-	-	-	343,341
Lease liability		2,455	2,354	1,924	67	6,800
		345,796	2,354	1,924	67	**350,141**
Total		**387,462**	**301,313**	**361,299**	**67**	**1,050,141**

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

5.1.3 Fair value measurements

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

	Carrying amount		Fair value	
	As at 30 June 2021 $'000	As at 31 Dec 2020 $'000	As at 30 June 2021 $'000	As at 31 Dec 2020 $'000
Financial assets at amortised cost				
Trade and other receivables*	228,056	153,680	228,056	153,680
Contract assets	11,694	6,167	11,694	6,167
Cash and bank balances	298,789	258,718	298,789	258,718
	538,539	**418,565**	**538,539**	**418,565**
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	755,167	698,415	742,765	729,395
Trade and other payables**	293,931	246,150	293,931	246,150

	1,049,098	**944,565**	**1,036,696**	**975,545**
Financial liabilities at fair value				
Derivative financial instruments (Note 20)	5,134	1,648	5,134	1,648
	5,134	**1,648**	**5,134**	**1,648**

* 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 were no transfers of financial instruments between fair value hierarchy levels during the year.

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

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

Recurring fair value measurements

Financial liabilities

30 June 2021	Level 1 $’000	Level 2 $’000	Level 3 $’000
Financial liabilities:			
Derivative financial instruments	-	5,134	-
	-	**5,134**	**-**

31 Dec 2020	Level 1 $’000	Level 2 $’000	Level 3 $’000
Financial liabilities:			
Derivative financial instruments	-	1,648	-
	-	**1,648**	**-**

The fair value of the Group’s derivative financial instruments has been determined using a proprietary pricing model that uses marked to market valuation. The valuation represents the mid-market value and the actual close-out costs of trades involved. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models. The derivative financial instruments are in level 2.

Financial Liabilities

30 June 2021	Level 1 $’000	Level 2 $’000	Level 3 $’000
Financial liabilities:			
Interest bearing loans and borrowings	-	742,765	-
	-	**742,765**	**-**

31 Dec 2020	Level 1 $’000	Level 2 $’000	Level 3 $’000
Financial liabilities:			
Interest bearing loans and borrowings	-	729,395	-
	-	**729,395**	**-**

Notes to the interim condensed consolidated financial statements - continued

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

The valuation process

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

6 Segment reporting

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

For the period ended 30 June 2021, 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.

6.1 Segment profit disclosure

	Half year ended 30 June 2021 $'000	Half year ended 30 June 2020 $'000	3 Months ended 30 June 2021 $'000	3 Months ended 30 June 2020 $'000
Oil	2,597	(152,593)	(7,643)	(19,063)
Gas	33,580	42,415	18,964	15,434
Total profit/(loss) for the period	**36,177**	**(110,178)**	**11,321**	**(3,629)**

Oil

	Half year ended 30 June 2021 $'000	Half year ended 30 June 2020 $'000	3 months ended 30 June 2021 $'000	3 months ended 30 June 2020 $'000
Revenue from contract with customers				
Crude oil sales	244,792	180,085	120,708	72,696
Operating profit before depreciation, amortisation and impairment	126,605	77,903	73,743	178,263
Depreciation, amortisation and impairment	(68,401)	(232,977)	(36,003)	(230,923)
Operating profit/(loss)	**58,204**	**(155,074)**	**37,740**	**(52,660)**
Finance income	11	1,752	4	685
Finance costs	(47,474)	(36,549)	(30,657)	(15,185)
Profit/(loss) before taxation	**10,741**	**(189,871)**	**7,087**	**(67,160)**
Income tax (expense)/credit	(8,144)	37,278	(14,730)	48,097
Profit/(loss) for the period	**2,597**	**(152,593)**	**(7,643)**	**(19,063)**

Notes to the interim condensed consolidated financial statements - continued

Gas

	Half year ended 30 June 2021 $'000	Half Year ended 30 June 2020 $'000	3 Months ended 30 June 2021 $'000	3 Months ended 30 June 2020 $'000
Revenue from contract with customer				
Gas sales	63,979	53,464	35,615	30,360
Operating profit before depreciation, amortisation and impairment	52,574	47,021	28,594	21,612
Depreciation, amortisation and impairment	(1,329)	(4,836)	(1,285)	(4,801)
Operating profit	**51,245**	**42,185**	**27,309**	**16,811**
Share of profit/(loss) from joint venture accounted for using equity accounting	106	2,359	(312)	752
Profit before taxation	**51,351**	**44,544**	**26,997**	**17,563**
Income tax expense	(17,771)	(2,129)	(8,033)	(2,129)
Profit for the period	**33,580**	**42,415**	**18,964**	**15,434**

6.1.1 Disaggregation of revenue from contracts with customers

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

	Half year ended 30 June 2021 Oil $'000	Half year ended 30 June 2021 Gas $'000	Half year ended 30 June 2021 Total $'000	Half year ended 30 June 2020 Oil $'000	Half year ended 30 June 2020 Gas $'000	Half year ended 30 June 2020 Total $'000
Geographical markets						
Bahamas	18,206	-	18,206	-	-	-
Nigeria	-	63,979	63,979	63,186	53,464	116,650
Switzerland	206,770	-	206,770	116,899	-	116,899
United Kingdom	19,816	-	19,816	-	-	-
Revenue from contract with customers	**244,792**	**63,979**	**308,771**	**180,085**	**53,464**	**233,549**
Timing of revenue recognition						
At a point in time	244,792	-	244,792	180,085	-	180,085
Over time	-	63,979	63,979	-	53,464	53,464
Revenue from contract with customers	**244,792**	**63,979**	**308,771**	**180,085**	**53,464**	**233,549**

	3 Months ended 30 June 2021 Oil $'000	3 Months ended 30 June 2021 Gas $'000	3 Months ended 30 June 2021 Total $'000	3 Months ended 30 June 2020 Oil $'000	3 Months ended 30 June 2020 Gas $'000	3 Months ended 30 June 2020 Total $'000
Geographical markets						
Nigeria	-	-	-	34,735	30,360	65,095
Switzerland	113,178	-	113,178	37,961	-	37,961
United Kingdom	7,880	35,615	43,145			
Revenue from contract with customers	**120,708**	**35,615**	**156,323**	**72,696**	**30,360**	**103,056**
Timing of revenue recognition						
At a point in time	120,708	-	120,708	72,696	-	72,696
Over time	-	35,615	35,615	-	30,360	30,360
Revenue from contract with customers	**120,708**	**35,615**	**156,323**	**72,696**	**30,360**	**103,056**

Notes to the interim condensed consolidated financial statements - continued

The Group's transactions with its major customer, Mercuria, constitutes more than 84% ($207 million) of the total revenue from the oil segment. Also, the Group's transactions with Geregu Power, Sapele Power, NGMC and Azura ($64 million) accounted for the total revenue from the gas segment.

6.1.2 Impairment loss on financial assets by reportable segments

	Half year ended 30 Jun 2021	Half year ended 30 Jun 2021	Half year ended 30 Jun 2021	Half year ended 30June 2020	Half year ended 30 June 2020	Half year ended 30 June 2020
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Impairment loss	(685)	(52)	(737)	(14,872)	-	(14,872)

	3 Months ended 30 Jun 2021	3 Months ended 30 Jun 2021	3 Months ended 30 Jun 2021	3 Months ended 30 Jun 2020	3 Months ended 30 Jun 2020	3 Months ended 30 Jun 2020
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Impairment loss	(22)	(8)	(30)	(15,447)	-	(15,447)

6.1.3 Impairment loss on non-financial assets by reportable segments

	Half year ended 30 Jun 2020	Half year ended 30 Jun 2021	Half year ended 30 Jun 2021	Half year ended 30June 2020	Half year ended 30 June 2020	Half year ended 30 June 2020
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Impairment loss	-	-	-	(146,028)	-	(146,028)

6.2 Segment assets

Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the reporting segment and the physical location of the asset. The Group had no non-current assets domiciled outside Nigeria.

	Oil	Gas	Total
Total segment assets	$'000	$'000	$'000
30 June 2021	3,003,725	451,530	3,455,255
31 December 2020	2,898,588	550,985	3,449,573

6.3 Segment liabilities

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

	Oil	Gas	Total
Total segment liabilities	$'000	$'000	$'000
30 June 2021	1,534,827	263,188	1,798,015
31 December 2020	1,721,305	64,223	1,785,528

Notes to the interim condensed consolidated financial statements - continued

7 Revenue from contracts with customers

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Crude oil sales	244,792	180,085	120,708	72,696
Gas sales	63,979	53,464	35,615	30,360
	308,771	**233,549**	**156,323**	**103,056**

The major off takers for crude oil are Mercuria and Shell West. The major off takers for gas are Geregu Power, Sapele Power, Nigerian Gas Marketing Company and Azura.

8 Cost of sales

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Royalties	63,421	51,077	35,017	19,076
Depletion, depreciation and amortisation	64,540	68,675	33,625	40,917
Crude handling fees	29,766	25,840	17,268	5,610
Nigeria Export Supervision Scheme (NESS) fee	312	129	167	41
Niger Delta Development Commission Levy	2,954	5,063	383	1,579
Barging and Trucking	4,747	10,688	2,580	10,688
Operational & maintenance expenses	54,125	34,420	31,166	20,594
	219,865	**195,892**	**120,206**	**98,505**

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. Included in operational and maintenance is gas flare penalty of $4.2million (2020: $2.7 million).

Barging and Trucking relates to costs for the OML 40 Gbetiokun filed and OML 17 Ubima filed respectively under Eland Group.

9 Other income

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Underlift	59,863	49,357	51,665	2,534
(Loss)/gains on foreign exchange	(1,004)	1,959	(1,305)	651
Tariffs	1,393	-	(5,256)	-
Others	5,528	60	5,462	50
	65,780	**51,376**	**50,566**	**3,235**

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 any difference arising from subsequent remeasurement are 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.

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

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

Notes to the interim condensed consolidated financial statements - continued

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

Others relates to the reversal of decommissioning obligation no longer required for Eland.

10 General and administrative expenses

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Depreciation and amortization	2,648	2,825	1,244	1,308
Depreciation of right-of-use assets	1,805	1,697	975	1,125
Professional and consulting fees	5,898	5,679	3,034	1,404
Auditor's remuneration	122	80	138	80
Directors' emoluments (executive)	620	953	(72)	(1,581)
Directors' emoluments (non-executive)	2,513	1,752	1,072	768
Employee benefits	17,707	17,931	6,421	6,655
Share-based benefits	2,274	4,771	843	2,812
Flights and other travel costs	1,253	1,385	731	568
Rentals	316	265	300	125
Other general expenses	1,299	10,307	3,549	2,387
	36,455	**47,645**	**18,235**	**15,651**

Directors' emoluments have been split between executive and non-executive directors. Included in the non-executive directors' emoluments are amounts paid to four new non-executive directors. Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others.

11 Impairment loss

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Impairment losses on financial assets-net (Note 11.1)	737	14,872	30	15,447
Impairment loss on non-financial assets (Note 11.2)	-	146,028	-	-
	737	**160,900**	**30**	**15,447**

11.1 Impairment losses on financial assets-net

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Impairment loss on trade receivables	710	270	22	441
Impairment loss on other financial assets	27	15,042	8	15,006
	737	**15,312**	**30**	**15,447**
Reversal of impairment losses:				
Reversal of impairment loss on trade receivables	-	(439)	-	-
Reversal of impairment loss on other financial assets	-	(1)	-	-
	-	(440)	-	-
	737	**14,872**	**30**	**15,447**

Notes to the interim condensed consolidated financial statements - continued

11.2 Impairment loss on non-financial assets

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Impairment loss on non-financial assets	-	**146,028**	-	-

During the period, there was no impairment loss recognised (2020: $146 million) on its non-financial assets.

12 Fair value (loss)/gain

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Unrealised fair value (loss)/gain on derivatives	(3,485)	6,623	(289)	(12,535)
Realised fair value (loss)/gain on derivatives	(4,560)	-	(3,080)	-
	(8,045)	**6,623**	**(3,369)**	**(12,535)**

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

13 Finance income/(cost)

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Finance income				
Interest income	11	1,752	4	685
Finance cost				
Interest on bank loans	(46,972)	(34,872)	(30,599)	(14,347)
Interest on lease liabilities	(13)	(225)	136	(113)
Unwinding of discount on provision for decommissioning	(489)	(1,452)	(194)	(726)
	(47,474)	(36,549)	(30,657)	(15,186)
Finance cost - net	**(47,463)**	**(34,797)**	**(30,653)**	**(14,501)**

Finance income represents interest on short-term fixed deposits. Interest expense on bank loans is determined using effective interest rate.

14 Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 June 2021 is 85% for crude oil activities and 30% for gas activities. As at 31 December 2020, the applicable tax rate was 85%, 65.75% and 30% respectively.

The effective tax rate for the period was 42% (2020: 23.3%)

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

	Half year ended 30 June 2021	Half year ended 30 June 2020	3 months ended 30 June 2021	3 months ended 30 June 2020
	$'000	$'000	$'000	$'000
Current tax:				
Current tax expense on profit for the period	12,047	3,325	5,297	2,651
Education tax	2,531	538	1,332	430
Total current tax	14,578	3,863	6,629	3,081
Deferred tax:				
Deferred tax expense/(income) in profit or loss	11,337	(39,012)	16,134	(49,049)
Total tax expense/(income) in statement of profit or loss	**25,915**	**(35,149)**	**22,763**	**(45,968)**

Notes to the interim condensed consolidated financial statements - continued

14.1 Deferred tax

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

	As at 30 June 2021 $'000	As at 31 Dec 2020 $'000
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	24,596	33,151
Deferred tax asset to be recovered after more than 12 months	729,682	729,682

	As at 30 June 2021 $'000	As at 31 Dec 2020 $'000
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	(10,238)	(7,456)
Deferred tax liabilities to be settled after more than 12 months	(524,176)	(524,176)
Net deferred tax asset	**219,864**	**231,201**

14.2 Deferred tax asset

	Balance as at 1 Jan 2021 $'000	(Charged) /credited to profit or loss $'000	Balance as at 30 June 2021 $'000
Tax losses	2,576	-	2,576
Other cumulative timing difference:			
Unutilised capital allowance	530,663	(5,855)	524,808
Provision for decommissioning	3,264	-	3,264
Provision for defined benefit	11,830	-	11,830
Share based payment plan	20,529	-	20,529
Unrealized foreign exchange	50,924	-	50,924
Overlift/(underlift)	2,562	(473)	2,089
Acquired in business combination	90,182	-	90,182
Impairment provision on trade and other receivables	30,589	468	31,057
Unrecognised deferred tax asset	19,714	(2,695)	17,019
	762,833	**(8,555)**	**754,278**

14.3 Deferred tax liabilities

	Balance as at 1 Jan 2021 $'000	Charged /(credited) to profit or loss $'000	Balance as at 30 June 2021 $'000
Tax losses	3,645	(146)	3,499
Other cumulative timing difference:			
Fixed assets	520,531	2,928	523,459
Derivative financial instruments	7,456	-	7.456
	531,632	**2,782**	**534,414**

Notes to the interim condensed consolidated financial statements - continued

15 Oil & Gas properties

During the six months ended 30 June 2021, the Group acquired assets amounting to $57.2 million.

16 Intangible Asset

	License	Total
Cost	$'000	$'000
At 1 January 2021	146,713	146,713
Additions	-	-
At 30 June 2021	**146,713**	**146,713**
Amortisation		
At 1 January 2021	88,026	88,026
Charge for the period	5,775	5,775
At 30 June 2021	**93,801**	**93,801**
Net Book Value (NBV)		
At 30 June 2021	**52,912**	**52,912**
At 31 December 2020	**58,687**	**58,687**

17 Investment accounted for using equity method

	30 June 2021	31 Dec 2020
	$'000	$'000
Investment in joint venture	222,836	222,730
Investment in associate	11	11
	222,847	**222,741**

18 Trade and other receivables

	30 June 2021	31 Dec 2020
	$'000	$'000
Trade receivables	52,058	54,375
Nigerian Petroleum Development Company (NPDC) receivables	47,798	107,053
National Petroleum Investment Management Services (NAPIMS) receivables	29,794	29,876
Underlift	79,653	20,600
Advances to suppliers	8,564	27,053
Receivables from ANOH	13,975	12,963
Other receivables	4,778	2,751
Total	**236,620**	**254,671**

18.1 Trade receivables

Included in trade receivables is an amount due from Geregu Power $21.1 million (Dec 2020: $22.9 million), Sapele Power $6.8 million (Dec 2020: $7 million) and Nigerian Gas Marketing Company $13.9 million (Dec 2020: $3.4 million) totalling $41.8 million (Dec 2020: $33.3 million) with respect to the sale of gas. Also included in trade receivables is an amount of $3.4 million (Dec 2020: nil) and $16.1 thousand (Dec 2020: $19 million) due from Mecuria and Shell Western respectively for sale of crude.

18.2 NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is $55.1 million (Dec 2020: $107 million).

Notes to the interim condensed consolidated financial statements - continued

18.3 Other receivables

Other receivables are amounts outside the usual operating activities of the Group.

18.4 Reconciliation of trade receivables

	30 June 2021	31 Dec 2020
	$'000	$'000
Gross carrying amount	57,753	58,882
Less: Impairment allowance	(5,695)	(1,507)
Balance as at 30 June 2021	**52,058**	**54,375**

18.5 Reconciliation of NPDC receivables

	30 June 2021	31 Dec 2020
	$'000	$'000
Gross carrying amount	55,151	107,529
Less: Impairment allowance	(7,353)	(476)
Balance as at 30 June 2021	**47,798**	**107,053**

18.6 Reconciliation of NAPIMS receivables

	30 June 2021	31 Dec 2020
	$'000	$'000
Gross carrying amount	31,139	31,144
Less: Impairment allowance	(1,345)	(1,268)
Balance as at 30 June 2021	**29,794**	**29,876**

18.7 Reconciliation of other receivables

	30 June 2021	31 Dec 2020
	$'000	$'000
Gross carrying amount	50,097	29,280
Less: Impairment allowance	(45,319)	(26,529)
Balance as at 30 June 2021	**4,778**	**2,751**

19 Contract assets

	30 June 2021	31 Dec 2020
	$'000	$'000
Revenue on gas sales	11,721	6,167
Impairment loss on contract assets	(27)	-
	11,694	**6,167**

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.

Notes to the interim condensed consolidated financial statements - continued

19.1 Reconciliation of contract assets

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

	30 June 2021	31 Dec 2020
	$'000	$'000
Balance as at 1 January	6,167	21,259
Addition during the period	11,747	91,115
Receipts for the period	(6,167)	(106,161)
Price adjustments	(26)	(46)
Impairment	(27)	-
Closing balance as at 30 June	**11,694**	**6,167**

20 Derivative financial instruments

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

The fair value of the derivative financial instrument as at 30 June 2021 is as a result of a fair value loss on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	30 June 2021	31 Dec 2020
	$'000	$'000
Foreign currency options-crude oil hedges	5,134	1,648
	5,134	**1,648**

21 Cash and bank balances

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

	30 June 2021	31 Dec 2020
	$'000	$'000
Cash on hand	47	6,896
Short-term fixed deposits	343	422
Cash at bank	244,869	218,065
Gross cash and cash equivalent	245,259	225,383
Loss allowance	(246)	(246)
Net cash and cash equivalents per cash flow statement	245,013	225,137
Restricted cash	53,776	33,581
Cash and bank balance	**298,789**	**258,718**

Included in restricted cash, is a balance of $12.8 million 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). These amounts are subject to legal restrictions and are therefore not available for general use by the Group. These amounts have therefore been excluded from cash and bank balances for the purposes of cash flow.

An additional $20.8 million of funds deposited in Access bank Plc bank accounts in the ordinary course of business are being unilaterally restricted by Access bank Plc in connection with the court case between Seplat Energy Plc and Access Bank Plc.

Also included in the restricted cash balance is a cash-backed guarantee of $20.2 million set aside with Zenith Bank Plc to fulfil the requirement of an order of the Court of Appeal, to seek the release of any order relating to the case between Seplat Energy Plc and Access Bank Plc.

Notes to the interim condensed consolidated financial statements - continued

22 Share Capital

22.1 Authorised and issued share capital

	30 June 2021	31 Dec 2020
	$'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		
588,359,878 (2020: 581,840,856) issued shares denominated in Naira of 50 kobo per share	1,862	1,855

The Group's issued and fully paid as at the reporting date consists of 588,359,878 ordinary shares (excluding the additional shares held in trust) of ₦0.50k each, all with voting rights. Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

22.2 Movement in share capital 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 2021	581,840,856	1,855	511,723	27,592	541,170
Share based payments	-	-	-	2,274	2,274
Vested shares	6,519,022	7	8,208	(10,215)	(2,000)
Closing balance as at 30 June 2021	**588,359,878**	**1,862**	**519,931**	**19,651**	**541,444**

Vested shares of $2 million represent shares purchased in the open market for employees of the Group.

22.3 Employee share-based payment scheme

As at 30 June 2021, the Group had awarded 60,487,999 shares (Dec 2020: 60,487,999 shares) to certain employees and senior executives in line with its share-based incentive scheme. During the six months ended 30 June 2021, 6,519,022 shares were vested (Dec 2020: 6,519,258 shares).

23 Interest bearing loans and borrowings

23.1 Reconciliation of interest-bearing loans and borrowings

Below is the reconciliation interest-bearing loans and borrowings as at 30 June 2021:

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	$'000	$'000	$'000
Balance as at 1 January 2021	93,468	604,947	698,415
Addition	660,000	-	660,000
Interest accrued	46,972	-	46,972
Interest capitalized	3,001	-	3,001
Principal repayment	(600,000)	-	(600,000)
Interest repayment	(32,727)	-	(32,727)
Other financing charges	(20,494)	-	(20,494)
Transfers	(89,803)	89,803	-
Carrying amount as at 30 June 2021	**60,417**	**694,750**	**755,167**

Notes to the interim condensed consolidated financial statements - continued

Below is the reconciliation interest-bearing loans and borrowings as at 31 December 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
Interest accrued	48,634	-	48,634
Interest capitalized	15,140	-	15,140
Principal repayment	(100,000)	-	(100,000)
Interest repayment	(64,767)	-	(64,767)
Proceeds from loan financing	-	10,000	10,000
Transfers	82,128	(82,128)	-
Carrying amount as at 31 December 2020	93,468	604,947	698,415

$650 million Senior notes – April 2021

In March 2021, the Group offered 7.75% senior notes with an aggregate principal of $650 million due in April 2026. The notes, which were priced on 25 March and closed on 1 April 2021, were issued by the Group in March 2021 and guaranteed by certain of its subsidiaries. The gross proceeds of the Notes were used to redeem the existing $350 million 9.25% senior notes due in 2023, to repay in full drawings of $250 million under the existing $350 million revolving credit facility for general corporate purposes, and to pay transaction fees and expenses. The amortised cost for the senior notes as at the reporting period is $647 million, although the principal is $650 million.

$110 million Reserved based lending (RBL) facility – March 2021

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. The current borrowing base is more than $100 million, with the available commitments at $100 million. The commitments are scheduled to reduce to $87.5 million on 31 March 2021. The first reduction in the commitments occurred on 31st December 2019 in line with the commitment reduction schedule contained within the Facility Agreement. This resulted in the available commitments reducing from $125.0 million to $122.5million, with a further reduction to $100.0 million as at December 2020.

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

On 4th February 2020 Westport drew down a further $10 million increasing the debt utilised under the RBL from $90 million to $100 million.

The interest rate of the facility is variable. The interest accrued at the reporting period is $4.4 million using an effective interest rate of 8.8%. The interest paid was determined using 6-month LIBOR rate + 8 % on the last business day of the reporting period.

On 17th March 2021, Westport signed an amendment and restatement agreement regarding the RBL. As part of the new agreement, the debt utilised and interest rate remain unchanged at $100 million and 8% + LIBOR respectively, however, the maturity date was extended by either five years after the effective date of the loan (March 2026) or by the reserves tail date (expected to be March 2025). Due to the modification of the original agreement and based on the facts and circumstances, it was determined that the loan modifications were substantial. Therefore, the existing facility was derecognised, and a new liability was recognised, and the present value of the loan commitment was moved to long term liabilities (Borrowings due above 1 year).

Notes to the interim condensed consolidated financial statements - continued

On 24 May 2021 Westport drew down a further $10 million increasing the debt utilised under the RBL from $100 million to $110 million. The amortised cost for this as at the reporting period is $108.2 million (Dec 2020: $98.6 million), although the principal is $110 million.

24 Trade and other payables

	30 June 2021	31 Dec 2020
	$'000	$'000
Trade payable	118,302	135,134
Accruals and other payables	117,476	149,521
NDDC levy	6,468	12,578
Royalties payable	32,720	27,632
Overlift	18,965	18,475
	293,931	**343,340**

Included in accruals and other payables are field-related accruals $48.15 million (Dec 2020: $109 million) and other vendor payables of $44.32 million (Dec 2020: $49 million). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

25 Contract liabilities

	30 June 2021	31 Dec 2020
	$'000	$'000
Contract liabilities	**9,470**	**9,470**

25.1 Reconciliation of contract liabilities

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

	30 June 2021	31 Dec 2020
	$'000	$'000
Balance as at 1 January	9,470	16,301
Recognised as revenue during the period	-	(6,831)
Closing balance as at 30 June	**9,470**	**9,470**

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

26 Computation of cash generated from operations

	Half year ended	Half year ended
	30-June-21	30-June-20
	$'000	$'000
Profit/(loss) before tax	62,092	(145,327)
Adjusted for:		
Depletion, depreciation and amortization	67,188	71,500
Depreciation of right-of-use asset	1,805	1,697
Impairment losses on trade and other receivables	737	14,872
Impairment losses on oil and gas assets	-	146,028
Interest income	(11)	(1,752)
Interest expense on bank loans	46,972	34,872
Interest on lease liabilities	13	225
Unwinding of discount on provision for decommissioning	489	1,452
Unrealised fair value gain on derivatives	3,485	(6,623)
Realised fair value loss on derivatives	4,560	-
Unrealised foreign exchange loss/(gain)	1,004	(1,238)
Share based payment expenses	2,274	4,723
Share of profit in joint venture	(106)	(2,359)

Notes to the interim condensed consolidated financial statements - continued

Defined benefit expense	1,844	-
Changes in working capital:		
Trade and other receivables	13,733	145,387
Prepayments	(4,796)	753
Contract assets	(5,554)	11,813
Trade and other payables	(50,436)	(97,667)
Contract liabilities	-	(899)
Restricted cash	(20,195)	(6,064)
Inventories	664	4,827
Cash generated from operations	**125,762**	**176,220**

27 Earnings/Loss per share (EPS/LPS)

Basic

Basic EPS is calculated on the Group's profit/(loss) after taxation attributable to the ordinary equity holders of 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/(loss) after taxation attributable to the ordinary equity holders of 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.

	Half year ended 30 June 2021 $'000	Half year ended 30 June 2020 $'000	3 months ended 30 June 2021 $'000	3 Months ended 30 June 2020 $'000
Profit/(loss) for the period	**56,566**	**(82,405)**	**20.919**	**(5,027)**
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	582,927	578,436	582,927	578,436
Outstanding share-based payments (shares)	5,518	9,679	5,518	9,679
Weighted average number of ordinary shares adjusted for the effect of dilution	588,445	588,115	588,445	588,115
Basic earnings per share for the period				
Basic earnings/(loss) per shares	0.10	(0.14)	0.04	(0.01)
Diluted earnings/(loss) per shares	0.10	(0.14)	0.04	(0.01)
Profit/(loss) used in determining basic/diluted earnings per share	**56,566**	**(82,405)**	**20.919**	**(5,027)**

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 (2020: $0.05) per fully paid shares was declared and approved in the period. In line with the Finance Act 2020 which became effective on 1 January 2021, withholding tax amounting to $4.04 million has been deducted from the aggregate amount of the dividend declared and approved amounting to $43.38 million. Cash dividend amounting to $39.34 million was paid during the period.

The Group's directors propose an interim dividend of 2.5 cents per share for the reporting period.

Notes to the interim condensed consolidated financial statements - continued

29 Related party relationships and transactions

The Group is controlled by Seplat Energy 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 8.32% 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. Services provided to the Group during the period amounted to $610.9 thousand (2020: $450 thousand).

ii. Entities controlled by key management personnel (Contracts>$1million in 2021)

Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited): Is owned by common shareholders with the parent Company. The company provides drilling rigs and drilling services to Seplat. Transactions with this related party amounted to nil (2020: $1.7 million). Receivables amounted to nil in the current period (payables in 2020: $591 thousand).

iii. Entities controlled by key management personnel (Contracts<$1million in 2021)

Abbeycourt Trading Company Limited: The Chairman of Seplat is a director and shareholder. The Company provides diesel supplies to Seplat offices in Lagos and Abuja. This amounted to $114.6 thousand during the period (2020: $86 thousand).

Stage leasing (Ndosumili Ventures Limited): is a subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat. This amounted to $262 thousand (2020: $343 thousand). 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 $0.4 million (Dec 2020: $0.61 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

In July 2021, the Group raised a $50 million offtake linked Reserved Based Lending Facility. The Facility has a 6-year tenor, maturing in 2027.