Interim management statement and condensed consolidated interim financial results

For the nine months ended 30 September 2019 (expressed in US Dollars 'USD')

29 October 2019

Seplat Petroleum Development Company Plc

Interim management statement and consolidated interim financial results for the nine months ended 30 September 2019

Lagos and London, 29 October 2019: Seplat Petroleum Development Company Plc ("Seplat" or the "Company"), a leading Nigerian independent oil and gas company listed on both the Nigerian Stock Exchange and London Stock Exchange, today announces its results for the nine months ended 30 September 2019. Information contained within this release is un-audited and is subject to further review.

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

"2019 so far has seen us make significant progress towards furthering our ambitious growth strategy. While our production and financial performance has dipped in Q3 as a result of slippage to our drilling programme and weaker pricing, the core business remains highly cash generative and with four rigs now operational in the field we expect to quickly regain momentum. This is reflected in our decision to declare an interim dividend of US$29 million."

"We have set the next major growth phase of our gas business in motion having taken FID for the large scale ANOH gas and condensate development to position us as Nigeria's largest supplier of processed gas to the domestic market. In another major step, and inline with our overall growth strategy, we have made a strong statement of intent by becoming the first Nigerian company to undertake a public market acquisition of a London Stock Exchange listed company, and in doing so highlighted our ambitions to be a consolidator within our space. The recommended acquisition of Eland for £382 million is a logical continuation of our business model and represents a rare opportunity to secure a well run asset base that lies firmly within our core geographical area of focus and expertise. Following completion, the enlarged asset base will enhance our inventory of production, development, appraisal and exploration opportunities and enable us to ensure capital continues to be deployed to the most value creative opportunities for shareholders."

Nine months 2019 Results Highlights

Working interest production for the first nine months of 2019

- Working interest production averaged 47,163 boepd for the period (2018: 50,303 boepd) and reflects slippage to the intended production drilling programme as a result of rig mobilisation delays and availability. Four drilling rigs are now operating across Seplat's portfolio to drive liquids working interest production to an expected exit rate of 30,000 bopd(2)
- Production uptime stood at 91% while average reconciliation losses for the first nine months stood at 13%. This factor for the third quarter only, stands at 1% while the factor for the first six month period is still under review and expected to be consistent with prior periods when finalised
- Full year average working interest production guidance has consequently been revised downwards to 45,000 boepd to 48,000 boepd (from 49,000 boepd to 55,000 boepd), comprising 23,000 to 25,000 bopd liquids and 128 to 133 MMscfd gas

		Gross			Working Interest		
	Seplat %	Liquids(1) Bopd	Gas MMscfd	Oil equivalent Boepd	Liquids bopd	Gas MMscfd	Oil equivalent boepd
OMLs 4, 38 & 41	45.0%	46,389	303	98,623	20,875	136	44,380
OPL 283	40.0%	2,957	-	2,957	1,183	-	1,183
OML 53	40.0%	4,001	-	4,001	1,600	-	1,600
Total		53,347	303	105,581	23,658	136	47,163

(1) Liquid production volumes as measured at the LACT unit for OMLs 4, 38 and 41 and OPL 283 flow station. Volumes stated are subject to reconciliation and will differ from sales volumes within the period.
(2) Excluding the production impact anticipated upon completion of the recently announced all-cash acquisition of Eland Oil & Gas Plc ("Eland")

Financial performance summary

- 9M revenue of US$495 million (2018: US$568 million) reflects lower production and sales year-on-year together with lower price realisations of US$64.22/bbl and US$2.8/Mscf (2018: US$71.14/bbl and US$3.06/Mscf); gas tolling revenue of US$67 million also recognised in relation to the processing of NPDC's gas at the Seplat sole risk funded Oben gas plant 375 MMscfd expansion between June 2015 and end 2018
- Gross profit of US$265 million (2018: US$306 million) represents a 54% gross profit margin; operating profit of US$211 million (2018: US$264 million) with US$36 million recognised within Other Income (including a US$31 million oil underlift position and US$3 million income generated by third party useage of the Group's Warri pipeline) and a US$5 million net fair value gain offset by a US$40 million impairment of NPDC receivables
- Profit for the period of US$185 million (2018: US$91 million) positively impacted by a 37% year-on-year reduction in finance costs reflecting de-leveraging of the balance sheet early in the year when the outstanding balance on the 2022 RCF was ultimately reduced to zero
- Cash generated from operations stood at US$306 million (2018: US$386 million) versus capex incurred of US$64 million (2018: US$29 million). Full year 2019 capex spend expected to be around US$120 million; gross debt of US$350 million

at 30 September consists solely of the 2023 senior notes with undrawn headroom of US$225 million available through the 2022 RCF. Cash at bank at 30 September was US$455 million resulting in a net cash position of US$105 million

Gas business performance summary

- FID taken for the large scale ANOH gas and condensate development in March 2019 and followed by capital markets days in London and Lagos in June and July (see separately released materials on the Company website); Project to comprise of a first phase 300 MMscfd midstream gas processing development with first gas targeted for Q1 2021; key regulatory, commercial and engineering workstreams remain on schedule
- Equity investment of US$150 million from government received by ANOH Gas Processing Company ("AGPC") with US$150 million equity funding from Seplat also made into AGPC. Final equity injection of US$120 million expected in Q4 and funding discussions have progressed with prospective bank lenders and relevant advisors, in anticipation of debt funding being in place in H1 2020 in advance of the time that such funds are needed to meet project costs
- Gas sales of US$105 million and tolling fees of US$67 million take total gas derived revenue for the period to US$172 million; Gas sales reflect lower than expected gas production owing to constrained production from the Oben-47 well and delay in completing the Oben-48 gas well. The Oben-48 gas well is expected to be completed in Q4
- Following NPDC's exercise of back in rights to 55% of the Oben gas plant's 375MMscfd expansion, transfer of NPDC's interest is in progress and expected to be completed in Q1 2020

Q4 2019 drilling programme and operational activities

- With four rigs now operational in the field, three oil wells (Sapele-29, Sapele-33 and Jisike-06) have been drilled and completed to date. Two oil wells (Ovhor-18, Sapele-34) and Oben-48 (a gas well) are ongoing with two additional oil wells (Ovhor-19 and Sapele-35) to be spuded before year end and completed early 2020. Seplat's net oil production is expected to rise by 7,000 bopd to achieve a 2019 exit rate of 30,000 bopd
- Based on information provided by the owners and contractors of the Amukpe to Escravos pipeline, Seplat understands that the pipeline has seen further operational delays. The Hydrotesting and Intelligent Pigging of the 20 inch and 160,000 bopd capacity pipeline has been successfully completed with final commissioning activities commenced. The pipeline is now scheduled to be operational during Q1 2020

Interim dividend

- Following a review of Seplat's operational, liquidity and financial position the Board has decided to declare an interim dividend of US$0.05 per share (2018: US$0.05) in line with Seplat's normal dividend distribution timetable

Events after the reporting period

Recommended cash acquisition of Eland Oil & Gas Plc

- On 15 October 2019, the Boards of Seplat and Eland announced that they have reached agreement on the terms of a recommended cash acquisition (the "Acquisition") of the entire issued and to be issued ordinary share capital of Eland by Seplat
- The Acquisition values the entire issued and to be issued ordinary share capital of Eland at approximately £382 million on a fully diluted basis
- The Acquisition is to be effected by means of a scheme of arrangement and is expected to complete in Q4 2019; irrevocable undertakings received from Eland's shareholders stand at 60.92%
- The cash consideration payable under the Acquisition is being wholly funded through a combination of existing cash resources of Seplat and a new loan facility available to Seplat. A US$350 million acquisition bridge facility was put in place after the reporting period in connection with the Eland offer, which would only be drawn in order to meet the acquisition cost upon completion
- Seplat believes the combination will leverage Seplat's core production and development expertise to capture potential upsides and increase growth and profitability. The combined business will have greater scale in production and reserves and should create long-term value for stakeholders
- For more information please refer to the full announcement at https://seplatpetroleum.com/investors/rns-inside-information/
- Post completion of the Acquisition Seplat will host a presentation for investors and analysts

Important notice

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

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

Enquiries:

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

Notes to editors

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

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

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

for the third quarter ended 30 September 2019

		9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
		Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations	Notes	$'000	$'000	$'000	$'000
Revenue from contracts with customers	7	494,880	567,956	139,794	225,280
Cost of sales	8	(230,218)	(262,218)	(82,165)	(93,854)
Gross profit		264,662	305,738	57,629	131,426
Other income/(expenses) – net	9	36,291	19,698	27,676	(8,071)
General and administrative expenses	10	(54,556)	(55,095)	(12,472)	(16,625)
(Impairment)/reversal of losses on financial assets – net	11	(40,136)	1,703	-	(27)
Fair value gain/(loss) – net	13	4,933	(8,004)	(722)	(1,050)
Operating profit		211,194	264,040	72,111	105,653
Finance income	14	9,169	6,705	3,535	2,354
Finance costs	14	(36,295)	(58,065)	(11,500)	(16,641)
Finance cost - net		(27,126)	(51,360)	(7,965)	(14,287)
Share of profit from joint venture accounted for using the equity method	17	742	-	488	-
Profit before taxation		184,810	212,680	64,634	91,366
Taxation		(3,394)	(121,251)	(1,968)	(48,498)
Profit from continuing operations		181,416	91,429	62,666	42,868
Profit from discontinued operation	12.1	3,182	25	-	42
Profit for the period		184,598	91,454	62,666	42,910
Other comprehensive income:		-		-	
Items that may be reclassified to profit or loss (net of tax):					
Total comprehensive income from continuing operations			-		-
Total comprehensive income from discontinuing operations			-		-
Total comprehensive income for the period		184,598	91,454	62,666	42,910

Earnings per share from continuing operations					
Basic earnings per share ($)	16	0.32	0.16	0.11	0.08
Diluted earnings per share($)	16	0.31	0.16	0.11	0.07
Earnings per share for the period					
Basic earnings per share ($)	16	0.32	0.16	0.11	0.08
Diluted earnings per share($)	16	0.31	0.16	0.11	0.07

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 September 2019

	Notes	As at 30 Sept 2019 Unaudited $'000	As at 31 Dec 2018 Audited $'000
Assets			
Non-current assets			
Oil and gas properties		1,242,845	1,301,220
Other property, plant and equipment		15,868	4,237
Right of use assets	31	11,756	-
Investment in joint venture	17	150,758	-
Other asset		150,363	167,100
Tax paid in advance		9,896	31,623
Prepayments		62,547	25,893
Deferred tax assets	15.3	141,367	138,393
Total non-current assets		1,785,400	1,668,466
Current assets			
Inventories		92,740	102,554
Trade and other receivables	18	193,682	136,393
Contract assets	19	9,148	14,096
Prepayments		5,475	11,561
Derivative financial instruments	20	376	8,772
Cash and bank balances	21	454,670	584,723
Total current assets		756,091	858,099
Total assets		2,541,491	2,526,565
Equity and liabilities			
Equity			
Issued share capital	22.1	1,834	1,834
Share premium		497,457	497,457
Share based payment reserve		37,500	27,499
Capital contribution		40,000	40,000
Retained earnings		1,186,367	1,030,954
Foreign currency translation reserve		3,141	3,141
Total shareholders' equity		1,766,299	1,600,885
Non-current liabilities			
Interest bearing loans & borrowings	23	322,831	435,827
Lease liabilities	31	7,574	-
Contingent consideration		-	18,489
Provision for decommissioning obligation		144,788	141,737
Defined benefit plan		7,749	5,923
Total non-current liabilities		482,942	601,976
Current liabilities			
Interest bearing loans and borrowings	23	34,644	9,872
Trade and other payables	24	237,766	284,565
Contract liabilities	25	5,932	-
Current tax liabilities		13,908	29,267
Total current liabilities		292,250	323,704
Total liabilities		775,192	925,680
Total shareholders' equity and liabilities		2,541,491	2,526,565

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

Interim condensed consolidated statement of financial position continued

As at 30 September 2019

The Group financial statements of Seplat Petroleum Development Company Plc and its subsidiaries for the nine months ended 30 September 2019 were authorised for issue in accordance with a resolution of the Directors on 29 October 2019 and were signed on its behalf by

A. B. C. Orjiako
FRC/2013/IODN/00000003161
Chairman
29 October 2019

A. O. Avuru
FRC/2013/IODN/00000003100
Chief Executive Officer
29 October 2019

R.T. Brown
FRC/2014/ANAN/00000017939
Chief Financial Officer
29 October 2019

Interim condensed consolidated statement of changes in equity continued

for the third quarter ended 30 September 2019

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2018	1,826	497,457	17,809	40,000	944,108	1,897	1,503,097
Impact of change in accounting policy:							
Adjustment on initial application of IFRS 9	-	-	-	-	(5,816)	-	(5,816)
Adjusted balance at 1 January 2018	1,826	497,457	17,809	40,000	938,292	1,897	1,497,281
Profit for the period	-	-	-	-	91,454	-	91,454
Total comprehensive income for the period	-	-	-	-	91,454	-	91,454
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	(29,475)	-	(29,475)
Share based payments	-	-	7,890	-	-	-	7,890
Issue of shares	8	-	(8)	-	-	-	-
Total	8	-	7,882	-	(29,475)	-	(21,585)
At 30 September 2018 (unaudited)	1,834	497,457	25,691	40,000	1,000,271	1,897	1,567,150

	Issued share capital	Share premium	Share based payment reserve	Capital contribution	Retained earnings	Foreign currency translation reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2019	1,834	497,457	27,499	40,000	1,030,954	3,141	1,600,885
Profit for the period	-	-	-	-	184,598	-	184,598
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	184,598	-	184,598
Transactions with owners in their capacity as owners:							
Dividend paid					(29,185)		(29,185)
Share based payments			10,001		-		10,001
Total							
At 30 September 2019 (unaudited)	1,834	497,457	37,500	40,000	1,186,367	3,141	1,766,299

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

Interim condensed consolidated statement of cash flow

for the third quarter ended 30 September 2019

	Notes	9 months ended 30 Sept 2019 $'000 Unaudited	9 months ended 30 Sept 2018 $'000 Unaudited
Cash flows from operating activities			
Cash generated from operations	26	306,287	386,300
Net cash inflows from operating activities		306,287	386,300
Cash flows from investing activities			
Investment in oil and gas properties		(50,247)	(28,671)
(Investment)/proceeds from disposal of other property, plant and equipment		(13,506)	3
Proceeds from sale of other assets		16,737	25,927
Investment in joint venture		(103,050)	-
Cash on loss of control of subsidiary	12.3	(154,240)	-
Interest received		9,169	6,705
Net cash (used)/generated in investing activities		(295,137)	3,964
Cash flows from financing activities			
Repayments of loans	23	(100,000)	(578,000)
Proceeds from loans		-	195,499
Dividend paid		(29,185)	(29,475)
Proceeds from senior notes issued		-	339,546
Principal repayments on crude oil advance		-	(75,769)
Interest repayments on crude oil advance			(1,730)
Payments for other financing charges		-	(3,894)
Interest paid on bank financing	23	(17,582)	(40,507)
Net cash used in financing activities		(146,767)	(194,330)
Net (decrease)/increase in cash and cash equivalents		(135,617)	195,934
Cash and cash equivalents at beginning of period	21	581,305	437,212
Effects of exchange rate changes on cash and cash equivalents		3,232	851
Cash and cash equivalents at end of period		448,920	633,997

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

Notes to the interim condensed consolidated financial statements

1. Corporate structure and business

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

The Company's registered address is: 16a 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 the following producing assets:

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

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

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

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

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

In 2017, the Group incorporated a new subsidiary, ANOH Gas Processing Company Limited. The principal activities of the Company are 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, the Group no longer exercises control and has now deconsolidated ANOH in the consolidated financial statements. However, its retained interest qualifies as a joint arrangement and has been recognised accordingly as investment in joint venture.

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

Subsidiary	Date of incorporation	Country of incorporation and place of business	Principal activities
Newton Energy Limited	1 June 2013	Nigeria	Oil & gas exploration and production
Seplat Petroleum Development Company UK Limited	21 August 2014	United Kingdom	Technical, liaison and administrative support services relating to oil & gas exploration and production
Seplat East Onshore Limited	12 December 2014	Nigeria	Oil & gas exploration and production
Seplat East Swamp Company Limited	12 December 2014	Nigeria	Oil & gas exploration and production
Seplat Gas Company	12 December 2014	Nigeria	Oil & gas exploration and production and gas processing
Seplat West Limited	16 January 2018	Nigeria	Oil & gas exploration and production

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 September 2019:

- During the period, the Group changed it registered office address and relocated all its offices to one location. The new address is 16a Temple Road (Olu Holloway), Ikoyi, Lagos.

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

- There was a change the ownership structure of the Group's wholly owned subsidiary, ANOH Gas Processing Company Limited on 18 April 2019 to a Joint venture after Nigerian Gas Processing and transportation Company Limited's (NGPTC) equity investment. As a result, the Group has deconsolidated ANOH in its financial statements and its retained interest has been recognised as an investment in joint venture.

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

3. Summary of significant accounting policies

3.1 Basis of preparation

i) Compliance with IFRS

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

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

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

ii) Historical cost convention

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

iii) Going concern

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

iv) New and amended standards adopted by the Group

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

a. IFRS 16 Leases

IFRS 16: Leases was issued in January 2016 and became effective for reporting periods beginning on or after 1 January 2019. It replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The Group has adopted IFRS 16 from 1 January 2019 using the simplified transitional approach, and thus has not restated comparative figures

Notes to the interim condensed consolidated financial statements continued

for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. There was no impact on the Group's retained earnings at the date of initial application (i.e. 1 January 2019).

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

b. Amendments to IAS 19 Employee benefit

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

c. Amendments to IAS 23 Borrowing costs

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

d. Amendments to IFRS 11 Joint arrangements

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

e. Amendments to IAS 12 Income taxes

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

f. Amendments to IFRS 9 Prepayment features with negative compensation

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

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

These amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account

Notes to the interim condensed consolidated financial statements continued

for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

h. IFRIC 23 Uncertainty over income tax treatment

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

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

v) New standards, amendments and interpretations not yet adopted

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

a. Conceptual framework for financial reporting – Revised

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

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

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

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

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

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

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

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

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

Notes to the interim condensed consolidated financial statements continued

d. Amendments to IFRS 3: Definition of a business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

3.2.1. Joint arrangements

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

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

3.2.2. Equity method

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

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

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

3.2.3. Change in ownership interest of subsidiary

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

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

3.2.4. Accounting for loss of control

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

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

Notes to the interim condensed consolidated financial statements continued

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

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

- the resulting gain or loss, on loss of control, is recognised together with the profit or loss from the discontinued operation for the period before the loss of control.
- the gain or loss on disposal will comprise of the gain or loss attributable to the portion disposed off and the gain or loss on remeasurement of the portion retained. The latter is disclosed separately in the notes to the financial statements.

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

3.2 Functional and presentation currency

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

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

i) Transactions and balances

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

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

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

ii) Group companies

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

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

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

- all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Notes to the interim condensed consolidated financial statements continued

4. Significant accounting judgements, estimates and assumptions

4.1 Judgements

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

i) OMLs 4, 38 and 41

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

ii) Deferred tax asset

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

iii) Lease 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) Lease term

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

v) Defined benefit plan

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

vi) Revenue recognition

Definition of contracts

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

Performance obligation

The judgments applied in determining what constitutes a performance obligation will impact when control is likely to pass and therefore when revenue is recognised i.e. over time or at a point in time. The Group has determined that only one performance

Notes to the interim condensed consolidated financial statements continued

obligation exists in oil contracts which is the delivery of crude oil to specified ports. Revenue is therefore recognised at a point in time.

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

Transactions with Joint Operating Arrangement (JOA) partners

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

i) Classification of joint arrangements

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

4.2 Estimates and assumptions

The key assumptions concerning the future and the other key source of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed in the most recent 2018 annual financial statements. The following are some of the estimates and assumptions made.

i) Defined benefit plans

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

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

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

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

ii) Income taxes

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

Notes to the interim condensed consolidated financial statements continued

iii) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group has placed reliance on the assumptions used at the year end reporting period as it does not expect material differences for current period assumptions.

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 relevant cash outflows to mitigate any potential exchange risk.
Market risk - commodity prices	Derivative financial instruments	Sensitivity analysis	Oil price hedges
Credit risk	Cash and bank balances, trade receivables and other receivables, contract assets and derivative financial instruments.	Aging analysis Credit ratings	Diversification of bank deposits and credit limit on trade receivables
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

5.1.1. Liquidity risk

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

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

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

	Effective interest rate	Less than 1 year	1 -2 years	2 - 3 years	3 - 5 years	Total
	%	$ '000	$ '000	$ '000	$ '000	$ '000
30 September 2019						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	32,914	32,825	32,825	382,825	481,389
		32,914	32,825	32,825	382,825	481,389
Other non - derivatives						
Trade and other payables**		269,947	-	-	-	269,947
Lease liabilities	7.56%	-	2,757	3,106	4,658	10,521
		302,861	35,582	35,931	387,483	761,857

Notes to the interim condensed consolidated financial statements continued

	Effective interest rate	Less than 1 year	1 - 2 years	2 - 3 years	3 - 5 years	Total
	%	$ '000	$ '000	$ '000	$ '000	$ '000
31 December 2018						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	33,094	32,915	32,825	399,282	498,116
Variable interest rate borrowings						-
Stanbic IBTC Bank Plc	6.0% +LIBOR	1,020	1,023	1,020	12,378	15,441
The Standard Bank of South Africa Limited	6.0% +LIBOR	680	682	680	8,252	10,294
Nedbank Limited, London Branch	6.0% +LIBOR	1,417	1,421	1,417	17,192	21,447
Standard Chartered Bank	6.0% +LIBOR	1,275	1,279	1,275	15,473	19,302
Natixis	6.0% +LIBOR	992	995	992	12,035	15,014
FirstRand Bank Limited	6.0% +LIBOR	992	995	992	12,035	15,014
Citibank N.A. London	6.0% +LIBOR	850	853	850	10,315	12,868
The Mauritius Commercial Bank Plc	6.0% +LIBOR	850	853	850	10,315	12,868
Nomura International Plc	6.0% +LIBOR	425	426	425	5,158	6,434
		8,501	8,527	8,501	103,153	128,682
Other non - derivatives						
Trade and other payables**		156,847	-	-	-	156,847
Contingent consideration		-	18,750	-	-	18,750
		198,442	60,192	41,326	502,435	802,395

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

5.1.2. Credit risk

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

Risk management

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

In addition, the Group is exposed to credit risk in relation to the 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.

Notes to the interim condensed consolidated financial statements continued

5.2 Fair value measurements

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

	Carrying amount		Fair value	
	As at 30 Sept 2019	As at 31 Dec 2018	As at 30 Sept 2019	As at 31 Dec 2018
	$ '000	$ '000	$ '000	$ '000
Financial assets at amortised cost				
Trade and other receivables*	177,306	95,982	177,306	95,982
Cash and bank balances	454,670	584,723	454,670	584,723
	631,976	680,705	631,976	680,705
Financial assets at fair value				
Derivative financial instruments	376	8,772	376	8,772
	376	8,772	376	8,772
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	357,475	445,699	379,542	466,314
Contingent consideration	-	18,489	-	18,489
Trade and other payables	269,947	156,847	147,121	156,847
	627,422	621,035	526,663	641,650

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

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

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

5.2.1. Fair Value Hierarchy

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

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

The fair value of the Group's interest bearing loans and borrowings is determined by using discounted cash flow models that use market interest rates as at the end of the period. The derivative financial instruments are in level 1 and interest-bearing loans and borrowings are in level 2. The carrying amounts of the other financial instruments are the same as their fair values.

The Valuation process

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

Notes to the interim condensed consolidated financial statements continued

6. Segment reporting

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

For the nine months ended 30 September 2019, revenue from the gas segment of the business constituted 40% of the Group's revenue. Management believes that the gas segment of the business will continue to generate higher profits in the foreseeable future. It also decided that more investments will be made toward building the gas arm of the business. This investment will be used in establishing more offices, creating a separate operational management and procuring the required infrastructure for this segment of the business. The gas business is positioned separately within the Group and reports directly to the ('chief operating decision maker'). As this business segment's revenues and results, and also its cash flows, will be largely independent of other business units within Seplat, it is regarded as a separate segment.

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

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

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

6.1 Segment profit disclosure

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Oil	32,597	15,319	40,446	20,727
Gas	148,819	76,110	22,220	22,141
Total profit after tax	181,416	91,429	62,666	42,868

	Oil			
	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Revenue				
Crude oil sale	322,832	440,896	106,812	183,564
Operating profit before depreciation, 21ecognized21n and impairment	125,879	240,504	70,307	96,560
Depreciation, 21ecognized21n and impairment	(63,504)	(79,227)	(20,416)	(23,987)
Operating profit	62,375	161,277	49,891	72,573
Finance income	9,169	6,705	3,535	2,354
Finance expenses	(36,295)	(58,065)	(11,500)	(16,641)
Share of profit from joint venture accounted for using equity accounting	742	-	488	-
Profit before taxation	35,991	109,917	42,414	58,286
Income tax expense	(3,394)	(94,598)	(1,968)	(37,559)
Profit for the period	32,597	15,319	40,446	20,727

Notes to the interim condensed consolidated financial statements continued

Gas

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Revenue				
Gas sale	105,136	127,060	32,960	41,716
Gas tolling	66,912	-	22	-
	172,048	**127,060**	32,982	**41,716**
Operating profit before depreciation, 22ecognized22n and impairment	158,522	115,318	25,345	37,243
Depreciation, 22ecognized22n and impairment	(9,703)	(12,555)	(3,125)	(4,163)
Operating profit	148,819	**102,763**	22,220	**33,080**
Finance income	-	-	-	-
Finance expenses	-	-	-	-
Profit before taxation	148,819	**102,763**	22,220	**33,080**
Income tax expense	-	(26,653)	-	(10,939)
Profit for the period	148,819	**76,110**	22,220	**22,141**

6.1.1 Disaggregation of revenue from contracts with customers

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

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	9 months ended 30 Sept 2018	9 months ended 30 Sept 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical market						
Nigeria	28,366	172,048	200,414	23,332	127,060	150,392
Switzerland	294,466	-	294,466	417,564	-	417,564
Revenue	322,832	172,048	494,880	440,896	127,060	567,956
Timing of revenue recognition						
At a point in time	322,832	-	322,832	440,896	-	440,896
Over time	-	172,048	172,048	-	127,060	127,060
Revenue	322,832	172,048	494,880	440,896	127,060	567,956

	3 months ended 30 Sept 2019	3 months ended 30 Sept 2019	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018	3 months ended 30 Sept 2018	3 months ended 30 Sept 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Geographical market						
Nigeria	5,582	32,982	38,564	14,222	41,716	55,938
Switzerland	101,230	-	101,230	169,342	-	169,342
Revenue	106,812	32,982	139,794	183,564	41,716	225,280
Timing of revenue recognition						
At a point in time	106,812	-	106,812	183,564	-	183,564
Over time	-	32,982	32,982	-	41,716	41,716
Revenue	106,812	32,982	139,794	183,564	41,716	225,280

The Group's transactions with its major customer, Mercuria, constitutes more than 10% ($294 million) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with NGMC and Azura ($77 million and $28 million) accounted for more than 10% of the total revenue from the gas segment and the Group as a whole.

Notes to the interim condensed consolidated financial statements continued

6.1.2 (Impairment)/reversal of losses by reportable segments

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	9 months ended 30 Sept 2018	9 months ended 30 Sept 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Impairment losses 23ecognized during the period	(161)	-	(161)	(22)	-	(22)
Reversal of previous impairment losses	378	-	378	1,725	-	1,725
Write-off of impairment losses	(40,353)	-	(40,353)	-	-	-
	(40,136)	-	(40,136)	1,703	-	1,703

	3 months ended 30 Sept 2019	3 months ended 30 Sept 2019	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018	3 months ended 30 Sept 2018	3 months ended 30 Sept 2018
	Oil	Gas	Total	Oil	Gas	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Impairment losses 23ecognized during the period	-	-	-	(173)	-	(173)
Reversal of previous impairment losses	-	-	-	147	-	147
Write-off of impairment losses	-	-	-	-	-	-
	-	-	-	(27)	-	(27)

6.2 Segment assets

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

	Oil	Gas	Total
Total segment assets	$'000	$'000	$'000
30 September 2019	1,605,338	936,153	2,541,491
31 December 2018	2,029,374	497,191	2,526,565

6.3 Segment liabilities

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

	Oil	Gas	Total
Total segment liabilities	$'000	$'000	$'000
30 September 2019	445,781	329,411	775,192
31 December 2018	838,971	86,709	925,680

Notes to the interim condensed consolidated financial statements continued

7. Revenue from contracts with customers

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Crude oil sales	322,832	440,896	106,812	183,564
Gas sales	105,136	127,060	32,960	41,716
Gas tolling	66,912	-	22	-
	494,880	567,956	139,794	225,280

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

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

8. Cost of sales

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Crude handling	39,921	47,246	14,763	18,015
Royalties	75,271	95,966	25,493	33,644
Depletion, Depreciation and Amortisation	69,065	91,231	22,201	30,437
Nigeria Export Supervision Scheme (NESS) fee	388	599	150	217
Niger Delta Development Commission levy	6,166	5,143	2,056	1,622
Rig related expenses	4,160	38	4,160	-
Operations & maintenance costs	35,247	21,995	13,342	9,919
	230,218	262,218	82,165	93,854

9. Other income/(expenses) - net

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Underlift	30,532	20,463	24,878	(7,278)
Gains/(losses) on foreign exchange	2,333	(765)	1,021	(793)
Tariffs	3,426	-	1,777	
	36,291	19,698	27,676	(8,071)

Shortfalls may exist between the crude oil lifted and sold to customers during the period and the participant's ownership share of production. The shortfall is initially measured at the market price of oil at the date of lifting and recognized as other income. At each reporting period, the shortfall is remeasured to the current market value. The resulting change, as a result of the remeasurement, is also recognized in profit or loss as other income.

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

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

Notes to the interim condensed consolidated financial statements continued

10. General and administrative expenses

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Depreciation of other property plant and equipment	1,875	2,254	609	(584)
Depreciation of right-of-use assets	2,267	-	731	-
Employee benefits expense	28,495	22,771	10,104	7,642
Professional and consulting fees	1,715	8,873	(7,225)	987
Auditor's remuneration	132	256	90	70
Directors emoluments (executive)	1,334	1,445	357	806
Directors emoluments (non-executive)	2,564	2,501	977	869
Rentals	899	1,461	110	480
Flights and other travel costs	5,920	5,110	2,324	2,758
Other general expenses	9,355	10,424	4,395	3,597
	54,556	55,095	12,472	16,625

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

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

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

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

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Impairment losses:				
Impairment loss on trade receivables	(161)	-	-	-
Impairment loss on NAPIMS receivables	-	12	-	147
	(161)	12	-	147
Reversal of impairment losses:				
Reversal of/(impairment) loss on NPDC receivables	-	1,713	-	(152)
Reversal of impairment loss on other receivables	378	(22)	-	(22)
	378	1,691	-	(172)
Write-off of impairment losses:				
Write-off of NPDC receivables	(40,353)	-	-	-
	(40,353)	-	-	-
	(40,136)	1,703	-	(27)

The reversal of other receivables is as a result of changes in management assessment of recoverability of the receivables. Write-off of NPDC receivables relate to amount that has been assessed as uncollectable.

12. Discontinued operation

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

Notes to the interim condensed consolidated financial statements continued

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

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

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

12.1. Financial performance and cash flow information

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

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Revenue	-	-	-	-
General and administrative expenses	(36)	(60)	-	(48)
Other income/(expenses) – net	(22)	85	-	90
Finance income – net	620	-	-	
Profit before taxation	562	25	-	42
Taxation	-	-	-	-
Profit from discontinued operation	562	25	-	42
Gain on deconsolidation of subsidiary (Note 12.2)	2,620	-	-	-
Profit from discontinued operation	3,182	25	-	42
			-	-
Net cash inflow from operating activities	159,533	7,816	-	3,419
Net cash outflows from investing activities	(5,893)	(7,685)	-	(3,089)
Net cash outflows from financing activities	-	-	-	-
Net increase in cash and cash equivalents	153,640	131	-	330

12.2. Gain on deconsolidation of subsidiary

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

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

Notes to the interim condensed consolidated financial statements continued

12.2.1. Gain on portion sold

	9 months ended 30 Sept 2019
	$'000
Purchase consideration	-
Group's share of net liabilities disposed	1,302
	1,302

12.2.2. Gain on remeasurement of retained interest

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

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

12.3. Net liabilities derecognised

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

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

13. Fair value gain/(loss) - net

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Cost of hedging	(5,160)	(3,474)	-	(990)
Unrealised fair value loss on derivatives	(8,396)	-	(722)	-
Fair value gain/(loss) on contingent consideration	18,489	(4,530)	-	(60)
	4,933	(8,004)	(722)	(1,050)

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

Notes to the interim condensed consolidated financial statements continued

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

14. Finance income/ (costs)

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Finance income				
Interest income	9,169	6,705	3,535	2,354
Finance costs				
Interest on bank loan	(29,358)	(54,150)	(7,230)	(15,816)
Other financing charges	(3,488)	-	(3,119)	-
Interest on lease liabilities (note 31)	(398)	-	(134)	-
Interest on advance payments for crude oil sales	-	(1,730)	-	-
Unwinding of discount on provision for decommissioning	(3,051)	(2,185)	(1,017)	(825)
	(36,295)	(58,065)	(11,500)	(16,641)
Finance cost – net	(27,126)	(51,360)	(7,965)	(14,287)

Finance income represents interest on fixed deposits.

Other financing charges include term loan arrangement and participation fees, bank activity fee, annual bank charges, technical bank fee, agency fee and analytical services in connection with annual service charge. These costs do not form an integral part of the effective interest rate. As a result, they are not included in the measurement of the loan.

15. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rates used for the period to 30 September 2019 were 85% and 65.75% for crude oil activities and 30% for gas activities. As at 31 December 2018, the applicable tax rates were 85%, 65.75% for crude oil activities and 30% for gas activities. The effective tax rate for the reporting period was 1.84% (September 2018: 57%).

15.1. Unrecognised deferred tax assets

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

	As at 30 Sept 2019	As at 30 Sept 2019	As at 31 Dec 2018	As at 31 Dec 2018
	$'000	$'000	$'000	$'000
	Gross amount	Tax effect	Gross amount	Tax effect
Other deductible temporary differences	33,278	36,886	58,288	36,502
Tax gains	24,620	196	33,303	19,580
	57,898	37,082	91,591	56,082

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

15.2. Unrecognised deferred tax liabilities

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

Notes to the interim condensed consolidated financial statements continued

15.3. Deferred tax assets

	Balance at 1 January 2019	Charged/credited to profit or loss	Balance at 30 Sept 2019
	$'000	$'000	$'000
Tax losses	-	-	-
Other cumulative differences:			
Fixed assets	(280,282)	(66,800)	(347,082)
Unutilised capital allowance	379,592	65,555	445,147
Provision for decommissioning obligation	2,674	(2,674)	-
Defined benefit plan	5,035	3,147	8,182
Share based payment reserve	10,778	8,599	19,377
Unrealised foreign exchange loss on trade and other receivables	4,123	(2,285)	1,838
Other income	17,158	(15,458)	1,701
Impairment provision on trade and other receivables	6,771	5,434	12,204
Derivative financial instruments	(7,456)	7,456	-
	138,393	2,974	141,367

16. Earnings per share (EPS)

Basic

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

Diluted

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

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018	3 months ended 30 Sept 2019	3 months ended 30 Sept 2018
	$'000	$'000	$'000	$'000
Profit from continuing operations	181,416	91,429	62,666	42,868
Profit from discontinued operations	3,182	25	-	42
Profit for the period	184,598	91,454	62,666	42,910
		Share '000		Share '000
Weighted average number of ordinary shares in issue	568,775	568,497	568,775	568,497
Share awards	19,960	10,031	19,960	10,031
Weighted average number of ordinary shares adjusted for the effect of dilution	588,735	578,528	588,735	578,528
	$	$	$	$
Earnings per share from continuing operations				
Basic earnings per share	0.32	0.16	0.11	0.08
Diluted earnings per share	0.31	0.16	0.11	0.07
Earnings per share for the period				
Basic earnings per share	0.32	0.16	0.11	0.08
Diluted earnings per share	0.31	0.16	0.11	0.07

Notes to the interim condensed consolidated financial statements continued

17. Interest in other entities

17.1. Investment in subsidiaries

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

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

17.2. Interest in joint venture

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

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

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

		Percentage of ownership interest		Carrying amount	
Name of entity	Country of incorporation and place of business	As at 30 Sept 2019	As at 30 Sept 2018	As at 30 Sept 2019	As at 30 Dec 2018
		%	%	$'000	$'000
ANOH Gas Processing Company Limited	Nigeria	50	-	150,758	-

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

Notes to the interim condensed consolidated financial statements continued

17.2.1. Summarised statement of financial position of ANOH

	As at 30 Sept 2019 $'000
Current assets:	
Cash and bank balances	211,712
Other current assets	9,989
Total current assets	221,701
Non-current assets	80,072
Total assets	**301,773**
Current liabilities:	
Financial liabilities (excluding trade payables)	(1,585)
Other current liabilities	(1,308)
Total liabilities	**(2,893)**
Net asset	**298,880**
Reconciliation to carrying amounts:	
Opening net liability as at 18 April 2019	(2,604)
Profit for the period	1,484
Share issue	300,000
Dividends paid	-
Closing net assets	**298,880**
Group's share (%)	50%
Group's share of net assets ($'000)	149,440
Remeasurement of retained interest (Note 12.2.2)	1,318
Carrying amount ($'000)	**150,758**

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

	5 months ended 30 Sept 2019 $'000
Revenue	-
Cost of sales	-
General and administrative expenses	(3,936)
Other income/(expenses) – net	3,969
Finance income	1,451
Profit before taxation	1,484
Taxation	-
Profit for the period	1,484
Group's share (%)	50%
Group's share of profit for the period ($'000)	742
Dividends received from joint venture	-

Notes to the interim condensed consolidated financial statements continued

17.2.3. Investment in joint venture

	As at 30 Sept 2019
	$'000
Fair value of 50% retained interest (Note 12.2)	16
Additional investment	150,000
Share of profit from joint venture accounted for using the equity method (Note 17.2.2)	742
	150,758

18. Trade and other receivables

	As at 30 Sept 2019	As at 31 Dec 2018
	$'000	$'000
Trade receivables (note 18.1)	96,969	94,875
Underlift	-	4,313
National Petroleum Investment Management Services (NAPIMS)	179	-
Advances to suppliers	23,622	5,933
Other receivables (note 18.2)	72,912	31,272
Net carrying amount	193,682	136,393

18.1 Trade receivables:

Included in trade receivables is an amount due from Nigerian Gas Marketing Company (NGMC) and Central Bank of Nigeria (CBN) totaling $58.3 million (Dec 2018: $46 million) with respect to the sale of gas, for the Group.

18.2. Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is an escrow deposit of $40.25 million made for a potential investment. The funds were placed in an escrow on 8 January 2019 pursuant to an agreement reached with the vendor on the final terms of the transaction. Also included here is a receivable amount of $31.6 million (Dec 2018: $31.3 million) on an investment that is no longer being pursued.

18.3. Reconciliation of trade receivables

	As at 30 Sept 2019	As at 31 Dec 2018
	$'000	$'000
Balance as at 1 January	95,283	108,685
Additions during the period	616,398	710,725
Receipts for the period	(614,143)	(724,127)
Gross carrying amount	97,538	95,283
Less: impairment allowance	(569)	(408)
Balance at the end of the period	96,969	94,875

Notes to the interim condensed consolidated financial statements continued

18.4 Reconciliation of impairment allowance trade receivables

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

19. Contract assets

	As at 30 Sept 2019	As at 31 Dec 2018
	$ '000	$ '000
Revenue on gas sales	9,148	14,096

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

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

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

19.1 Reconciliation of contract assets

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

	As at 30 Sept 2019	As at 31 Dec 2018
	$ '000	$ '000
Balance as at 1 January	14,096	13,790
Additions during the period	127,241	127,803
Receipts for the period	(132,189)	(127,497)
Balance at the end of the period	9,148	14,096

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 assets.

The derivative financial instrument of $0.4 million (Dec 2018: $8.8 million) as at 30 Sept 2019 is as a result of a fair value gain on crude oil hedges. The fair value has been determined using a proprietary pricing model which generates results from inputs. The market inputs to the model are derived from observable sources. Other inputs are unobservable but are estimated based on the market inputs or by using other pricing models.

	As at 30 Sept 2019	As at 31 Dec 2018
	$'000	$'000
Foreign currency option – crude oil hedges	376	8,772

Notes to the interim condensed consolidated financial statements continued

21. Cash and bank balances

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

	As at 30 Sept 2019	As at 31 Dec 2018
	$ '000	$ '000
Cash on hand	8	7
Restricted cash	5,750	3,418
Cash at bank*	449,030	581,416
	455,788	584,841
Less: impairment allowance	(118)	(118)
	454,670	584,723

Included in the restricted cash balance is an amount set aside in the Stamping Reserve account for the revolving credit facility (RCF). The amount is to be used for the settlement of all fees and costs payable for the purposes of stamping and registering the Security Documents at the stamp duties office and at the Corporate Affairs Commission (CAC). The amounts are restricted for a period five (5) years, which is the contractual period of the RCF. These amounts are subject to legal restrictions and are therefore not available for general use by the Group. These amounts have therefore been excluded from cash and bank balances for the purposes of cash flow. For the purpose of the statement of cashflows, cash and cash equivalents comprise the following:

	As at 30 Sept 2019	As at 30 Sept 2018
	$ '000	$ '000
Cash on hand	8	7
Restricted cash	-	1,844
Cash at bank	448,912	162,146
	448,920	633,997

22. Share capital

22.1. Authorised and issued share capital

	As at 30 Sept 2019	As at 31 Dec 2018
	$'000	$'000
Authorised ordinary share capital		
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	3,335	3,335
Issued and fully paid		
568,775,216 (2018: 568,497,025) issued shares denominated in Naira of 50 kobo per share	1,834	1,834

The Group's issued and fully paid share capital as at the reporting date consists of 568,775,216 ordinary shares (excluding the additional shares held in trust) of ₦0.50k each, all with voting rights. Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

22.2. Movement in share capital

	Number of shares	Issued share capital	Share based payment reserve	Total
	Shares	$'000	$'000	$'000
Opening balance as at 1 January 2019	568,497,025	1,834	27,499	29,333
*Share based payments	-	-	10,001	10,001
Vested shares	278,191	-	-	-
Closing balance as at 30 Sept 2019	568,775,216	1,834	37,500	39,334

Notes to the interim condensed consolidated financial statements continued

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

22.3. Employee share based payment scheme

As at 30 September 2019, the Group had awarded 48,400,563 shares (2018: 40,410,644 shares) to certain employees and senior executives in line with its share based incentive scheme. Included in the share based incentive schemes are two additional schemes (2018 Deferred Bonus and 2019 LTIP Scheme) awarded during the reporting period. During the reporting period, 278,191 shares had vested (September 2018: 5,052,464 shares were vested).

23. Interest bearing loans & borrowings

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

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	$'000	$'000	$'000
Balance as at 1 January 2019	9,872	435,827	445,699
Principal repayment	-	(100,000)	(100,000)
Interest repayment	(17,582)	-	(17,582)
Interest accrued	29,358	-	29,358
Transfers	12,996	(12,996)	-
Carrying amount as at 30 Sept 2019	34,644	322,831	357,475

Interest bearing loans and borrowings include a revolving loan facility and senior notes. In March 2018 the Group issued $350 million senior notes at a contractual interest rate of 9.25% with interest payable on 1 April and 1 October, and principal repayable at maturity. The notes are expected to mature in April 2023. The interest accrued up at the reporting date is $21.9 million using an effective interest rate of 10.4%. Transaction costs of $7 million have been included in the amortised cost balance at the end of the reporting period. The amortised cost for the senior notes at the reporting period is $357 million (September 2018: $341 million).

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

The interest rate of the facility is variable. The Group made a drawdown of $200 million in March 2018. The interest accrued at the reporting period is $0.6 million (Sept 2018: $9.45 million) using an effective interest rate of 9.8% (Sept 2018: 9.4%). The interest paid was determined using 3-month LIBOR rate + 6 % on the last business day of the reporting period.

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

Notes to the interim condensed consolidated financial statements continued

24. Trade and other payables

	As at 30 Sept 2019	As at 31 Dec 2018
	$'000	$'000
Trade payables	17,293	39,328
Nigerian Petroleum Development Company (NPDC)	2,906	32,643
National Petroleum Investment Management Services (NAPIMS)	-	9,073
Accruals and other payables	172,691	173,604
Pension payable	417	350
NDDC levy	14,007	1,124
Royalties payable	30,452	28,443
	237,766	284,565

24.1. Accruals and other payables

Included in accruals and other payables are field-related accruals of $121 million (Dec 2018: $73 million) and other vendor payables of $51 million (Dec 2018: $101 million). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

24.2. NPDC payables

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

25. Contract liabilities

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

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

25.1. Reconciliation of contract liabilities

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

Notes to the interim condensed consolidated financial statements continued

26. Computation of cash generated from operations

	Notes	9 months ended 30 Sept 2019 $'000	9 months ended 30 Sept 2018 $'000
Profit before tax;			
Continuing operations		184,810	212,680
Discontinued operations	12.1	3,182	25
Adjusted for:			
Depletion, depreciation and amortisation		70,940	93,485
Depreciation of right-of-use assets		2,267	-
Interest on bank loan	14	29,358	54,150
Interest on lease liabilities	14	398	-
Interest on advance payments for crude oil	14	-	1,730
Unwinding of discount on provision for decommissioning liabilities	14	3,051	2,185
Finance income	14	(9,169)	(6,705)
Fair value (gain)/loss on contingent consideration	13	(18,489)	4,530
Unrealised fair value loss on derivatives	13	8,396	-
Unrealised foreign exchange gain	9	-	679
Share based payments expenses		10,001	7,890
Defined benefit expenses		1,826	206
Impairment/(reversal) of impairment loss on trade and other receivables	11	40,136	(1,703)
Gain on deconsolidation of subsidiary	12.2	(2,620)	-
Share of profit from joint venture accounted for using the equity method	17	(742)	-
Changes in working capital (excluding the effects of exchange differences):			
Trade and other receivables		(101,821)	113,843
Net working capital on loss of control of subsidiary		150,233	-
Prepayments		(32,711)	-
Contract assets		4,948	(11,117)
Trade and other payables		(51,121)	(81,346)
Contract liabilities		5,932	-
Inventories		9,814	(4,232)
Restricted cash		(2,332)	-
Net cash from operating activities		306,287	386,300

27. Related party relationships and transactions

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

27.1. Related party relationships

The services provided by the related parties:

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

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

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

Notes to the interim condensed consolidated financial statements continued

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

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

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

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

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

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

The following transactions were carried by Seplat with related parties:

27.2. Related party relationships

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2018
Purchases of goods and services	$'000	$'000
Shareholders of the parent company		
SPDCL (BVI)	788	788
	788	788
Entities controlled by key management personnel:		
Contracts > $1million		
Nerine Support Services Limited	6,598	5,133
Montego Upstream Services Ltd	1,371	67
Stage Leasing Limited	1,451	1,138
Cardinal Drilling Services Limited	1,478	1,389
	10,898	7,727
Contracts < $1million		
Abbey Court Petroleum Company Limited	861	758
Charismond Nigeria Limited	9	71
Keco Nigeria Enterprises	332	47
Oriental Catering Services Limited	154	424
	1,356	1,300
Total	**13,042**	**9,815**

* Nerine charges an average mark-up of 7.5% on agency and contract workers assigned to Seplat. The amounts shown above are gross i.e. it includes salaries and Nerine's mark-up. Total costs for agency and contracts during the nine months ended 30 September 2019 is $6.6 million (2018: $5.1 million).

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

Notes to the interim condensed consolidated financial statements continued

27.3. Balances

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

	As at 30 Sept 2019	As at 31 Dec 2018
Prepayments / receivables	$'000	$'000
Entities controlled by key management personnel		
Cardinal Drilling Services Limited	6,347	4,869
Montego Upstream Services Limited	-	26
ResourcePro Inter Solutions Limited	-	-
	6,347	4,895

	As at 30 Sept 2019	As at 31 Dec 2018
Payables	$'000	$'000
Entities controlled by key management personnel		
Keco Nigeria Enterprises	-	61
Oriental Catering Services Ltd	-	47
Abbey Court Trading Company Limited	-	28
6harismond Nigeria Limited	-	1
Stage Leasing Limited	-	43
	-	180

The outstanding balances payable to/ receivable from related parties are unsecured and are payable/receivable in cash.

28. Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities is $1.2 million (Dec 2018: $2.4 million). The contingent liability for the period ended 30 September 2019 is determined based on possible occurrences though unlikely to occur. No provision has been made for this potential liability in these financial statements. Management and the Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

29. Dividend

The Board has proposed an interim dividend of $0.05 (2018: $0.05) per share. The aggregate amount of the proposed dividend expected to be paid out of retained earnings but for which no liability has been recognised in the financial statements is $29.4 million (2018: $29.4 million).

30. Events after the reporting period

On 15 October 2019, the Group announced its plans to acquire Eland Oil and Gas Plc. The main asset of Eland Oil and Gas Plc is Oil Mining Lease 40 located in the Niger Delta.

It was disclosed in the notice published by the Group that both companies had reached an agreement on the terms of the acquisition. The financial effects of this transaction have not been recognised at 30 September 2019 as the acquisition has not completed.

31. Changes in accounting policies

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

Leases

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

Notes to the interim condensed consolidated financial statements continued

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

From 1 January 2019, on adoption of IFRS 16, leased assets are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group is also recognised. The Group elected to use the transition practical expedient which allows the standard to be applied to contracts that were previously identified as leases under IAS 17 (Leases) and IFRIC 4 (Determining whether an arrangement contains a lease) at the date of initial application.

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

Lease liabilities

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

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

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

Right-of-use assets

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

Short-term leases and leases of low value

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

31.1. Impact of adoption

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

Notes to the interim condensed consolidated financial statements continued

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

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

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

31.2. Impact on financial statements

a) Impact on statement of financial position

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

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

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

Notes to the interim condensed consolidated financial statements continued

▪ Right-of-use assets

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

	$'000
Opening balance as at 1 January 2019	-
Effect of initial application of IFRS 16	13,737
Adjusted opening balance as at 1 January 2019	13,737
Additions during the year	286
Less: depreciation for the period	(2,267)
Closing balance as at 30 September 2019	11,756

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

	As at 30 Sept 2019	As at 1 Jan 2019
	$'000	$'000
Office buildings	11,756	13,737
Right-of-use assets	11,756	13,737

▪ Lease liabilities

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

	$'000
Total undiscounted operating lease commitment as at 31 December 2018	9,316
Lease liability as at 1 January 2019	6,972
Additions during the year	204
Add: interest on lease liabilities	398
Closing balance as at 30 September 2019	7,574

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

Short term leases relate to leases of residential buildings, car parks and office building with contractual lease term of less than or equal to 12 months at the date of initial application of IFRS 16. At the end of the reporting period, rental expense of $0.9 million was recognised within general and administrative expenses for these leases. The Group's future cash outflows from short term lease commitments at the end of the reporting period is $48.3 million.

The Group's lease payments for drilling rigs are classified as variable lease payments. The variability arises because the lease payments are linked to the use of the underlying assets. These variable lease payments are therefore excluded from the measurement of the lease liabilities. At the end of the reporting period, there was no rental expense recognised within cost of sales for these leases. The expected future cash outflows arising from variable lease payments is estimated at $48.3 million.

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

	As at 30 Sept 2019	As at 1 Jan 2019
	$'000	$'000
Non-current	7,574	6,196
Current	-	776
Lease liability	7,574	6,972

Notes to the interim condensed consolidated financial statements continued

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

	9 months ended 30 Sept 2019	3 months ended 30 Sept 2019
	$'000	$'000
Depreciation expense	(2,267)	(731)
Operating profit	(2,267)	(731)
Finance cost	(398)	(134)
Profit for the period	(2,665)	(865)

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

	9 months ended 30 Sept 2019	3 months ended 30 Sept 2019
	$'000	$'000
Depreciation of right-of-use assets	2,267	731
Interest on lease liabilities	398	134
Net cash flows from operating activities	2,665	865

d) Sensitivity to purchase options

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

	Effect on profit before tax	Effect on profit before tax
	9 months ended 30 Sept 2019	3 months ended 30 Sept 2019
Impact of purchase option	$'000	$'000
Depreciation	1,358	453
Interest expense	(1,772)	(591)
	(414)	(138)

	30 Sept 2019
	Effect on net assets
Impact of purchase option	$'000
Right-of-use assets	31,251
Lease liability	(33,621)
	(2,370)

e) Impact on segment assets and liabilities

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

Notes to the interim condensed consolidated financial statements continued

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	$'000	$'000	$'000
Segment assets:			
Oil	1,593,582	11,756	1,605,338
Gas	936,153	-	936,153
	2,529,735	11,756	2,541,491
Segment liabilities:			
Oil	438,207	7,574	445,781
Gas	329,411	-	329,411
	767,618	7,574	775,192

f) Impact on earnings per share

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

	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019	9 months ended 30 Sept 2019
	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	$'000	$'000	$'000
Profit for the period	187,263	(2,665)	184,598
Earnings per share for profit attributable to the equity shareholders:			
Basic earnings per share	0.32	(0.00)	0.32
Diluted earnings per share	0.31	(0.00)	0.31

	3 months ended 30 Sept 2019	3 months ended 30 Sept 2019	3 months ended 30 Sept 2019
	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	$'000	$'000	$'000
Profit for the period	63,531	(865)	62,666
Earnings per share for profit attributable to the equity shareholders:			
Basic earnings per share	0.11	(0.00)	0.11
Diluted earnings per share	0.11	(0.00)	0.11

g) Impact on deferred taxes

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

General information

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

Company secretary	Edith Onwuchekwa
Registered office and business address of directors	16a Temple Road Ikoyi Lagos Nigeria.
Registered number	RC No. 824838
FRC number	FRC/2015/NBA/00000010739
Auditors	Ernst & Young (10th & 13th Floor), UBA House 57 Marina Lagos, Nigeria.
Registrar	DataMax Registrars Limited 2c Gbagada Expressway Gbagada Phase 1 Lagos Nigeria.
Solicitors	Olaniwun Ajayi LP Adepetun Caxton-Martins Agbor & Segun (“ACAS-Law”) White & Case LLP Herbert Smith Freehills LLP Freshfields Bruckhaus Deringer LLP Norton Rose Fulbright LLP Chief J.A. Ororho & Co. Ogaga Ovrawah & Co. Consolex LP Banwo-Ighodalo Latham & Watkins LLP J.E. Okodaso & Company O. Obrik. Uloho and Co. V.E. Akpoguma & Co. Thompson Okpoko & Partners G.C. Arubayi & Co. Chukwuma Chambers Abraham Uhunmwagho & Co Walles & Tarres Solicitors Streamsowers & Kohn
Bankers	First Bank of Nigeria Limited Stanbic IBTC Bank Plc United Bank for Africa Plc Zenith Bank Plc Citibank Nigeria Limited Standard Chartered Bank HSBC Bank