Audited results for the year ended 31 December 2021

28 February 2022

Reliable energy,
limitless potential

Lagos and London, 28 February 2022: Seplat Energy Plc ("Seplat Energy" or "the Company"), a leading Nigerian independent energy company listed on both the Nigerian Exchange Limited and the London Stock Exchange, announces its audited results for the full year ended 31 December 2021.

Operational highlights

- Strong safety record extended, 28 million hours without LTI from Seplat Energy operated assets
- Delivered robust performance against challenging year for Nigerian oil & gas industry
- Working interest production averaged 47,693 boepd, impacted by August and December FOT shut ins
- Completed nine wells: five oil and four gas wells
- Eland's OML 40: four wells drilled at a total gross cost of US$60million, now delivering 15.5 kbopd (gross)
- Sibiri exploration on OML40 drilled to TD in February with initial indications it has encountered eight oil bearing reservoirs with 353 ft of gross hydrocarbon pay, net pay of 229 ft; further data acquisition and analysis are underway

Financial highlights

- Revenues up 38% to $733 million ($747 million including $14 million underlift)
- Adjusted EBITDA up 40% to $372 million,
- Strong cash generation of $394 million against capex of $137 million (excluding cost of rig acquisitions)
- Strong balance sheet with $341 million cash at bank, net debt of $426 million and
- Q4 dividend of US2.5 cents per share recommended

Corporate updates

- Name changed to Seplat Energy to reflect evolving strategy
- Proposed $1.28 billion MPNU acquisition adds transformational shallow water portfolio with dedicated export routes
- AEP mechanically completed in January, hydrocarbons introduced into line as part of commissioning process, commercial agreements to enable production into terminal being finalised; injection expected in March
- ANOH project mechanical completion expected H2 2022 (84% complete at present, all materials in country), however delays to third-party spur line likely to delay first gas to H1 2023
- Related party transactions eliminated from 1 January 2022

Outlook for 2022 (excluding MPNU)

- Production guidance of 50-60 kboepd, capex expected to be $160 million
- MPNU next steps: focus on government approvals and transition planning, completion expected H2

Roger Brown, Chief Executive Officer, said:

"Seplat Energy announced a major acquisition last week and despite a challenging year for Nigerian oil and gas, the robust results delivered today clearly show how our increasing financial strength has made such an acquisition possible, without the need to dilute shareholders, by giving international financial partners the confidence to invest in our vision.

The addition of MPNU nearly trebles our production and doubles our reserves on a pro forma 2020 basis, reinforcing our leadership of Nigeria's indigenous energy sector and enabling us to generate strong future cash flows that will underpin our investment in Nigeria's energy transition and improve our overall stakeholder returns.

Our 2021 performance was affected by outages at Forcados Terminal that will no longer have such an impact when we switch to the new Amukpe-Escravos Pipeline, which we expect to launch in March. This is part of our strategy to diversify and derisk routes to market, assuring higher revenues from significantly better uptime and lower reconciliation losses. Furthermore, once we have completed our acquisition of MPNU, we will add significant production from offshore assets with dedicated export terminals that also have higher availability and lower reconciliation losses.

The addition of MPNU offers a significant undeveloped gas resource base which, alongside our ANOH gas project development, will underpin Nigeria's energy transition and drive domestic and export revenues when developed.

Our financial strength is matched by the skills and ambitions of our staff and we look forward to welcoming more than a thousand highly trained colleagues from MPNU and working with them to ensure their smooth onboarding into Seplat Energy. Together we will build a sustainable, world-class company that generates attractive returns for stakeholders and delivers energy transition for one of the world's largest and most rapidly growing populations."

Summary of performance

	$ million			₦ billion	
	FY 2021	FY 2020	% change	FY 2021	FY 2020
Revenue	733.2	530.5	38.2%	293.6	190.9
Gross profit	285.2	124.6	128.9%	114.2	44.8
Impairment of assets *	36.6	(144.3)	125.4%	14.6	(51.9)
EBITDA **	371.8	265.8	39.9%	146.8	95.7
Operating profit (loss)	250.7	(31.7)	890.9%	100.4	(11.4)
Profit (loss) before tax	177.3	(80.2)	321.1%	71.0	(28.9)
Cash generated from operations	394.3	329.4	19.7%	157.9	118.6
Working interest production (boepd)	47,693	51,183	(6.8)%		
Average realised oil price ($/bbl)	70.54	39.95	76.6%		
Average realised gas price ($/Mscf)	2.85	2.87	(0.7)%		

* FY 2021 includes reversal of $74.7m impairment charge under IAS 36; FY 2020 includes $114.4m impairment charge under IAS36

** Adjusted for impairment, fair value loss and decommissioning

Responsibility for publication

The person responsible for arranging the release of this announcement on behalf of Seplat Energy is Emeka Onwuka, CFO Seplat Energy Plc.

Signed:

Mr. Emeka Onwuka

Chief Financial Officer

Important notice

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

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

Investor call

At 09:00 GMT / 10.00 WAT on Monday 28 February 2022, the Executive Management team will host a conference call and webcast to present the Company's results.

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

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

Event title:	Seplat Energy Plc: Full year results
Event date	9:00am (London) 10:00am (Lagos) Monday 28 February 2022
Webcast Live Event Link	https://secure.emincote.com/client/seplat/seplat012
Conference call and pre-register Link:	https://secure.emincote.com/client/seplat/seplat012/vip_connect
Archive Link:	https://secure.emincote.com/client/seplat/seplat012

The Company requests that participants dial in 10 minutes ahead of the call. When dialling in, please follow the instructions that will be emailed to you following your registration.

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Notes to editors

Seplat Energy Plc is Nigeria’s leading indigenous energy company. It is listed on the Nigerian Exchange Limited (NGX: SEPLAT) and the Main Market of the London Stock Exchange (LSE: SEPL).

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

Operating review

HSE performance

Safe and responsible operations are critical to the delivery of Seplat Energy's strategy. Staff and contractors worked a total of 8.0 million man-hours with no fatalities, lost-time injuries, or major injuries in the period.

The Company has achieved 28 million hours without LTI on its operated assets. There were 88 HSE incidents in total, compared to 107 in 2020, including two reportable spills and six gas leaks, all of which were remediated with limited environmental impact. The Group established appropriate processes and safeguards for its people and operations against Covid-19.

By the end of December, we had conducted 14,319 Covid-19 tests, with a positivity rate of 3.3%. We have a vaccination policy for Covid-19 management and continue to enforce all Covid-19 control protocols at our field operations and offices, with no major Covid-19 related incidents.

Reserves

Seplat Energy's portfolio comprises direct interests in seven oil and gas blocks and a revenue interest in one other block. This portfolio provides us with a robust platform of oil and gas reserves and production capacity, as well as material upside opportunities to add reserves through future development.

Working interest reserves for the 2021 financial year

		2P reserves at 31/12/2021			2P reserves at 31/12/2020		
		Liquids[1]	Gas	Total	Liquids	Gas	Total
	Seplat %	MMbbl	Bscf	MMboe	MMbbl	Bscf	MMboe
OMLs 4, 38 & 41	45%	144	651	256	156	693	275
OPL 283	40%	5	68	17	5	66	17
OML 53	40%	39	660	153	44	742	172
OML 55	Fin. interest	4	-	4	5	0	5
OML 40	45%	25	-	25	27	0	27
Ubima	82%	2	-	2	4	0	4
Total		219	1379	457	241	1501	499

1. Eland has a 45% working interest in OML40 until the Westport loan is fully repaid in accordance with the loan agreement, reverting to 20.25%.
2. Eland has an 82% Working Interest in the Ubima marginal field until the carry has been reached, reverting to 40%.

At 31 December 2021, total working interest 2P reserves, as assessed independently by Ryder Scott Company, L.P., stood at 457.1 MMboe, comprising 219.2 MMbbls of oil and condensate and 1,379.4 Bscf of natural gas (237.8 MMboe). The change represents an organic decrease in overall 2P reserves of 8.4% year-on-year, due to production of 10.6 MMbbls of liquids and 39.3 Bscf of gas, and reclassification and revisions of previous estimates.

		2C resources at 31/12/2021			2C resources at 31/12/2020		
		Liquids[1]	Gas	Total	Liquids	Gas	Total
	Seplat %	MMbbl	Bscf	MMboe	MMbbl	Bscf	MMboe
OMLs 4, 38 & 41	45%	28	162	56	48	167	77
OPL 283	40%	4	21	8	4	21	8
OML 53	40%	4	14	6	3	15	6
OML 40	45%	3	0	3	3	0	3
Ubima	82%	2	0	2	1	0	1
Total		41	197	75	60	203	95

Working interest 2C resources stood at 74.9 MMboe, comprising 40.9 MMbbls of oil and condensate and 197.1 Bscf of natural gas compared to 94.8 MMboe in 2020. The 21.1% decrease is mostly due to the inability to prove producibility in Mosogar following the unsuccessful Drill Stem Test (DST). Consequently, the Group's working interest 2P reserves and 2C resources stood at 531.9 MMboe at 31 December 2021, comprising 260.1 MMbbls oil and condensate and 1,576.5 Bscf of natural gas (197 MMboe).

Production

Our oil and gas assets are in the onshore land and swamp areas of the prolific Niger Delta in Nigeria. Principal areas of production are Edo, Delta, Imo and Rivers States with evacuation for export through the Forcados, Bonny and Brass oil terminals. Seplat Energy has significant opportunities within its reserves base to grow production and extend field life through infill drilling, well intervention programmes, and innovation through technology deployment.

Working interest production for the 2021 financial year

		2021			2020		
		Liquids[1]	Gas	Total	Liquids	Gas	Total
	Seplat %	bopd	MMscfd	boepd	bopd	MMscfd	boepd
OMLs 4, 38 & 41	45.0%	18,243	107.9	36,844	21,249	101	38,718
OPL 283	40%	1,012	-	1,012	970	-	970
OML 53	40%	3,164	-	3,164	2,639	-	2,639
OML 40	45%	5,923	-	5,923	7,884	-	7,884
Ubima	82%	749	-	749	971	-	971
Total		29,091	107.9	47,693	33,714	101	51,183

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

Full-year total working interest production for 2021 averaged 47,693 boepd. Within this, liquids production was down 13.7% year-on-year. Delays in replacing the MT Harcourt storage vessel on OML40 reduced exports from the asset in the first quarter of 2021. In addition, volumes were impacted by decreased production from the Western Assets owing to the disruption caused by the suspension of exports at the Forcados Oil Terminal (FOT) for significant periods in the year. The impact of unplanned downtime in the second half of the year amounted to a deferment of working interest production of c.1.0 MMbbls of oil from OMLs 40, 4, 38 and 41. There was a 75% production uptime for the Trans Forcados System during the year. The impact of future FOT outages will be alleviated by our use of the new Amukpe-Escravos Pipeline, the launch of which is imminent following mechanical completion and introduction of hydrocarbons, with only commercial agreements pending.

Gas volumes were up 6.9% year-on-year to 107.9 MMscfd.

Drilling activities

During the period, we drilled and completed eight wells, with an additional well completed early January 2022.

In OML 4 we completed the Oben-50 and Oben-51 gas wells, which are now producing at a combined gross rate of c. 60 MMscfd of gas and 4,000 bpd of condensates. We also completed the workover of Oben-44 and 46 gas wells in the fourth quarter with combined gross production rate of 70 MMscfd and 1,200 bpd.

In OPL 283, the Umuseti-07 well was successfully completed in August and is producing ca.2,000 bopd gross.

The three-well Gbetiokun drilling campaign was completed ahead of schedule with cost savings of 25%, achieved through efficient execution, underpinned by the optimisation of drilling parameters and logistics. The wells were drilled in tandem and batch drilled. The Gbetiokun-06, 07 and 08 wells have commenced production, with gross production of approximately 12,000 bopd combined. An additional well, Gbetiokun-09, was drilled in December 2021, hooked up in January 2022 and is producing approximately 3,500 bopd gross. Given the strong production of the new Gbetiokun wells, we deployed a larger evacuation vessel, MT Hampden, in November to improve evacuation of crude.

Project activities associated with preparation for drilling the high-impact, near-field Sibiri (formerly Amobe) exploration well in OML 40 were completed in 2021 and the well was drilled in Q1 2022. The well has been drilled to TD, with initial indications it has encountered eight oil-bearing reservoirs with 353 ft of gross hydrocarbon pay, net pay of 229 ft. Further data acquisition and analysis on the well is underway.

Despite persistent adverse weather, we progressed preparation of the Owu appraisal well in OML 53. However, the two wells (OHS KBAM1 and Owu appraisal) planned for OML 53 in 2021 were deferred to 2022 due to partner recommendation and rig contracting challenges.

We continue to exercise discretion over drilling investments and selectively consider opportunities in our existing portfolio with a view to capturing the highest cash return investment opportunities, whilst diligently preserving a liquidity buffer.

Focus on asset integrity

At the core of Seplat Energy's operations is a focus on asset integrity, process safety and maintenance culture, to ensure and improve the safety, reliability, and availability of our facilities. This also promotes higher revenue assurance. We are making progress towards an ISO 55001 Certification with full implementation of the ISO standards by 2023. As defined in our July 2021 Capital Markets Day (CMD), and as part of our commitment to continuous improvement, Seplat Energy's goal through various initiatives is to reduce deferment by c.120kbbl annually, which will increase revenue assurance and profitability.

Other capital projects

As indicated in our CMD, we initiated projects targeting cost reduction that are also expected to increase production in the long term.

At OML 4, 38 and 41, we decommissioned the leased pumps at Amukpe and started the installation of seven NOV pumps. The pump replacements will reduce deferment of crude oil and improve produced water disposal. We undertook a delivery line re-routing project for the Sapele-Amukpe pipeline to reduce the risk of pipeline failure on the heavily encroached right of way and extended the life span of the pipeline. We completed and secured 5.1 km of the re-routed section and are reviewing tie-in options.

The optimisation of the Jisike Flow Station Debottlenecking and Gaslift Compressor Station commenced in the period to provide lift gas for secondary recovery of crude oil from existing weak wells. This includes an upgrade of the capacity of the flowstation from 10 kbpd to 15 kbpd to handle future increased production from the asset and a 6 MMscfd associated gas (AG) compressor station to optimise gas lifting of oil wells and reduce flaring.

Oil business performance

Seplat Energy's liquids (oil and condensate) operations produced 10.6 MMbbls on a working interest basis in 2021 (2020: 12.3 MMbbls). The average realised price per barrel in the period was $70.54 (2020: $39.95), following a recovery of Brent prices on the receding threat from the Covid-19 pandemic and the resultant return of global economic activity.

The lower-than-expected oil production for the year was primarily due to the curtailment of production and suspension of export operations from OMLs 4, 38, 41 and 40, after Shell Petroleum Development Company Limited (SPDC) declared a month-long force majeure at the Forcados Oil Terminal (FOT) on 13 August because of a failure of the loading buoy at the FOT. This was exacerbated by a 12-day shut in of the flow stations due to technical fault at the FOT in December. Previously, delays in siting a new storage vessel at OML 40 to replace the MT Harcourt, which was damaged in November 2020, resulted in significantly lower volumes in the first quarter.

In December 2020, Seplat Energy signed a Crude Purchase Agreement (CPA) with Waltersmith Petroman Oil Limited (Waltersmith) for the supply of between 2,000 and 4,000 bopd from existing working interest production from the Ohaji South Field within OML 53, for Waltersmith's 5,000 bopd modular refinery at Ibigwe, in Imo State. We commenced the supply of 2,000 bopd to the Waltersmith Refinery in October with 172 kbbls supplied during 2021 and no pipeline losses recorded.

OPEC+ quotas

During the period, Nigeria's quota stood at 1.6 million barrels per day, excluding condensates. However, the country's production has trended below allocated production, largely because of downtime on major pipelines, crude oil theft and several operational challenges leading to production capacity constraints in the assets. Seplat's OPEC quota is currently 68,554 bopd for the Western Assets and 13,007 bopd for the Eastern Assets. Seplat has lifted below the OPEC quota for the past 6 months due to the reasons highlighted above. Following its July meeting, OPEC+ agreed an increased oil output of 1.8 million bopd for Nigeria, which restores all the production cuts imposed when the Covid-19 pandemic started in 2020. The new quota, which excludes condensates, will take effect in 2022.

Amukpe-Escravos pipeline commissioning

Following the introduction of hydrocarbons into the pipeline in December 2021 as part of the start-up and testing process, mechanical completion has now been achieved and we are finalising crude handling and offtake agreements to enable flowing of oil into the Escravos terminal, expected in March. Oil Lifting from the terminal will be undertaken by the terminal operator - Chevron, expected in Q2.

The 67km, mostly underground pipeline, provides a reliable and secure export route for liquids from Seplat Energy's major assets OML 4, 38 and 41, connecting them with the Chevron-operated Escravos Terminal. Until now, we have relied on the Trans Forcados System, which has experienced numerous disruptions due to maintenance and vandalism. The Amukpe-Escravos pipeline has a capacity of 160,000 bpd, into which the Seplat Energy / NPDC joint venture is entitled to inject 40,000 bpd.

Including the Warri Refinery, Seplat Energy now has access to three independent export routes for production from OMLs 4, 38 and 41. It is our intention to utilise all three to ensure there is adequate redundancy in evacuation routes, reducing downtime that has adversely affected revenues over a number of years, and significantly de-risking the distribution of products to market.

Gas business performance

Alongside the oil business, we have also prioritised the development and commercialisation of the substantial gas reserves identified in our assets, to pursue new market opportunities. Today, Seplat Energy is a leading supplier of processed natural gas to the Nigerian domestic market, which is independent of global oil and gas market dynamics. With 100% of volumes dedicated to supplying key demand centres within the domestic market, our customers include power generation companies and the National Gas Marketing and Distribution Company, which serves the power generation, industrial and agricultural sectors. Seplat Energy is therefore strategically important to the security of Nigeria's current and future gas supply.

Seplat Energy maintained a reliable and increased gas supply to customers during the year. Working interest gas production for the period was 107.9 MMscfd at an average selling price of $2.85/Mscf (2020: 101 MMscfd, $2.87/Mscf). The Gas business contributed 41.2% of the Group's volumes on a boepd basis.

Gas pricing

The price of gas for power generation (Domestic Supply Obligation), which accounts for about 30% of our gas volumes, was reduced from $2.50/Mscf to $2.18/Mscf in July 2021 (implemented in August 2021) following a review of the gas pricing framework by the Federal Government (FGN). As part of the process to stabilise the sector, the Government has taken various measures to address challenges with domestic gas utilisation as well as pricing and fiscal policy issues limiting adoption. It is expected that the lower gas price will translate to a reduced electricity tariff for the end consumer and will improve collection for the entire value chain, as well as stimulate growth in demand.

The regulated Domestic Supply Obligation (DSO) gas-to-power price of $2.18/Mscf is expected to remain until a transition to a 'willing buyer/willing seller' regime in 2023 (latest 2025) for a fully deregulated market. We have assessed the business and economic impact of the price reduction on Seplat Energy's gas portfolio and this price review will result in a temporary reduction of the average weighted gas price to around $2.7/Mscf in 2022. With the FGN's "Decade of Gas" programme promoting gas as Nigeria's transition fuel towards Net Zero, we are confident of the growth of gas demand and a corresponding adjustment in the pricing regime.

Oben Gas Plant

Despite the impact on oil volumes following the *force majeure* at the Forcados Oil Terminal in the third quarter, disruption to gas volumes was minimal because the associated condensate volumes were stored in the Amukpe buffer tanks, ensuring continuity of gas production. However, our Associated Gas (AG) station units were put on standby due to FOT outage.

To ensure the delivery of on-specification gas to our customers, we completed the installation of heat exchanger trains 1 and 2; piping installation works on heat exchangers 3, 4 and 5 are ongoing with commissioning expected in the first quarter of 2022.

Additional third-party volumes

Seplat Energy is focused on developing third-party gas processing opportunities that can utilise the remaining processing capacity at Oben. Securing additional volumes from counterparties will secure long-term supplies of raw natural gas from which we can optimise the plant's utilisation and generate tolling revenues. We progressed discussions with targeted third-party gas producers during the year and expect to conclude terms shortly.

Sapele Gas Plant

Work continues on the new Sapele Gas Plant with project progress at 45%. Upon completion, the processing capacity will be 85 MMscfd. The upgraded facility will produce gas that meets export specifications, and the LPG processing unit module will enhance the economics of the plant, as well as ensure that gas flaring is eliminated.

ANOH Gas Processing Plant

We have made good progress on the ANOH plant but have seen some delays in shipments and releasing equipment from the ports. To date, we have achieved 84% overall project completion at the gas plant site. Our government partner, the Nigerian Gas Company, (NGC) is delivering the pipelines that will take the gas from ANOH to Oben, namely the 23km spur line and the Obiafu-Obrikom-Oben (OB3) pipeline.

The OB3 pipeline project has seen a number of failed attempts to complete the 1.85km river crossing, which is needed to complete the pipeline. However, the latest contractor is making progress and the HDD drilling stands at 20% complete. We do not anticipate the OB3 pipeline to delay the completion of the overall ANOH project.

The Spur Line project has seen significant delays due to contracting issues and payments. We have been informed that the milling of the line pipes, which is being undertaken in China, will now commence in Q2 and therefore will not arrive Nigeria until later this year. The latest schedule provided by NGC shows completion in Q4 2022 / Q1 2023.

We had earlier communicated a first gas date by mid-year 2022, but based on our current risking, we now expect further delays of between 9-12 months to the original timeline, with the spur line expected to be the last piece of infrastructure delivered.

The upstream development, including the drilling of six production wells, will be delivered by the upstream unit operator SPDC. We expect that the two wells on which drilling commenced in 2021 will be completed this year.

Located at OML 53 (in a unitised field between Seplat JV's OML 53 and SPDC JV's OML 21), the ANOH Gas Processing Plant development will drive the next phase of growth for Seplat Energy's core Midstream Gas business. The 300 MMscfd midstream gas processing plant is the most advanced of the FGN's seven critical gas projects and is central to the National Gas Master Plan to develop and expand the indigenous domestic gas market for additional power and industrial projects.

The ANOH plant is being built by AGPC, which is an Incorporated Joint Venture (IJV) owned equally between Seplat Energy and the NGC, a wholly owned subsidiary of the Nigerian National Petroleum Corporation ("NNPC"). In February 2021, AGPC successfully raised $260 million in debt to fund the completion of the ANOH project. The project is now fully funded following completion of equity investments of $210 million by each partner ($420 million combined). The plant construction cost is expected to be no more than $650 million, inclusive of financing costs and taxes, which is significantly lower than the original projected cost at Final Investment Decision (FID) of $700 million.

Net Zero by 2050

Seplat Energy supports the goals of the Paris Agreement and is in step with society's objective to get the world to net zero carbon emissions by 2050, if not before. Around 90% of the Company's Scope 1 and 2 emissions come from flaring of associated gas. Through investments in decarbonisation projects over the next two years, we plan to focus on maximising gas-to-grid options, which will capture and monetise gas for productive use, drive LPG production and put the Group on track to end routine flaring by 2024.

Aside from ending routine flares, we are investing in other ways to decarbonise our operations such as replacing diesel with LPG or LNG and onsite solar energy generation. Longer-term, as part of Nigeria's energy transition, we will selectively target opportunities in solar energy projects, which alongside our gas-to-power developments, will be critical to providing an alternative to Nigeria's expensive and extensive diesel generated electricity.

Outlook and plans for 2022

Full-year production guidance for 2022 is set at 50,000 to 60,000 boepd on a working interest basis, comprising 30,000 to 35,000 bopd liquids and 116 to 150 MMscfd (20,000 to 25,000 boepd) gas production. This guidance does not include any contribution from MPNU and the ANOH Gas Plant.

We expect production uptime of 75% for evacuation through the TFS and 90% for evacuation via the AEP, the latter being our preferred export route from OMLs 4, 38, & 41.

Capital expenditure for 2022 is expected to be around $160 million. We expect to drill a minimum of ten wells, including the Sibiri exploration well and one appraisal well, complete ongoing projects, invest in maintenance capex to secure the existing assets and continue investments in gas. The 2022 drilling programme is designed to address production decline and along with completion of maintenance activities, will support long-term production levels from the assets. With the recovery in oil prices, rig-based and other project activities activity will ramp-up in 2022.

Facilities and engineering projects will focus on delivery of an upgraded integrated gas processing facility at Sapele and further upgrades to the liquid treatment facility to enable increased deliveries of dry crude. Towards our goal to end routine flaring by 2024, we will focus on Oben, Amukpe, Sapele & Jisike end of routine flaring projects, which will capture and monetise gas for productive use.

In OML 53, in addition to drilling, we plan to complete the Jisike flow station debottlenecking and gaslift compressor station and installation of the Ohaji South Lease Automatic Custody Transfer (LACT) Unit.

For the non-operated assets, in OML 40, in additional to the drilling plans, facilities and engineering work will focus on the Gbetiokun facilities upgrade to optimise the Gbetiokun barging operations; whilst we complete all front-end activities for the Gbetiokun to Adagbasa pipeline which will replace the barging of the produced crude. In OPL 283, we have planned one gas well re-entry for production testing and the Igbuku gas plant design (FEED). The delivery of the 2022 workplan will be underpinned by a strong commitment to safety, asset integrity, GHG emissions reduction and operational excellence.

Financial review

Revenue and other income

Revenue from oil and gas sales in 2021 was $733.2 million, a 38.2% increase from the $530.5 million achieved in 2020.

Crude oil revenue was $618.4 million (2020: $417.9 million), 48.0% higher than 2020, largely reflecting higher average realised oil prices of $70.54/bbl for the period (2020: $39.95/bbl). The total volume of crude lifted in the year was 8.8 MMbbls, lower than the 10.5 MMbbls lifted in 2020, due to the decrease in production following the suspension of exports at the FOT. In addition, the Group's 2021 produced liquid volumes were subject to reconciliation losses of 14.5%, compared to less than 10% in the corresponding period in 2020. We expect these to improve significantly when we evacuate the bulk of our crude through the Amukpe-Escravos underground pipeline.

Gas sales revenue increased by 2.0% to $114.8 million (2020: $112.5 million), due to higher gas sales volumes of 39.4 Bscf compared to 37.1 Bscf in 2020, which reflects new gas wells coming onstream during the period. The average realised gas price was slightly lower, at $2.85/Mscf (2020: $2.87/Mscf) and reflects the reduction applied to the DSO gas-to-power volumes from August 2021.

Other income of $20.1 million includes an underlift $13.9 million (shortfalls of crude lifted below Seplat's share of production, which is priced at the date of lifting and recognised as other income) representing 152 kbbls and $5.2 million tariff income generated from the use of the Company's pipeline. In addition, there was a $5.4 million reversal of decommissioning obligation no longer required for Eland operations in the period.

Gross profit

Gross profit increased by 128.9% to $285.2 million (2020: $124.6 million). The non-production costs primarily consisting of royalties and DD&A totalled $270.9 million, compared to $228.9 million in the prior year. The higher royalties were the result of higher oil prices, and the DD&A charge for oil and gas assets increased to $141.1 million (2020: $127.5 million), because of a higher depletion rate applied following a reclassification and revision of previous 2P estimates compared to the prior year.

Direct operating costs, which include crude-handling fees, rig-related costs and operations and maintenance costs amounted to $172.1 million in 2021, 2.6% higher than $167.7 million in 2020. The increase was primarily because of the higher operational and maintenance costs of $107.9 million that include unaccrued late charges of $13.8 million related to the OML 40 asset operated by NPDC. On a cost-per-barrel equivalent basis, production opex was higher at $9.9/boe (2020: $8.9/boe) due to the additional costs detailed above and the average working interest production reducing in 2021 compared to 2020. However, a continuous cost reduction drive for production evacuation from the Gbetiokun and Ubima fields resulted in a 26.4% reduction in barging and trucking costs, to $11.7 million (2020: $15.9 million).

IAS impairments reversal

As previously reported, under IAS 36 the Company identified the need to revalue its assets due to the significant economic uncertainty of the Covid-19 crisis in 2020 and booked a non-cash provision of $114.4 million across non-financial assets in the period. Following a reassessment of the business models and assumptions at the end of 2021, a reversal of $74.7 million was recognised to reflect the current and expected higher oil price environment.

Operating profit

The operating profit for the year was $250.7 million, compared to an operating loss of $31.7 million in 2020 (which resulted mainly from the $160.9 million impairment charges).

During the year, the Group recognised impairment losses totalling $38.1 million, which include financial asset charges of $22.6 million for outstanding receivables and non-financial asset charges of $15.2 million for the rigs. This was offset by the $74.7 million impairment reversal described above.

General and administrative expenses increased by 5.4% to $80.1 million (2020: $76.0 million) and reflect the increase in administrative activities across the business compared to the previous year, which was more heavily impacted by the Covid-19 pandemic and its associated reduction in activities.

An EBITDA of $371.8 million adjusts for non-cash items which include impairment, abandonment, and exchange losses, equating to a margin of 50.7% for the year (2020: $265.8 million; 50.1%).

Taxation

The income tax expense of $60.2 million reflects a higher assessable profit driven by higher accounting profit compared to the prior year, and represents an effective tax rate of 34% (2020: $5.1 million; 6%). The tax charge comprises a deferred tax charge of $22.6 million and a current tax charge of $37.6 million. The deferred tax charge is mainly driven by the unwinding of previously unutilised capital allowances.

Net result

The profit before tax was $177.3 million (2020: $80.2 million loss before tax) and profit for the year was $117.2 million (2020: $85.3 million net loss). The resultant basic earnings per share was $0.24 in 2021, compared to $0.13 basic loss per share in 2020.

Cash flows from operating activities

Cash generated from operations in 2021 was $394.3 million (2020: $329.4 million). Net cash flows from operating activities were $369.8 million (2020: $308.7 million), after accounting for tax payments of $12.9 million (2020: $10.4 million) and a hedge premium of $9.0 million ($8.4 million). Free cash flow for the period amounted to $200 million (2020: $163.9 million).

The Group received $235 million from the major JV partner towards the settlement of cash calls. The major JV receivable balance now stands at $83.9 million, down from $107.1 million at the end of 2020.

Cash flows from investing activities

Net capital expenditure of $136.4 million consisted of $37.7 million towards completing five development oil wells (Umuseti 07, GB-06, 07, 08, 09) and $26.3 million for completing two new gas wells (Oben 50, 51) and two workover wells (Oben 44, 46). Associated facilities and engineering costs amounted to $72.4 million. We realised significant cost savings from drilling in the period because of the relatively lower cost workover operations compared to new drills carried out for two Oben gas wells in addition the optimisation of drilling parameters and logistics applied in the execution of the Gbetiokun wells.

Payments for non-oil and gas assets amounting to $33.5 million relates to the net effect of consideration for the four Cardinal rigs at $36 million purchased in October 2021 and $3.5 million for spares classified as inventory. The rigs were funded out of already restricted funds (excluded from previous cash flow statements) held at Access Bank and the Federal High Court of Nigeria, as previously disclosed.

Seplat Energy received $4.9 million in the period through the allocation of 94.2 kbbls of crude oil from OML 55. Recovery in the period is below expectations and impacted by significant sabotage along the NCTL and TNP pipelines, with a theft factor of up to 60% recorded. The next lifting due to Seplat Energy is scheduled for March 2022 (previously December 2021 but delayed because of evacuation challenges) and we continue to work with BelemaOil to optimise production and sustain recovery of the remaining discharge amount. Out of $330 million to be paid to Seplat Energy, $129.9 million has been recovered with $200.1m outstanding.

Cash flows from financing activities

Net cash outflows from financing activities were $100.8 million (2020: $217.4 million). Proceeds from loans and borrowings of $671.0 million reflects the debt restructuring where the Group offered senior notes of $650 million. The gross proceeds of the notes were used to redeem the existing $350 million senior notes and to repay in full drawings of the $250 million RCF. It also reflects a further $10.0 million drawn from the Westport RBL facility and $11.0 million drawn on the $50 million off-take facility to support drilling operations at Elcrest. Payments for other financing charges, which include $20.4 million transaction costs on the debt facilities and interest paid on loans, totalled $89.6 million (2020: $65 million). The dividend payment for the period totalled $73.4 million (2020: $58.3 million), net of withholding taxes is $15.1 million higher because of timing of quarterly dividend distribution introduced in 2021.

A charge of $4.9 million relates to the share buy-back programme for Seplat Energy’s Long-Term Incentive Plan. The programme commenced on 1 March 2021 and shares are held by the Trustees under the Trust for the benefit of Seplat Energy employee beneficiaries covered under the Trust.

Liquidity

The balance sheet continues to remain healthy with a solid liquidity position.

Net debt reconciliation at 31 December 2021	$ million	Coupon	Maturity
Senior notes*	648.1	7.75%	April 2026
Westport RBL*	108.8	Libor+8%	March 2026
Off-take facility*	9.7	Libor+10.5%	April 2027
Total borrowings	766.6		
Cash and cash equivalents	340.5		
Net debt	**426.1**		

* including amortised interest

Seplat Energy ended the year with gross debt of $766.6 million (with maturities in 2026 and 2027) and cash at bank of $340.5 million, leaving net debt at $426.1 million. Liquidity, which includes the $350 million RCF available for drawing, a $39 million undrawn offtake facility plus the cash balance, was more than $700 million at the end of the period.

Dividend

In line with the quarterly dividend policy announced in 2021, Seplat distributed four dividend payments in 2021 and paid out $73.4 million. The Board has recommended a final dividend of US2.5 cents per share for the financial year 2021, which will bring the total dividend declared for 2021 to $0.10 per share (2020: $0.10 per share).

Subject to approval of shareholders, the recommended dividend will be paid shortly after the Annual General Meeting, which will be held in Lagos, Nigeria, on 18 May 2022.

Hedging

Seplat’s hedging policy aims to guarantee appropriate levels of cash flow assurance in times of oil price weakness and volatility. For 2021, the Group had in place dated Brent put options as follows: (i) for Q1, 1.0 MMbbls at a strike price of $30/bbl and 1.0 MMbbls at a strike price of $35/bbl; (ii) for Q2, 2.0 MMbbls at a strike price of $35/bbl; and (iii) for Q3, 1.0 MMbbls at a strike price of $35/bbl and 1.0 MMbbls at a strike price of $40/bbl. The $11.1 million hedging costs were recognised as fair value charges in the period.

This hedging programme has been continued in 2022 with put options for 5.0 MMbbls through Q3 2022 at an average premium of $1.41/bbl as follows: (i) for Q1, 1.0 MMbbls at a strike price of $50/bbl and 1.0 MMbbls at a strike price of $55/bbl; (ii) for Q2, 2.0 MMbbls at a strike price of $55/bbl; and (iii) for Q3, 1.0 MMbbls at a strike price of $55/bbl.

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

Credit ratings

Seplat maintains corporate credit ratings with Moody's Investor Services (Moody’s), Standard & Poor's (S&P) Rating Services and Fitch. The current corporate ratings are as follows: (i) Moody’s B2 (stable); (ii) S&P B (stable) and (ii) Fitch B (stable).

Elimination of related-party transactions

In our continuous efforts to promote world-class governance, all related-party transactions (RPT) were eliminated from 1 January 2022.

Petroleum Industry Act 2021

Nigeria's Petroleum Industry Bill was signed into law on 16 August 2021, shortly after the bill received legislative approval from both the Senate and the House of Representatives. The assent by the Executive enacts the Petroleum Industry Act, 2021 (PIA 2021) as the superseding policy to provide legal, governance, regulatory and fiscal frameworks for the Nigerian petroleum industry, the development of host communities, and related matters. The PIA 2021 also repeals existing Acts and makes transitional and savings provisions to accommodate instances of licensees that may choose not to convert until their current license expires.

We have reviewed the fiscal provisions of the Act, and a multi-disciplinary project team has been commissioned to review the impact of Seplat Energy business entering the new PIA regime, versus the benefits of remaining in the current fiscal regime until the expiry of our licenses. The analyses will be based on the life-cycle data of all the assets and the result of the review will inform management's decision on whether Seplat Energy converts to the PIA regime or remains in the current tax regime.

Climate change and financial disclosures

Seplat Energy Plc recognises that climate change and the decarbonisation of the global economy, within the context of the energy transition, present significant risks and opportunities to the company's strategy, operations, and financial planning, and to the delivery of long-term shareholder value. Accordingly, Seplat Energy will, in the near future:

1. Adopt climate change as a Principal Risk within the company's risk management framework; and

2. Carry out an assessment of the impact of climate change on the company's financial statements using scenario analysis as recommended by the Taskforce on Climate-related Financial Disclosures (TCFD). Seplat Energy aims to publish an inaugural TCFD-aligned report in mid-2022.

General information

Board of Directors		
Ambrosie Bryant Chukwueloka Orjiako	Chairman	Nigerian
Roger Brown	Chief Executive Officer	British
Emeka Onwuka	Chief Financial Officer	Nigerian
Effiong Okon	Operations Director	Nigerian
Austin Avuru	Non-Executive Director	Nigerian
Olivier Langavant	Non-Executive Director	French
Nathalie Delapalme	Non-Executive Director	French
Charles Okeahalam	Independent Non-Executive Director	Nigerian
Basil Omiyi	Senior Independent Non-Executive Director	Nigerian
Arunma Oteh, OON	Independent Non-Executive Director	Nigerian
Fabian Ajogwu, SAN	Independent Non-Executive Director	Nigerian
Bello Rabiu	Independent Non-Executive Director	Nigerian
Emma FitzGerald	Independent Non-Executive Director	British
Company Secretary	Edith Onwuchekwa	
Registered office and business Address of Directors	16A Temple road (Olu Holloway) Ikoyi, Lagos, Nigeria	
Registered number	RC No. 824838	
FRC number	FRC/2013/NBA/00000003660	
Auditor	PriceWaterhouseCoopers Landmark Towers, 5b Water Corporation Road Victoria Island, Lagos,	
Registrar	DataMax Registrars Limited 2c Gbagada Expressway Gbagada Phase 1, Lagos Nigeria	
Solicitors	Allen & Overy Stephenson Harwood Ashurst Slaughter & May Latham & Watkins Winston & Strawn Herbert Smith LLP Bracewell (UK) Aelex Odujinrin & Adefulu Templars Wole Olanipekun Aluko & Oyebode Udo Udoma & Belo-Osagie	

	Mike Igbokwe & Co. Olaniwun Ajayi LP ACAS Law Streamsowers & Kohn
Bankers	Citibank N.A., London Branch Nedbank Limited, London Branch The Standard Bank of South Africa Limited Rand Merchant Bank, a Division of FirstRand Bank Limited The Mauritius Commercial Bank Ltd. J.P. Morgan Securities Plc Standard Chartered Bank Natixis Societe Generale, London Branch Zenith Bank Plc United Bank for Africa Plc First City Monument Bank Limited

Report of the Directors

The Directors are pleased to present to the shareholders of the Company their report with the audited financial statements for the year ended 31 December 2021.

Principal activity

The Company is principally engaged in oil and gas exploration and production.

Operating results

	₦ million		$'000	
	2021	**2020**	**2021**	**2020**
Revenue	293,631	190,922	733,188	530,647
Operating profit(loss)	100,401	(11,418)	250,688	(31,716)
Profit before taxation (loss)	71,028	(28,872)	177,345	(80,209)
Profit for the year (loss)	46,931	(30,712)	117,176	(85,322)

Dividend

During the year, the Directors recommended and paid to members quarterly interim dividend of US2.5cents per share declared in April, July and October in line with the revised dividend distribution timetable.

In addition to this, the Board of Seplat is recommending a final dividend of US2.5 cents per share, which is subject to approval of shareholders, at the AGM which will be held on 18 May 2022 in Lagos, Nigeria.

Unclaimed dividend

The total amount outstanding at 31 December 2021 is $1,567,445.75 and ₦291,913,855.20.

A list of shareholders and corresponding unclaimed dividends is available on the Company's website: www.seplatenergy.com.

Changes in property, plant and equipment

Movements in property, plant and equipment and significant additions thereto are shown in Note 16 to the financial statements.

Rotation of Directors

In accordance with the provisions of Section 285 of the Companies and Allied Matters Act, 2020, one third of the Directors of the Company shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last election.

However, in accordance with Article 131 of the Company's Articles of Association, apart from the Executive Directors and Founding Directors, all other Directors are appointed for a fixed term. Upon expiration of the terms, they become eligible for re-appointment.

The Directors who are eligible for re-appointment this year are Mr. Basil Omiyi and Dr. Charles Okeahalam.

Board changes

Mr. Damian Dodo, SAN, and Lord Mark Malloch-Brown, both Independent Non-Executive Directors ("INED"), retired from the Board of the Company in July 2021. Mr. Dodo, SAN was appointed to the Board in June 2014 while Lord Malloch-

Brown was appointed in February 2014. Mr. Xavier Rolet, who was appointed to the Board of Seplat Energy in October 2020, resigned in November 2021. During their time on the Board of Sepat Energy, the Directors diligently served the Board and made significant contributions towards the growth of the Company during their tenure.

In November, the co-founder and pioneer Chairman, Dr. A.B.C. Orjiako decided to step down as Chairman and from the Board of Directors at the next Annual General Meeting (AGM) in May 2022. As Chairman of the Group since 2009, Dr. Orjiako has led the transformation of Seplat into a globally respected energy Company. Notable achievements include instilling best practice corporate governance, and significant growth through several successful acquisitions. He was also the driving force behind Seplat Energy becoming the first and only Nigerian corporate to dual list on the Nigerian Exchange and the Main Board of the London Stock Exchange in 2014. The Board thanks its Chairman for his strategic vision, drive and limitless energy to create and Chair the Board of Nigeria's leading Indigenous Independent Energy Company.

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

Prof. Fabian Ajogwu, SAN, and Mr. Bello Rabiu were appointed as Independent Non-Executive Directors of the Company, joining the Seplat Board effective July 9, 2021. Prof. Fabian Ajogwu is a Senior Advocate of Nigeria and Lagos Business School Professor of Corporate Governance. He is an Alumnus of the Said Business School of Oxford University, and an Alumnus of the Lagos Business School. Professor Ajogwu holds a doctorate in Law from University of Aberdeen, Scotland; an MBA from the IESE Business School, University of Navarra, Barcelona; and Law degrees from the University of Nigeria, and the University of Lagos.

Professor Ajogwu is a Fellow and Director of the Society for Corporate Governance Nigeria; a Fellow of the Nigerian Institute of Chartered Arbitrators, Fellow of the African Leadership Initiative West Africa, Henry Crown Global Leadership of the Aspen Institute (2009 Class set), Fellow of the AIFA Reading Society, Fellow of the Society for Art Collection, a member of the Oxford Philosophical Society, and a member of the Royal Institute of Philosophy, London Professor Ajogwu assisted the Securities and Exchange Commission in drafting Nigeria's pioneer Code of Corporate Governance from 2001 to 2003. He chaired the Nigerian Communications Commission Committee on Corporate Governance between 2013 and 2014 that produced the pioneer NCC Code of Corporate Governance for the Telecommunication sector. He served on the Financial Reporting Council of Nigeria Committee on the 2018 National Code of Corporate Governance. He chairs the Body of Senior Advocates of Nigeria Committee on Continuing Legal Education.

Mr. Bello Rabiu holds a Bachelor's and Master's Degrees in Mathematical Statistics from Ahmadu Bello University Zaria, Nigeria and another Master's Degree in Petroleum Engineering from The Imperial College, London, United Kingdom. He attended many career advancements courses in Nigeria and abroad including the prestigious Wharton Executive Development Program from the University of Pennsylvania in Philadelphia, USA and Leading Global Business Program from Harvard Business School, Boston, USA. Before his new role at Dankiri Farms, Mr. Rabiu retired from the services of Nigerian National Petroleum Corporation (NNPC) in July 2019 after 28 years of service. He retired from NNPC as the Chief Operating Officer/Group Executive Director, Upstream Business Unit. Prior to his appointment as COO/GED Upstream, NNPC. Mr. Rabiu held dual positions of Group General Manager, Corporate Planning & Strategy Division and Senior Technical Assistant to Group Managing Director, NNPC. He was also the General Manager, Competitive Analysis Department of the same Division from September 2010 till August 11th, 2015. He was at various times between 1991 and 2005 a planning officer and Pioneer Head, Material Management, Frontier Exploration Services at the National Petroleum Investment Management Services (NAPIMS) Division of NNPC.

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

Dr. Emma FitzGerald was appointed as an Independent Non-Executive Director of the Company, joining the Seplat Board with effect from 1st August 2021. Dr. FitzGerald brings vast knowledge in important areas such as the energy sector, renewables and sustainability, with hands-on experience in transformation through her many years of working at Shell, ranging from building its lubricants business in China to running its Global Retail network. From 2007-2010, she was accountable for Shell's Downstream strategy and played a key role in reshaping Shell's renewables strategy including the creation of Raizen, a biofuels JV with Cosan. From 2013 to 2018 she ran gas distribution and water & waste networks for National Grid and Severn Trent where she successfully positioned them as sustainability thought leaders in their industries.

Most recently Dr. FitzGerald served as CEO of Puma Energy International, a global energy company owned by Trafigura and Sonangol, which is focused on high potential developing markets in Africa, Asia and Central America. In 2020 she set up Puma's Future Energies division to play a critical role in helping customers and communities find the right energy solutions to support the energy transition. Over the last 10 years she has served on various Boards in executive and non-executive capacities and currently sits on the board of UPM Kymmene, an international paper & biomaterials business focused on innovating for a future beyond fossil fuels.

The appointment and removal or reappointment of Directors is governed by its Articles of Association and the Companies and Allied Matters Act, 2020. It also sets out the powers of Directors.

Corporate Governance

The Board of Directors is committed to sound corporate governance and ensures that the Company complies with the Nigerian and UK corporate governance regulations as well as international best practice. The Board is aware of the Code of Corporate Governance issued by the Securities and Exchange Commission, the Nigerian Code of Corporate Governance 2018, issued by the Financial Reporting Council of Nigeria and the UK Corporate Governance Code 2018, issued by the Financial Reporting Council and ensures that the Company complies with them. The Board is responsible for keeping proper accounting records with reasonable accuracy. It is also responsible for safe guarding the assets of the Company through prevention and detection of fraud and other irregularities. In order to carry out its responsibilities, the Board has established six Board Committees and the Statutory Audit Committee and has delegated aspects of its responsibilities to them. All seven Committees have terms of reference that guide their members in the execution of their duties, and these terms of reference are available for review by the public. All the Committees present a report to the Board with recommendations on the matters within their purview.

Board Committees and Record of Attendance at Meetings

The Board met 9 times during the year and at least once every quarter in line with Section 12.1 of the SEC Code. Board meetings were well attended with attendance of all Directors exceeding two-thirds as required by Section 12.2 of the SEC Code. The record of attendance of Directors at Board meetings and that of its Committees in the year under review is published herewith:

Board of Directors

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	A.B.C. Orjiako	Chairman	9	9
2.	Roger Brown	Chief Executive Officer	9	9
3.	Emeka Onwuka	Chief Financial Officer	9	9
4.	Effiong Okon	Operations Director	9	9
5.	Austin Avuru (Recused from Board Meeting Following his Declaration of Conflict)	Non-Executive Director	9	N/A
6.	Olivier Langavant	Non-Executive Director	9	9
7.	Nathalie Delapalme	Non-Executive Director	9	9
8.	Charles Okeahalam	Independent Non-Executive Director	9	7
9.	Basil Omiyi	Senior Independent Non-Executive Director	9	9
10.	Lord Mark Malloch-Brown[1]	Independent Non-Executive Director	4	1
11.	Damian Dodo, SAN[1]	Independent Non-Executive Director	4	3
12.	Arunma Oteh, OON	Independent Non-Executive Director	9	9
13.	Xavier Rolet, KBE	Independent Non-Executive Director	7	6
14.	Fabian Ajogwu, SAN[2]	Independent Non-Executive Director	5	5

15.	Bello Rabiu[2]	Independent Non-Executive Director	5	5
16.	Emma FitzGerald[2]	Independent Non-Executive Director	4	4

Meeting dates: 24 February; 19 March; 7 April; 28 April; 27 July; 27 September; 27 October; 17 November and 22 December

1. Mr. Damian Dodo, SAN and Lord Mark Malloch-Brown voluntarily retired from the Board in July 2021
2. Prof. Fabian Ajogwu, SAN and Mr. Bello Rabiu joined the Board in July 2021 as Independent Non-Executive Directors while Dr. Emma FitzGerald also joined in August 2021 as an Independent Non-Executive Director.

Finance Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Charles Okeahalam	Chairman	4	4
2.	Lord Mark Malloch-Brown[1]	Member	2	2
3.	Arunma Oteh, OON	Member	4	4
4.	Fabian Ajogwu, SAN[2]	Member	2	2
5.	Bello Rabiu[2]	Member	2	2
6.	Emma FitzGerald[2]	Member	1	1

Meeting dates: 17 February, 21 April, 22 July, 22 October

1) Lord Mark Malloch-Brown retired from the Board in July 2021.
2) Prof. Fabian Ajogwu, SAN and Mr. Bello Rabiu joined the Board and Committee in July 2021 while Dr. Emma FitzGerald joined in August 2021

Nomination and Governance Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Damian Dodo, SAN[1]	Chairman	2	2
2.	Lord Mark Malloch Brown[1]	Member	2	2
3.	Arunma Oteh, OON[2]	Member/Chairman	5	5
4.	Basil Omiyi	Member	5	5
5.	Charles Okeahalam[3]	Member	4	3
6.	Fabian Ajogwu, SAN[3]	Member	3	3

Meeting dates: 18 February, 22 April, 23 July, 20 October, 1 December

3) Mr. Damian Dodo, SAN and Lord Mark Malloch-Brown retired from the Board in July 2021.
4) Following the retirement of Mr. Dodo, SAN from the Board in July 2021, Ms. Oteh, OON was appointed the Committee Chairman in the same month.
5) Dr. Charles Okeahalam joined the Committee in April 2021, while Prof. Fabian Ajogwu, SAN joined the Board and Committee in July 2021.

Seplat Energy

Remuneration Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Xavier R. Rolet, KBE[1]	Chairman	5	5
2.	Basil Omiyi	Member	5	5
3.	Charles Okeahalam	Member	5	4
4.	Damian Dodo, SAN[2]	Member	3	3
5.	Fabian Ajogwu, SAN[3]	Member	2	2

Meeting dates: 18 February, 20 April, 17 June, 23 July, 20 October

6) Mr. Xavier Rolet, KBE voluntarily resigned from the Board in November 2021.
7) Mr. Damian Dodo SAN retired from the Board in July 2021. He attended the three Committee meetings held prior to his retirement.
8) Prof. Fabian Ajogwu SAN joined the Board and Committee in July 2021.

Risk Management and HSSE Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Basil Omiyi	Chairman	4	4
2.	Ifueko M. Omoigui-Okauru[1]	Member	1	1
3.	Xavier R. Rolet, KBE[2]	Member	4	4
4.	Austin Avuru[3]	Member	4	-
5.	Effiong Okon	Member	4	4
6.	Nathalie Delapalme[4]	Member	2	2
7.	Bello Rabiu[4]	Member	2	2

Meeting dates: 21 January, 20 April, 15 July, 20 October

1) Mrs. Ifueko M. Omoigui-Okauru retired from the Board in January 2021.
2) Mr. Xavier R. Rolet, KBE voluntarily resigned from the Board in November 2021.
3) Mr. Austin Avuru was recused from all Board and Committee Meetings in 2021 following his declaration of conflict.

Sustainability Committee[1]

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Lord Mark Malloch-Brown[2]	Chairman	2	2
2.	Xavier R. Rolet, KBE[2]	Member	4	4
3.	Arunma Oteh, OON[3]	Member	2	2
4.	Damian Dodo, SAN[2]	Member	2	2
5.	Nathalie Delapalme[4]	Member/Chairman	4	4
6.	Fabian Ajogwu, SAN[5]	Member	2	2
7.	Bello Rabiu[5]	Member	2	2
8.	Emma FitzGerald[6]	Member	1	1

Meeting dates: 18 February, 22 April, 22 July, 22 October

1) The Board approved the change of name for the Committee from "Corporate Social Responsibility Committee" to "Sustainability Committee" in April 2021.
2) Lord Mark Malloch Brown and Mr. Damian Dodo, SAN retired from the Board in July 2021 while Xavier Rolet, KBE voluntarily resigned from the Board in November 2021.
3) Ms. Arunma Oteh, OON joined the Committee in July 2021.
4) Following the retirement of Lord Malloch-Brown from the Board, Madame Nathalie Delapalme was appointed the Committee Chairman in July 2021.
5) Prof. Fabian Ajogwu, SAN and Mr. Bello Rabiu were appointed to the Board on 9th July 2021 and joined the Committee in the same month.
6) Dr. Emma FitzGerald was appointed to the Board on 1st August 2021 and joined the Committee in the same month. However, she resigned from the Committee upon appointment as Chairman of Remuneration Committee.

Energy Transition Committee[1]

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Basil Omiyi	Chairman	4	4
2.	Arunma Oteh, OON	Member	4	4
3.	Charles Okeahalam	Member	4	2
4.	Bello Rabiu[2]	Member	2	2
5.	Emma FitzGerald[2]	Member	1	1

Meeting dates: 16 February, 20 April, 15 July, 20 October

- The Board approved the change of name for the Committee from "Gas Committee" to "Energy Transition Committee" in April 2021.
- Mr. Bello Rabiu joined the Board and Committee in July 2021 while Dr. Emma FitzGerald joined the Board in August 2021 and joined the Committee in October 2021.

Statutory Audit Committee

S/N	Name		No. of meetings in the year	No. of times in attendance
1.	Chief Anthony Idigbe, SAN	Chairman/Shareholder Member	4	4
2.	Dr. Faruk Umar[1]	Shareholder Member	2	2
3.	Sir Sunday Nnamdi Nwosu	Shareholder Member	4	4
4.	Hauwa Umar[1]	Shareholder Member	2	2
5.	Olivier De Langavant	Director Member	4	4
6.	Arunma Oteh, OON[2]	Director Member	2	2
7.	Damian Dodo, SAN[2]	Director Member	2	2

Meeting dates: 17 February, 21 April, 22 July, 22 October

1) At the 20 May 2021 AGM, Mrs. Hauwa Umar was elected as a Shareholder member on the Audit Committee in place of Dr Faruk Umar. Two of the Audit Committee meetings took place before the 20 May 2021 change which Dr. Umar attended.
2) Ms. Arunma Oteh, OON was elected at the 20 May 2021 AGM as a Director member on the Audit Committee in place of Mr. Damian Dodo, SAN. Two of the Audit Committee meetings took place before the 20 May 2021 change which Mr. Dodo, SAN attended.

Directors' Interest in Shares

In accordance with Section 301 of the Companies and Allied Matters Act, 2020, the interests of the Directors (and of persons connected with them) in the share capital of the Company (all of which are beneficial unless otherwise stated) are as follows:

	31-Dec-20	31-Dec-21		28-Feb-22	
	No. of Ordinary Shares	No. of Ordinary Shares	As a percentage of Ordinary Shares in issue	No. of Ordinary Shares	As a percentage of Ordinary Shares in issue
A.B.C. Orjiako[1]	37,818,522	37,818,522	6.43%	37,818,522	6.43%
Austin Avuru[2]	60,098,823	48,248,176	8.20%	48,248,176	8.20%
Roger Brown	2,840,585	3,224,702	0.55%	3,224,702	0.55%
Effiong Okon	0	0	0.00%	0	0.00%
Bello Rabiu	n/a	20,000	0.00%	20,000	0.00%
Emeka Onwuka	0	0	0.00%	0	0.00%
Oliver De Langavant	0	0	0.00%	0	0.00%
Charles Okeahalam	495,238	495,238	0.08%	495,238	0.08%
Basil Omiyi	495,238	495,238	0.08%	495,238	0.08%
Nathalie Delapalme	0	0	0.00%	0	0.00%
Arunma Oteh, OON	0	0	0.00%	0	0.00%
Emma Fitzgerald	0	0	0.00%	0	0.00%
Fabian Ajogwu	0	0	0.00%	0	0.00%
Total	101,748,406	90,301,876	15.34%	**90,301,876**	**15.34%**

1. 24,318,522 ordinary shares are held directly by A.B.C. Orjiako and Shebah Petroleum Development Company Limited, which is an entity controlled by A.B.C. Orjiako and members of his family; 900,000 ordinary shares are held by Pursley Resources Limited, a company owned by A.B.C's wife; and 12,600,000 ordinary shares are held directly by A.B.C. Orjiako's siblings.
2. During the period 410,128 LTIP awards for Austin Avuru were released to him and transferred to Professional Support Limited. The Company received a notification on 26 March 2021 of a transfer of 19,760,794 ordinary shares held by Platform Petroleum Limited to various beneficiaries who are Shareholders of Platform Petroleum Limited and they are therefore no longer considered to be connected persons. Amongst these beneficiaries, Professional Support Limited (an entity wholly controlled by Mr. Avuru), received a total of 7,422,770 ordinary shares. Following these transfers, Platform Petroleum now holds 318,738 shares (0.05%), and Professional Support holds 47,929,438 shares (8.15%). Consequently, Mr. Avuru now holds nil direct interest and an indirect interest of 48,248,176 ordinary shares (8.20%) of N0.50k in the Company.

Directors' Interest in Contracts

The Chairman and the Chief Executive Officer have disclosable indirect interest in contracts with which the Company was involved at 31 December 2021 for the purpose of section 303 of the Companies and Allied Matters Act, 2020. These have been disclosed in Note 25.

Substantial Interest in Shares

At 31 December 2021, the following shareholders held more than 5.0% of the issued share capital of the Company:

Shareholder	Number of holdings	%
MPI	120,400,000	20.46
Petrolin	81,015,319	13.77
Allan Gray	42,477,722	7.23
Professional Support	47,929,438	8.15
Sustainable Capital	33,822,817	6.95

Free Float

The Company's free float at 31 December 2021 was 30%.

Share dealing Policy

We confirm that to the best of our knowledge that there has been compliance with the Company's share dealing policy during the period.

Acquisition of Own Shares

The Company did not acquire any of its shares during the year.

Shareholding Analysis

The shareholding pattern at 31 December 2021 is as stated below:

Share range	Number of shareholders	% of shareholders	Number of holdings	% of shareholding
1-10,000	2,926	90.73	1,720,974	0.29
10,001-50,000	154	4.78	3,902,700	0.66
50,001-100,000	49	1.52	3,538,476	0.60
100,001-500,000	55	1.71	11,409,658	1.94
500,001-1,000,000	13	0.40	9,092,704	1.55
1,000,001-5,000,000	22	0.68	51,734,363	8.79
5,000,001-10,000,000	3	0.09	19,492,622	3.31
10,000,001-50,000,000	2	0.06	29,613,354	5.03
100,000,001-500,000,0001	1	0.03	457,939,710	77.82
Total	3,225	100.00	588,444,561	100.00

a. Includes shares held by Computer Share on the London Stock Exchange

Share Capital History

Year	Authorised increase	Cumulative	Issued increase	Cumulative	Consideration
Jun-09	–	100,000,000	100,000,000	100,000,000	cash
Mar-13	100,000,000	200,000,000	100,000,000	200,000,000	stock split from N1.00 to 50k
Jul-13	200,000,000	400,000,000	200,000,000	400,000,000	bonus (1 for 2)
Aug-13	600,000,000	1,000,000,000	153,310,313	553,310,313	cash
Dec-14	–	1,000,000,000	–	553,310,313	No change
Dec-15	–	1,000,000,000	10,134,248	563,444,561	staff share scheme
Dec-16	–	1,000,000,000	–	563,444,561	No change
Dec-17	–	1,000,000,000	–	563,444,561	No change
Feb-18	–	1,000,000,000	25,000,000	588,444,561	staff share scheme
Dec-19	-	1,000,000,000	-	588,444,561	No change
Dec-20	-	1,000,000,000	-	588,444,561	No change
Dec-21	-	1,000,000,000	-	588,444,561	No change

Donations

The following donations were made by the Group during the year (2020: ₦158,169,832.15, $439,470.51)

Beneficiary	NG₦	$
2021 Nigerian Investors Award	1,800,000.00	4,736.85
Covid 19 Support in Imo State	140,088,000.00	368,652.63
Nigeria Atomic Energy Commission	450,000.00	1,097.21
Orodje Golf Classic	2,250,000.00	5,457.22
Others	3,240,479.73	5,280.94
Seplat Cares Initiative	1,485,000.00	3,907.89
Pillar Oil Initiatives	17,955,825.60	43,728.38
Total	167,269,305.33	432,861.12

Employment and Employees

Employee involvement and training: The Company continues to observe industrial relations practices such as the Joint Consultative Committee and briefing employees on the developments in the Company during the year under review. Various incentive schemes for staff were maintained during the year while regular training courses were carried out for the employees. Educational assistance is provided to members of staff. Different cadres of staff were also assisted with payment of subscriptions to various professional bodies during the year. The Company provides appropriate HSSE training to all staff, and Personal Protective Equipment ('PPE') to the appropriate staff.

Health, safety and welfare of employees: The Company continues to enforce strict health and safety rules and practices at the work environment which are reviewed and tested regularly. The Company provides free medical care for its employees and their families through designated hospitals and clinics. Fire prevention and fire-fighting equipment is installed in strategic locations within the Company's premises. The Company operates Group life insurance cover for the benefit of its employees. It also complies with the requirements of the Pension Reform Act, 2004 regarding its employees.

Employment of disabled or physically challenged persons: The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. As at the end of the reporting period, the Group has no disabled persons in employment.

Brexit

It is the view of the Board that, given the Group's single country focus on Nigeria, Seplat's business, assets and operations will not be materially affected by Brexit. Seplat also derives most of its income from crude oil, a globally traded commodity which is priced in US dollars. Furthermore, Seplat's gas revenues are derived solely from sales to the domestic market in Nigeria and therefore are unaffected by international factors.

Acquisition of Cardinal Drilling rigs and conclusion of legal proceedings with Access Bank

On 3 December 2020, Seplat Energy reported that the ongoing debt recovery action by Access Bank against Cardinal Drilling Services Ltd ("Cardinal Drilling"), a related party of Seplat Energy, had led to the closure of its headquarters in Lagos (RNS 5019H). At that time, Seplat Energy stated there was no basis to have made it a party to the litigation as it was neither a shareholder in Cardinal Drilling nor had any outstanding loan obligations or guarantees to Access Bank. It did not at any time make any commitments or guarantees in respect of Cardinal Drilling's loan obligations to Access Bank.

To avoid significant disruption to its business and to bring a period of uncertainty to an end, Seplat Energy agreed to acquire four drilling rigs from the receiver/manager appointed by Access Bank over the assets of Cardinal Drilling Services Limited. The acquisition of these rigs, when deployed, should help to optimise drilling costs for Seplat Energy.

Consequently, the parties have agreed to end all legal actions regarding the outstanding loan owed by Cardinal Drilling to Access Bank, which could have persisted as an ongoing distraction for Seplat Energy, with the potential to disrupt its financial and commercial operations. The negotiated $36 million consideration for the rigs was funded out of already restricted funds (excluded from previous cash flow statements) held at Access Bank and the Federal High Court of Nigeria, as disclosed in previous quarterly results.

Seplat Energy remains committed to the highest standards of corporate governance. In March we announced that the Board had decided to adopt Nigeria's strict definition of 'Related Parties' and eliminate all related-party transactions (RPT) as defined by the end of 2021; at January 1, 2022 all RPT ended. We have taken legal advice to ensure that no other related-party matters pose any legal threat to the Company's financial or commercial operations.

Auditor

The auditor, PriceWaterhouseCoopers ("PWC"), has indicated its willingness to continue in office in accordance with Section 401(2) of the Companies and Allied Matters Act, 2020. A resolution will be proposed at the AGM for the re-appointment of PriceWaterhouseCoopers ("PWC") as the Company's auditor and for authorisation to the Board of Directors to fix the auditors' remuneration.

By Order of the Board

Edith Onwuchekwa
FRC/2013/NBA/00000003660
Company Secretary
Seplat Energy Plc
16A Temple Road, Ikoyi, Lagos, Nigeria
28 February 2022

Statement of Director's Responsibilities

For the year ended 31 December 2021

The Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the Group at the end of the year and of its profit or loss. The responsibilities include ensuring that the Group:

1) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act, 2020;
2) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
3) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), the requirements of the Companies and Allied Matters Act, 2020 and Financial Reporting Council of Nigeria Act, No. 6, 2011.

The Directors are of the opinion that the financial statements gives a true and fair view of the state of the financial affairs of the Group and of its financial performance and cashflows for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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 this statement.

Signed on behalf of the Directors by:

A.B.C Orjiako
Chairman
FRC/2014/IODN/00000003161
28 February 2022

R.T. Brown
Chief Executive Officer
FRC/2014/ANAN/00000017939
28 February 2022

Audit Committee report

For the year ended 31 December 2021

To the members of Seplat Energy Plc:

In accordance with the provisions of Section 404 (7) of the Companies and Allied Matters Act, 2020, members of the Audit Committee of Seplat Petroleum Development Company Plc hereby report on the financial statements of the Group for the year ended 31 December 2021 as follows:

- The scope and plan of the audit for the year ended 31 December 2021 were adequate;
- We have reviewed the financial statements and are satisfied with the explanations and comments obtained;
- We have reviewed the external auditors' management letter for the year and are satisfied with the management's responses and that management has taken appropriate steps to address the issues raised by the Auditors;
- We are of the opinion that the accounting and reporting policies of the Company are in accordance with legal requirements and ethical practices.

The external Auditors confirmed having received full co-operation from the Company's management in the course of the statutory audit and that the scope of their work was not restricted in any way.

Chief Anthony Idigbe, SAN
Chairman, Audit Committee
FRC/2015/NBA/00000010414

28 February 2022

Statement of Corporate Responsibility for financial reports

For the year ended 31 December 2021

In line with the provision of S.405 of CAMA 2020, we have reviewed the audited financial statements of the Group for the year ended 31 December 2021 and based on our knowledge confirm as follows:

- The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading
- The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the period ended 31 December 2021
- The Company's internal controls has been designed to ensure that all material information included relating to the Company and its subsidiaries is received and provided to the Auditors in the course of the Audit
- The Company's internal controls were evaluated within ninety days of the financial reporting date and are effective as of 31 December 2021
- That we have disclosed to the Company's Auditor's and the Audit Committee the following information:
    - There are no significant deficiencies in the design or operation of the Company's internal control which could adversely affect the Company's ability to record, process, summarise and report financial data, and have discussed with the auditors any weaknesses in internal controls observed in the cause of the Audit
    - There is no fraud involving management or other employ needs which could have any significant role in the Company's internal control
- There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses

R.T. Brown	E. Onwuka
FRC/2014/ANAN/00000017939	FRC/2020/003/00000020861
Chief Executive Officer	Chief Financial Officer
28 February 2022	28 February 2022

Independent auditors' report

For the year ended 31 December 2021

Independent auditor's report

To the Members of Seplat Energy Plc

Report on the audit of the consolidated financial statements and separate financial statements

Our opinion

In our opinion, the consolidated financial statements and the separate financial statements give a true and fair view of the consolidated financial position and separate financial position of Seplat Energy Plc ("the company") and its subsidiaries (together "the group") as at 31 December 2021, and of their consolidated financial performance and separate financial performance and their consolidated cash flows and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Seplat Energy Plc's consolidated financial statements and separate financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income and separate statement of profit or loss and other comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position and separate statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity and separate statement of changes in equity for the year then ended;
- the consolidated statement of cash flows and separate statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and audit of the separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements and the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria

Independent auditors' report - continued

For the year ended 31 December 2021

Key audit matter	How our audit addressed the key audit matter

The impact of crude oil and gas reserves on oil and gas properties (Impairments and Depletion, Depreciation and Amortisation - DD&A).
 	
This is considered a key audit matter due to the significant judgement made by management through the use of experts, when developing the expected future cash flows of oil and gas properties and the proved and probable oil and gas reserves involving the use of significant assumptions.
 	
(a) Oil and gas properties are grouped for recoverability assessment purposes into Cash Generating Units (CGUs). Management assesses its CGUs for indicators of impairment that suggest the carrying amount may exceed its recoverable amount. Impairment is deemed to exist when the carrying amount exceeds the recoverable amount. This involves the calculation of discounted cash flows of proved and probable oil and gas reserves based on significant assumptions including future development and production costs, forecasted oil and gas prices, volume of reserves, reserves life and discount rate.
 	
(b) Depletion of all capitalized costs of proved oil and gas properties (included in DD&A) are expensed using the unit-of-production method as the proved developed reserves are produced.
 	
The group's upstream oil and gas properties net balance was NGN661 billion ($1.604 billion) as of December 31, 2021, and related depletion expense was NGN56 billion ($139 million). Impairment reversal of NGN29 billion ($75 million) was recognised for the year ended December 31, 2021.
 	
The accounting policies, estimates and disclosures are set out in Notes 3.9, 4, 11.2, 16 and 19 .
 	
This was considered a key audit matter in the consolidated financial statements only.
	Our procedures were as follows:
	
	• We evaluated the competence, independence and objectivity of management's experts. We understood their methods and evaluated the relevance and reasonableness of the assumptions used by them in determining the proved and probable oil and gas reserves.
	
	• We tested how management determined the recoverable amount of the group's CGUs which included the following:
	
	    • involving our specialist in evaluating the appropriateness of the models used by management in determining the recoverable amount of the CGU.
	
	    • testing the data used in determining the recoverable amount of the CGU.
	
	    • evaluating the reasonableness of significant assumptions with regard to future development and production costs, forecasted oil and gas prices, volume of reserves, reserves life and discount rate used in developing the discounted cash flows.
	
	• We ascertained that the net book value of the CGU after the impairment reversal, does not exceed the carrying amount that would have been determined if the original impairment had not occurred.
	
	• We recalculated the unit-of-production rate to determine the depletion expense included in the DD&A of the group's CGUs.
	
	• We evaluated the adequacy of the disclosures in the group financial statements.

Independent auditors' report - continued

For the year ended 31 December 2021

pwc

Other information

The directors are responsible for the other information. The other information comprises Operating review, Financial review, General information, Report of the Directors, Statement of Directors' Responsibilities, Audit Committee's Report, Statement of Corporate Responsibility for Financial Reports, Statement of Value Added, Five-Year Financial Summary and Supplementary Financial Information but does not include the consolidated financial statements and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other sections of the Seplat Energy Plc 2021 Annual Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon,

In connection with our audit of the consolidated financial statements and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the Seplat Energy Plc 2021 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the consolidated financial statements and separate financial statements

The directors are responsible for the preparation of the consolidated financial statements and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements and audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Independent auditors' report - continued

For the year ended 31 December 2021

- Identify and assess the risks of material misstatement of the consolidated financial statements and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and separate financial statements, including the disclosures, and whether the consolidated financial statements and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditors' report - continued

For the year ended 31 December 2021

pwc

Report on other legal and regulatory requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Pedro Omontuemhen

For: **PricewaterhouseCoopers**

28 February 2022

Chartered Accountants
Lagos, Nigeria

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

Group Accounts

For the year ended 31 December 2021

(Expressed in Nigerian Naira and US Dollars)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	Notes	31 Dec 2021 ₦ million	31 Dec 2020 ₦ million	31 Dec 2021 $'000	31 Dec 2020 $'000
Revenue from contracts with customers	7	293,631	190,922	733,188	530,467
Cost of sales	8	(179,414)	(146,088)	(447,999)	(405,892)
Gross profit		**114,217**	**44,834**	**285,189**	**124,575**
Other income	9	8,056	30,184	20,118	83,864
General and administrative expenses	10	(32,074)	(27,372)	(80,090)	(76,047)
Impairment loss on financial assets	11.1	(9,035)	(10,778)	(22,561)	(29,947)
Impairment loss on non-financial assets	11.2	(6,216)	(41,175)	(15,521)	(114,402)
Impairment reversal on non-financial assets	11.2	29,900	-	74,659	-
Fair value loss	12	(4,447)	(7,111)	(11,106)	(19,759)
Operating profit/(loss)		**100,401**	**(11,418)**	**250,688**	**(31,716)**
Finance income	13	126	601	314	1,671
Finance cost	13	(30,516)	(18,656)	(76,197)	(51,834)
Finance cost-net		(30,390)	(18,055)	(75,883)	(50,163)
Share of profit from joint venture accounted for using the equity method	21	1,017	601	2,540	1,670
Profit/(loss) before taxation		**71,028**	**(28,872)**	**177,345**	**(80,209)**
Income tax expense	14	(24,097)	(1,840)	(60,169)	(5,113)
Profit/(loss) for the year		**46,931**	**(30,712)**	**117,176**	**(85,322)**
Attributable to:					
Equity holders of the parent		56,786	(26,906)	141,784	(74,747)
Non-controlling interests		(9,855)	(3,806)	(24,608)	(10,575)
		46,931	**(30,712)**	**117,176**	**(85,322)**
Earnings/(loss) per share for the year					
Basic earnings/(loss) per share ₦/$	36	97.63	(46.42)	0.24	(0.13)
Diluted earnings/(loss) per share ₦/$	36	97.16	(45.72)	0.24	(0.13)

Notes 1 to 42 on pages 8 to 104 are an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	Notes	31 Dec 2021 ₦ million	31 Dec 2020 ₦ million	31 Dec 2021 $'000	31 Dec 2020 $'000
Profit/(loss) for the year		**46,931**	**(30,712)**	**117,176**	**(85,322)**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference		54,059	128,379	941	(1,399)
Items that will not be reclassified to profit or loss:					
Re-measurement gain on defined benefit obligations		157	29	391	81
Deferred tax credit on remeasurement gain		(133)	(25)	(333)	(69)
Other comprehensive income/(loss) for the year (net of tax)		54,083	128,383	999	(1,387)
Total comprehensive income/(loss) for the year		**101,014**	**97,671**	**118,175**	**(86,709)**
Attributable to:					
Equity holders of the parent		110,869	101,477	142,783	(76,134)
Non-controlling interests		(9,855)	(3,806)	(24,608)	(10,575)
		101,014	**97,671**	**118,175**	**(86,709)**

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

Consolidated Statement of financial position

As at 31 December 2021

	Notes	31 Dec 2021 ₦ million	31 Dec 2020 ₦ million	31 Dec 2021 $'000	31 Dec 2020 $'000
Assets					
Non-current assets					
Oil & gas properties	16	660,745	609,475	1,604,025	1,603,888
Other property, plant and equipment	16	11,228	5,330	27,255	14,027
Right-of-use assets	18	3,050	3,965	7,404	10,435
Intangible assets	19	54,045	22,301	131,200	58,687
Other asset	17	46,363	44,630	112,551	117,448
Investment accounted for using equity accounting	21	92,795	84,642	225,270	222,741
Prepayments	20	27,512	23,463	66,788	61,744
Deferred tax asset	14	428,986	289,877	1,041,406	762,833
Total non-current assets		**1,324,724**	**1,083,683**	**3,215,899**	**2,851,803**
Current assets					
Inventories	22	30,878	28,337	74,957	74,570
Trade and other receivables	23	105,274	96,774	255,557	254,671
Prepayments	20	711	1,385	1,726	3,644
Contract assets	24	1,679	2,343	4,076	6,167
Cash and cash equivalents	26	133,667	85,554	324,490	225,137
Restricted cash	26.2	6,603	12,761	16,029	33,581
Total current assets		**278,812**	**227,154**	**676,835**	**597,770**
Total assets		**1,603,536**	**1,310,837**	**3,892,734**	**3,449,573**
Equity and Liabilities					
Equity					
Issued share capital	27	296	293	1,862	1,855
Share premium	27	90,383	86,917	520,138	511,723
Share based payment reserve	27	4,914	7,174	22,190	27,592
Treasury shares	27	(2,025)	-	(4,915)	
Capital contribution	28	5,932	5,932	40,000	40,000
Retained earnings		239,429	211,790	1,185,082	1,116,079
Foreign currency translation reserve	29	385,348	331,289	1,933	992
Non-controlling interest	21	(20,913)	(11,058)	(58,804)	(34,196)
Total shareholders' equity		**703,364**	**632,337**	**1,707,486**	**1,664,045**
Non-current liabilities					
Interest bearing loans and borrowings	30	290,803	229,880	705,953	604,947
Lease Liabilities	31	198	1,591	481	4,187
Provision for decommissioning obligation	32	63,709	61,795	154,659	162,619
Deferred tax liabilities	14	343,179	202,020	833,101	531,632
Defined benefit plan	33	4,181	4,063	10,149	10,691
Total non-current liabilities		**702,070**	**499,349**	**1,704,343**	**1,314,076**
Current liabilities					
Interest bearing loans and borrowings	30	24,988	35,518	60,661	93,468
Lease Liabilities	31	1,273	679	3,090	1,787
Derivative financial instruments	25	1,543	626	3,745	1,648
Trade and other payables	34	151,204	130,468	367,058	343,340
Contract liabilities	35	-	3,599	-	9,470
Current tax liabilities	14	19,094	8,261	46,351	21,739
Total current liabilities		**198,102**	**179,151**	**480,905**	**471,452**
Total liabilities		**900,172**	**678,500**	**2,185,248**	**1,785,528**
Total shareholders' equity and liabilities		**1,603,536**	**1,310,837**	**3,892,734**	**3,449,573**

Consolidated Statement of financial position - continued
For the year ended 31 December 2021

Notes 1 to 42 on pages 8 to 104 are an integral part of these financial statements.

The financial statements of Seplat Energy Plc and its subsidiaries (The Group) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 28 February 2022 and were signed on its behalf by

A. B. C. Orjiako	R.T. Brown	E. Onwuka
FRC/2013/IODN/00000003161	FRC/2014/ANAN/00000017939	FRC/2020/003/00000020861
Chairman	Chief Executive Officer	Chief Financial Officer
28 February 2022	28 February 2022	28 February 2022

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Capital contribution	Retained earnings	Foreign currency translation reserve	Non-controlling interest	Total Equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
At 1 January 2020	289	84,045	8,194	-	5,932	259,690	202,910	(7,252)	553,808
Loss for the year		-	-	-	-	(26,906)	-	(3,806)	(30,712)
Other comprehensive income	-	-	-	-	-	4	128,379	-	128,383
Total comprehensive (loss)/profit for the year	**-**	**-**	**-**	**-**	**-**	**(26,902)**	**128,379**	**(3,806)**	**97,671**
Transactions with owners in their capacity as owners:									
Dividends paid	-	-	-	-	-	(20,998)	-	-	(20,998)
Share based payments (Note 27)	-	-	1,856	-	-	-	-	-	1,856
Vested shares (Note 27)	4	2,872	(2,876)	-	-	-	-	-	-
Total	4	2,872	(1,020)	-	-	(20,998)	-	-	(19,142)
At 31 December 2020	**293**	**86,917**	**7,174**	**-**	**5,932**	**211,790**	**331,289**	**(11,058)**	**632,337**
At 1 January 2021	**293**	**86,917**	**7,174**	**-**	**5,932**	**211,790**	**331,289**	**(11,058)**	**632,337**
Profit/(loss) for the year	-	-	-	-	-	56,786	-	(9,855)	46,931
Other comprehensive income	-	-	-	-	-	24	54,059	-	54,083
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**56,810**	**54,059**	**(9,855)**	**101,014**
Transactions with owners in their capacity as owners:									
Unclaimed dividend forfeited	-	-	-	-	-	206	-	-	206
Dividend paid	-	-	-	-		(29,377)	-	-	(29,377)
Share based payments (Note 27)	-	-	1,209	-	-	-	-	-	1,209
Vested shares (Note 27)	3	3,466	(3,469)	-	-	-	-	-	-
Shares re-purchased (Note 27)	-	-	-	(2,025)					(2,025)
Total	3	3,466	(2,260)	(2,025)	-	(29,171)	-	-	(29,987)
At 31 December 2021	**296**	**90,383**	**4,914**	**(2,025)**	**5,932**	**239,429**	**385,348**	**(20,913)**	**703,364**

Notes 1 to 42 on pages 8 to 104 are an integral part of these financial statements.

Consolidated statement of changes in equity-continued

For the year ended 31 December 2021

	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Capital contribution	Retained earnings	Foreign Currency Translation Reserve	Non-controlling interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2020	1,845	503,742	30,426	-	40,000	1,249,156	2,391	(23,621)	1,803,939
Loss for the year	-	-	-	-	-	(74,747)	-	(10,575)	(85,322)
Other comprehensive income/(loss)	-	-	-	-	-	12	(1,399)	-	(1,387)
Total comprehensive loss for the year	-	-	-	-	-	(74,735)	(1,399)	(10,575)	(86,709)
Transactions with owners in their capacity as owners:									
Dividends paid	-	-	-	-	-	(58,342)	-	-	(58,342)
Share based payments (Note 27)	-	-	5,157	-	-	-	-	-	5,157
Vested shares (Note 27)	10	7,981	(7,991)	-	-	-	-	-	-
Total	10	7,981	(2,834)	-	-	(58,342)	-	-	(53,185)
At 31 December 2020	**1,855**	**511,723**	**27,592**	**-**	**40,000**	**1,116,079**	**992**	**(34,196)**	**1,664,045**
At 1 January 2021	**1,855**	**511,723**	**27,592**	**-**	**40,000**	**1,116,079**	**992**	**(34,196)**	**1,664,045**
Profit/(loss) for the year	-	-	-	-	-	141,784	-	(24,608)	117,176
Other comprehensive income	-	-	-	-	-	58	941	-	999
Total comprehensive income/(loss) for the year	-	-	-	-	-	141,842	941	(24,608)	118,175
Transactions with owners in their capacity as owners:									
Unclaimed dividend forfeited	-	-	-	-	-	515	-	-	515
Dividend paid	-	-	-	-	-	(73,354)	-	-	(73,354)
Share based payments (Note 27)	-	-	3,020	-	-	-	-	-	3,020
Vested shares (Note 27)	7	8,415	(8,422)	-	-	-	-	-	-
Shares re-purchased (Note 27)	-	-	-	(4,915)	-	-	-	-	(4,915)
Total	7	8,415	(5,402)	(4,915)	-	(72,839)	-	-	(74,734)
At 31 December 2021	**1,862**	**520,138**	**22,190**	**(4,915)**	**40,000**	**1,185,082**	**1,933**	**(58,804)**	**1,707,486**

Notes 1 to 42 on pages 8 to 104 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	31 Dec 2021 ₦ million	31 Dec 2020 ₦ million	31 Dec 2021 $'000	31 Dec 2020 $'000
Cash flows from operating activities					
Cash generated from operations	15	157,930	118,558	394,339	329,414
Tax paid	14	(5,203)	(2,337)	(12,993)	(10,431)
Defined benefits paid	33	-	(77)	-	(213)
Contribution to plan assets	33	(1,000)	(601)	(2,497)	(1,670)
Hedge premium paid	12	(3,608)	(3,016)	(9,010)	(8,380)
Net cash inflows from operating activities		**148,119**	**112,527**	**369,839**	**308,720**
Cash flows from investing activities					
Payment for acquisition of oil and gas properties	16	(54,618)	(52,090)	(136,381)	(144,729)
Payment for acquisition of other property, plant and equipment	16	(13,415)	(1,872)	(33,498)	(5,202)
Payment for investment in joint venture	21	-	(21,595)	-	(60,000)
Proceeds from disposal of other property plant and equipment	16	-	1	-	3
Rent prepaid		(272)	-	(679)	-
Receipts from other asset	17	1,961	1,705	4,897	4,737
Interest received	13	126	601	314	1,671
Net cash outflows from investing activities		**(66,218)**	**(73,250)**	**(165,347)**	**(203,520)**
Cash flows from financing activities					
Repayments of loans and borrowings	30	(240,291)	(35,991)	(600,000)	(100,000)
Proceeds from loans and borrowings	30	268,725	3,599	671,000	10,000
Shares purchased for employees*	27	(2,025)	-	(4,915)	-
Dividends paid	37	(29,377)	(20,998)	(73,354)	(58,342)
Interest paid on lease liability	31	(212)	(106)	(530)	(295)
lease payments- principal portion	31	(1,135)	(1,752)	(3,363)	(4,039)
Payments for other financing charges**	30	(8,154)	-	(20,360)	-
Interest paid on loans and borrowings	30	(27,728)	(23,310)	(69,236)	(64,767)
Net cash outflows from financing activities		**(40,197)**	**(78,558)**	**(100,758)**	**(217,443)**
Net increase/(decrease) in cash and cash equivalents		41,704	(39,281)	103,734	(112,243)
Cash and cash equivalents at beginning of the year		85,554	100,184	225,137	326,330
Effects of exchange rate changes on cash and cash equivalents		6,409	24,651	(4,381)	11,050
Cash and cash equivalents at end of the year	26	**133,667**	**85,554**	**324,490**	**225,137**

Included in the restricted cash balance is $8 million, ₦3.3 billion and $6.2 million, ₦2.5 billion set aside in the stamping reserve account and debt service reserve account respectively for the revolving credit facility. Also included in the restricted cash balance is $0.9 million, ₦0.4 billion and $0.9 million, ₦0.4 billion for rent deposit and unclaimed dividend respectively.

*Shares purchased for employees of $4.9 million, ₦2.0 billion represent shares purchased in the open market for employees of the Group.

**Other financing charges consist of $16.4 million transaction costs, $2.2 million refinancing cost and $1.8 million commitment fees incurred on the $650 million senior notes, $110 million Reserve Based Lending Facility, and the $350 million Revolving Credit Facility respectively.

Notes 1 to 42 on pages 8 to 104 are an integral part of these financial statements.

Notes to the consolidated financial statements

1. Corporate Structure and business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsidiary	Date of incorporation	Country of incorporation and place of business	Percentage holding	Principal activities	Nature of holding
Newton Energy Limited	1 June 2013	Nigeria	99.9%	Oil & gas exploration and production	Direct
Seplat Energy UK Limited	21 August 2014	United Kingdom	100%	Technical, liaison and administrative support services relating to oil & gas exploration and production	Direct
Seplat Gas Company Limited	12 December 2014	Nigeria	99.9%	Oil & gas exploration and production and gas processing	Direct
Seplat East Onshore Limited	12 December 2014	Nigeria	99.9%	Oil & gas exploration and production	Direct
Seplat East Swamp Company Limited	12 December 2014	Nigeria	99.9%	Oil & gas exploration and production	Direct
Seplat West Limited	16 January 2018	Nigeria	99.9%	Oil & gas exploration and production	Direct
Eland Oil & Gas Limited	28 August 2009	United Kingdom	100%	Holding company	Direct
Eland Oil & Gas (Nigeria) Limited	11 August 2010	Nigeria	100%	Oil and Gas Exploration and Production	Indirect
Elcrest Exploration and Production Nigeria Limited	6 January 2011	Nigeria	45%	Oil and Gas Exploration and Production	Indirect
Westport Oil Limited	8 August 2011	Jersey	100%	Financing	Indirect
Tarland Oil Holdings Limited	16 July 2014	Jersey	100%	Holding Company	Indirect
Brineland Petroleum Limited	18 February 2013	Nigeria	49%	Dormant	Indirect
Wester Ord Oil & Gas (Nigeria) Limited	18 July 2014	Nigeria	100%	Oil and Gas Exploration and Production	Indirect
Elandale Nigeria Limited	17 January 2019	Nigeria	40%	Receive, store, handle, transport, deliver & discharge petroleum and petroleum products	Indirect
Wester Ord Oil and Gas Limited	16 July 2014	Jersey	100%	Holding Company	Indirect
Destination Natural Resources Limited	-	Dubai	70%	Dormant	Indirect

2. Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 31 Dec 2021:

- During the year, the Group offered 7.75% senior notes with an aggregate principal of $650 million due in April 2026. The notes, which were priced on 25 March and closed on 1 April 2021, were issued by the Group in March 2021 and guaranteed by certain of its subsidiaries. The gross proceeds of the notes were used to redeem the existing $350 million 9.25% senior notes due in 2023, to repay in full drawings of $250 million under the existing $350 million revolving credit facility for general corporate purposes, and to pay transaction fee and expenses. The revolving credit facility remains available for drawings if required.
- On 20 May 2021, following a special resolution by the Board in view of the Company's strategy of transitioning into an energy Company promoting renewable energy, sustainability, and new energy, the name of the Company was changed from Seplat Petroleum Development Company Plc to Seplat Energy Plc under the Companies and Allied Matters Act 2020.
- On 24 May 2021, the Group drew down a further $10million increasing the debt utilised under the Reserved based lending (RBL) from $100 million to $110 million.
- In July 2021, the Group raised a $50 million offtake line to the Reserve Based Lending Facility. The Facility has a 6-year tenor, maturing in 2027. $11 million has been drawn on this facility.
- During the year, the Group acquired four drilling rigs belonging to Cardinal Drilling Services Limited as part of the settlement of the court case initiated by Access Bank Plc. The consideration of $36 million was funded out of the previously restricted funds held at Access Bank Plc and the Federal High Court of Nigeria.
- During the year, the Group recognised impairment loss of $15.2 million (N6.2 billion) for the rigs and OML 17 CGU asset. A reversal of $74.7 million (N29.9 billion) was also recognized on its OML 40 CGU asset. The reversal of impairment is primarily as a result of re-assessment of future cash flows from the Group's oil and gas properties due to a rise in oil prices.

3. Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

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

3.2 Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared on the historical cost convention, except derivative financial instruments, and defined benefit plans – plan assets measured at fair value. 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.

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

3.3 New and amended standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. The practical expedient is required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognise hedge ineffectiveness.

In addition, IFRS 9 was amended to provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The practical expedient is applied if:

- The change in contractual cash flow is a direct consequence of the IBOR reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The practical expedient enables the Group account for the change in the contractual cash flows resulting from the IBOR reform, by updating the effective interest rate i.e., the Group would recalculate the rate which exactly discounts the revised contractual cash flows to the present value of the existing loan at the date of modification. Therefore, there will be no gain or loss on modification recognised in the Group's profit or loss.

Publication of USD LIBOR settings are expected to cease after 30 June 2023. The Group is currently discussing with its lenders to replace the London Inter-Bank Offering Rate (USD LIBOR) with Secured Overnight Financing Rate (SOFR) for its reserved based lending facility.

b) Amendments to IFRS 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Group.

3.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Details of these new standards and interpretations are set out below:

i. IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

ii. Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

iii. Reference to the Conceptual Framework- Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial

Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

iv. Property, Plant and Equipment: Proceeds before Intended Use-Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

v. Onerous Contracts- Costs of Fulfilling a Contract-Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. This amendment would have no impact on the Group.

vi. IFRS 9 Financial Instruments- Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

vii. Definition of Accounting Estimates- Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

viii. Definition of Accounting Policies- Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

ix. Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

On 7 May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, an amendment to IAS 12 that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change in this amendment is an exemption from the initial recognition exemption provided in paragraph 15(b) and 24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

3.5 Basis of consolidation

x. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The consolidated financial information comprises the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated from the date on which control is obtained by the Group and are deconsolidated from the date control ceases.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

xi. Change in the ownership interest of subsidiary

The acquisition method of accounting is used to account for business combinations by the Group.

Non- controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Intercompany transaction balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

iii. Disposal of subsidiary

Where the Group disposes a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and

- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

iv. 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.

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.

v. Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investment in associates is accounted for using the equity method of accounting (see (vi) below) after initially being recognised at cost.

vi. 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 an equity accounting investment 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.

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

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in Note 3.14.

vii. Changes in ownership interest

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest 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, joint venture or financial asset. In addition, 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.

viii. 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.
- 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 of 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 recognized in other comprehensive income is reclassified to profit or loss where appropriate.

ix. Non-controlling interests
The Group recognises non-controlling interests in an acquired entity either at fair value or at the noncontrolling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

x. Goodwill
Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

3.6 Functional and presentation currency
Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ('the functional currency'), which is the US dollar except the UK subsidiary which is the Great Britain Pound. The consolidated financial statements are presented in 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. They are deferred in equity if attributable to net investment in foreign operations.

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

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

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

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

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

3.7 Oil and gas accounting

xii. Pre-licensing costs
Pre-license costs are expensed in the period in which they are incurred.

xiii. Exploration license cost
Exploration license costs are capitalised within intangible assets. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised on a straight-line basis over the life.

License costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made to establish development plans and timing.

If no future activity is planned or the license has been relinquished or has expired, the carrying value of the license is written off through profit or loss. The exploration license costs are initially recognised at cost and subsequently amortised on a straight line based on the economic life. They are subsequently carried at cost less accumulated amortisation and impairment losses.

xiv. Acquisition of producing assets

Upon acquisition of producing assets which do not constitute a business combination, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The purchase price paid for the group of assets is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

xv. Exploration and evaluation expenditures

Geological and geophysical exploration costs are charged to profit or loss as incurred.

Exploration and evaluation expenditures incurred by the entity are accumulated separately for each area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure, but do not include general overheads or administrative expenditure that is not directly related to a particular area of interest. Each area of interest is limited to a size related to a known or probable hydrocarbon resource capable of supporting an oil operation.

Costs directly associated with an exploration well, exploratory stratigraphic test well and delineation wells are temporarily suspended (capitalised) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons ('proved reserves') are not found, the exploration expenditure is written off as a dry hole and charged to profit or loss. If hydrocarbons are found, the costs continue to be capitalised.

Suspended exploration and evaluation expenditure in relation to each area of interest is carried forward as an asset provided that one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale;
- exploration and/or evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; and
- active and significant operations in, or in relation to, the area of interest.

Exploration and/or evaluation expenditures which fail to meet at least one of the conditions outlined above are written off. In the event that an area is subsequently abandoned or exploration activities do not lead to the discovery of proved or probable reserves, or if the Directors consider the expenditure to be of no value, any accumulated costs carried forward relating to the specified areas of interest are written off in the year in which the decision is made. While an area of interest is in the development phase, amortisation of development costs is not charged pending the commencement of production. Exploration and evaluation costs are transferred from the exploration and/or evaluation phase to the development phase upon commitment to a commercial development.

xvi. Development expenditures

Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure directly related to the development property. All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment is expected to be derived from the sale of production from the relevant development property.

3.8 Revenue recognition (IFRS 15)

IFRS 15 uses a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

It is the Group's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any.

Revenue is recognised when control of goods sold has been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset. For crude oil, this occurs when the crude products are lifted by the customer (buyer) Free on Board at the Group's loading facility. Revenue from the sale of oil is recognised at a point in time when performance obligation is satisfied. For gas sales, revenue is recognised when the product passes through the custody transfer point to the customer. Revenue from the sale of gas is recognised over time using the practical expedient of the right to invoice.

The surplus or deficit of the product sold during the period over the Group's share of production is termed as an overlift or underlift. With regard to underlifts, if the over-lifter does not meet the definition of a customer or the settlement of the transaction is non-monetary, a receivable and other income is recognised. Initially, when an overlift occurs, cost of sale is debited, and a corresponding liability is accrued. Overlifts and underlifts are initially measured at the market price of oil at the date of lifting, consistent with the measurement of the sale and purchase. Subsequently, they are remeasured at the current market value. The change arising from this remeasurement is included in the profit or loss as other income/expenses-net.

Definition of a customer

A customer is a party that has contracted with the Group to obtain crude oil or gas products in exchange for a consideration, rather than to share in the risks and benefits that result from sale. The Group has entered into collaborative arrangements with its Joint arrangement partners to share in the production of oil. Collaborative arrangements with its Joint arrangement partners to share in the production of oil are accounted for differently from arrangements with customers as collaborators share in the risks and benefits of the transaction, and therefore, do not meet the definition of customers. Revenue arising from these arrangements are recognised separately in other income.

Contract enforceability and termination clauses

It is the Group's policy to assess that the defined criteria for establishing contracts that entail enforceable rights and obligations are met. The criteria provide that the contract has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is not recognised for contracts that do not create enforceable rights and obligations to parties in a contract. The Group also does not recognise revenue for contracts that do not meet the revenue recognition criteria. In such cases where consideration is received it recognises a contract liability and only recognises revenue when the contract is terminated.

The Group may also have the unilateral rights to terminate an unperformed contract without compensating the other party. This could occur where the Group has not yet transferred any promised goods or services to the customer and the Group has not yet received, and is not yet entitled to receive, any consideration in exchange for promised goods or services.

Identification of performance obligation

At inception, the Group assesses the goods or services promised in the contract with a customer to identify as a performance obligation, each promise to transfer to the customer either a distinct good or series of distinct goods. The number of identified performance obligations in a contract will depend on the number of promises made to the customer. The delivery of barrels of crude oil or units of gas are usually the only performance obligation included in oil and gas contract with no additional contractual promises. Additional performance obligations may arise from future contracts with the Group and its customers.

The identification of performance obligations is a crucial part in determining the amount of consideration recognised as revenue. This is due to the fact that revenue is only recognised at the point where the performance obligation is fulfilled, Management has therefore developed adequate measures to ensure that all contractual promises are appropriately considered and accounted for accordingly.

Transaction price is the amount allocated to the performance obligations identified in the contract. It represents the amount of revenue recognised as those performance obligations are satisfied. Complexities may arise where a contract includes variable consideration, significant financing component or consideration payable to a customer.

Variable consideration not within the Group's control is estimated at the point of revenue recognition and reassessed periodically. The estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As a practical expedient, where the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group may recognise revenue in the amount to which it has a right to invoice.

Significant financing component (SFC) assessment is carried out (using a discount rate that reflects the amount charged in a separate financing transaction with the customer and also considering the Group's incremental borrowing rate) on contracts that have a repayment period of more than 12 months.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when it transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Instances when SFC assessment may be carried out include where the Group receives advance payment for agreed volumes of crude oil or receives take or pay deficiency payment on gas sales. Take or pay gas sales contract ideally provides that the customer must sometimes pay for gas even when not delivered to the customer. The customer, in future contract years, takes delivery of the product without further payment. The portion of advance payments that represents significant financing component will be recognised as interest expense.

Consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct goods or services that the customer transfers to the Group.

Breakage

The Group enters into take or pay contracts for sale of gas where the buyer may not ultimately exercise all of their rights to the gas. The take or pay quantity not taken is paid for by buyer called take or pay deficiency payment. The Group assesses if there is a reasonable assurance that it will be entitled to a breakage amount. Where it establishes that a reasonable assurance exists, it recognises the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. However, where the Group is not reasonably assured of a breakage amount, it would only recognise the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

Contract modification and contract combination

Contract modifications relate to a change in the price and/or scope of an approved contract. Where there is a contract modification, the Group assesses if the modification will create a new contract or change the existing enforceable rights and obligations of the parties to the original contract. Contract modifications are treated as new contracts when the performance obligations are separately identifiable and transaction price reflects the standalone selling price of the crude oil or the gas to be sold. Revenue is adjusted prospectively when the crude oil or gas transferred is separately identifiable and the price does not reflect the standalone selling price. Conversely, if there are remaining performance obligations which are not separately identifiable, revenue will be recognised on a cumulative catch-up basis when crude oil or gas is transferred.

The Group combines contracts entered into at near the same time (less than 12 months) as one contract if they are entered into with the same or related party customer, the performance obligations are the same for the contracts and the price of one contract depends on the other contract.

Portfolio expedients

As a practical expedient, the Group may apply the requirements of IFRS 15 to a portfolio of contracts (or performance obligations) with similar characteristics if it expects that the effect on the financial statements would not be materially different from applying IFRS to individual contracts within that portfolio.

Contract assets and liabilities

The Group recognises contract assets for unbilled revenue from crude oil and gas sales. The Group recognises contract liability for consideration received for which performance obligation has not been met.

Disaggregation of revenue from contract with customers

The Group derives revenue from two types of products, oil and gas. The Group has determined that the disaggregation of revenue based on the criteria of type of products meets the disaggregation of revenue disclosure requirement of IFRS 15. It depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See further details in note 6.1.1.

3.9 Property, plant and equipment

Oil and gas properties and other plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the entity, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised as incurred as long as these costs increase the efficiency of the unit or extend the useful life of the asset. All other maintenance costs are expensed as incurred.

Depreciation

Production and field facilities are depreciated on a unit-of-production basis over the estimated proved developed reserves. Gas plant is depreciated on a straight-line basis over its useful lives. Assets under construction are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

Plant and machinery	10% - 20%
Gas plant	4%
Motor vehicles	25%-30%
Office furniture and IT equipment	10%-33.33%
Buildings	4%
Land	-
Leasehold improvements	Over the unexpired portion of the lease

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Gains or losses on disposal of property, plant and equipment are determined as the difference between disposal proceeds and carrying amount of the disposed assets. These gains or losses are included in profit or loss.

3.10 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 include the amount of lease liabilities recognised, initial direct costs incurred, decommissioning costs (if any), 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.

3.11 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 weighted average incremental borrowing rate for the Group is 7.56%. 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.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. These costs may arise from; specific borrowings used for the purpose of financing the construction of a qualifying asset, and those that arise from general borrowings that would have been avoided if the expenditure on the qualifying asset had not been made. The general borrowing costs attributable to an asset's construction is calculated by reference to the weighted average cost of general borrowings that are outstanding during the period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.13 Finance income and costs

Finance income is recognised in the statement of profit or loss as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the amortised cost of the financial instrument. The determination of finance income takes into account all contractual terms of the financial instrument as well as any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

Finance cost

Finance costs includes borrowing costs, interest expense calculated using the effective interest rate method, finance charges in respect of lease liabilities, the unwinding of the effect of discounting provisions, and the amortisation of discounts and premiums on debt instruments that are liabilities.

3.14 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently. Other non –financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

If any such indication of impairment exists or when annual impairment testing for an asset group is required, the entity makes an estimate of its recoverable amount. Such indicators include changes in the Group's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

The recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and value in use ('VIU'). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the asset is tested as part of a larger cash generating unit to which it belongs. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment once commercial reserves are found before they are transferred to oil and gas assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Impairment – proved oil and gas production properties

Proven oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3.15 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.16 Inventories

Inventories represent the value of tubulars, casings, spares and wellheads. These are stated at the lower of cost and net realisable value. Cost is determined using the invoice value and all other directly attributable costs to bringing the inventory to the point of use determined on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

3.17 Other asset

The Group's interest in the oil and gas reserves of OML 55 has been classified as other asset. On initial recognition, it is measured at the fair value of future recoverable oil and gas reserves. Subsequently, the other asset is recognised at fair value through profit or loss.

3.18 Segment reporting

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

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as the chief operating decision maker, consists of the Chief Financial Officer, the Vice President (Finance), the Director (New Energy) and the Financial Reporting Manager. See further details in Note 6.

3.19 Financial instruments

IFRS 9 provides guidance on the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

a) Classification and measurement

Financial Assets

It is the Group's policy to initially recognise financial asset at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement are dependent on the Group's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Group may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

All the Group's financial assets as at 31 December 2021 satisfy the conditions for classification at amortised cost under IFRS 9 except for derivatives which are classified at fair value through profit or loss.

The Group's financial assets include trade receivables, NPDC receivables, NNPC receivables, other receivables, cash and bank balances and derivatives. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income/cost.

Financial liabilities

Financial liabilities of the Group are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs, except for derivatives which are classified and subsequently recognised at fair value through profit or loss.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Group's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Group applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables and contract assets while the general approach is applied to NPDC receivables, NNPC receivables, other receivables and cash and bank balances.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Group's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.

Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) in Nigeria and crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

c) Significant increase in credit risk and default definition

The Group assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Group identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Group's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Group carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Group determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

d) Write off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include;

- ceasing enforcement activity and;
- where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write - off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2021 was nil (2020: Nil).

The Group seeks to recover amounts it its legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

e) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as finance income/cost.

Financial liabilities

The Group derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

f) Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost)-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

g) Offsetting of financial assets and financial liabilities
Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

h) Derivatives
The Group uses derivative financial instruments such as forward exchange contracts to hedge its foreign exchange, risks as well as put options to hedge against its oil price risk. However, such contracts are not accounted for as designated hedges. Derivatives are initially recognised at fair value on the date a derivative contract is entered and subsequently remeasured to their fair value at the end of each reporting period. Any gains or losses arising from changes in the fair value of derivatives are recognised within operating profit in profit or loss for the period. An analysis of the fair value of derivatives is provided in Note 5, Financial risk Management.

The Group accounts for financial assets with embedded derivatives (hybrid instruments) in their entirety on the basis of its contractual cash flow features and the business model within which they are held, thereby eliminating the complexity of bifurcation for financial assets. For financial liabilities, hybrid instruments are bifurcated into hosts and embedded features. In these cases, the Group measures the host contract at amortised cost and the embedded features is measured at fair value through profit or loss.

For the purpose of the maturity analysis, embedded derivatives included in hybrid financial instruments are not separated. The hybrid instrument, in its entirety, is included in the maturity analysis for non-derivative financial liabilities.

i) Fair value of financial instruments
The Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measure the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in the income statement on initial recognition of the instrument. In other cases, the difference is not recognised in the income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

3.20 Share capital
On issue of ordinary shares, any consideration received net of any directly attributable transaction costs is included in equity. Issued share capital has been translated at the exchange rate prevailing at the date of the transaction and is not retranslated subsequent to initial recognition.

3.21 Earnings per share and dividends

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

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

Dividends
Dividends on ordinary shares are recognised as a liability in the period in which they are approved.

3.22 Post-employment benefits

Defined contribution scheme
The Group contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Group. The Group's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. The Group operates a defined contribution plan and it is accounted for based on IAS 19 Employee benefits.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

Defined benefit scheme
The Group operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund. The Group also provides certain additional post-employment benefits to employees. These benefits are unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method and calculated annually by independent actuaries. The liability or asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets (if any). The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds.

Remeasurements gains and losses, arising from changes in financial and demographic assumptions and experience adjustments, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation and the fair value of the plan assets.

The Group recognises the following changes in the net defined benefit obligation under employee benefit expenses in general and administrative expenses:

- Service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest cost

3.23 Provisions
Provisions are recognised when

i) the Group has a present legal or constructive obligation as a result of past events;
ii) it is probable that an outflow of economic resources will be required to settle the obligation as a whole; and
iii) the amount can be reliably estimated.

Provisions are not recognised for future operating losses. In measuring the provision:

- risks and uncertainties are taken into account;
- the provisions are discounted (where the effects of the time value of money is considered to be material) using a pre-tax rate that is reflective of current market assessments of the time value of money and the risk specific to the liability;

- when discounting is used, the increase of the provision over time is recognised as interest expense;
- future events such as changes in law and technology, are taken into account where there is subjective audit evidence that they will occur; and
- gains from expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.

Decommissioning

Liabilities for decommissioning costs are recognised as a result of the constructive obligation of past practice in the oil and gas industry, when it is probable that an outflow of economic resources will be required to settle the liability and a reliable estimate can be made. The estimated costs, based on current requirements, technology and price levels, prevailing at the reporting date, are computed based on the latest assumptions as to the scope and method of abandonment.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost. The corresponding amount is capitalised as part of the oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation.

If the change in estimate results in an increase in the decommissioning provision and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas assets net of decommissioning provisions exceed the recoverable value, that portion of the increase is charged directly to expense.

3.24 Contingencies

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

3.25 Income taxation

i. Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

iii. Uncertainty over income tax treatments

The Group examines where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. It considers each uncertain tax treatment separately or together as a group, depending on which approach better predicts the resolution of the uncertainty. The factors it considers include:

- how it prepares and supports the tax treatment; and
- the approach that it expects the tax authority to take during an examination.

If the Group concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it determines the accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, it reflects the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate).

The Group measures the impact of the uncertainty using methods that best predicts the resolution of the uncertainty. The Group uses the most likely method where there are two possible outcomes, and the expected value method when there are a range of possible outcomes.

The Group assumes that the tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. As a result, it does not consider detection risk in the recognition and measurement of uncertain tax treatments. The Group applies consistent judgements and estimates on current and deferred taxes. Changes in tax laws or the presence of new tax information by the tax authority is treated as a change in estimate in line with IAS 8 - Accounting policies, changes in accounting estimates and errors.

Judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements. New information might include actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment. The absence of any comment from the tax authority is unlikely to be, in isolation, a change in circumstances or new information that would lead to a change in estimate.

3.26 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

3.27 Share based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity (share-based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date and for fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share.

4. Significant accounting judgements estimates and assumptions

The preparation of the Group's consolidated historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated historical financial information:

i. OMLs 4, 38 and 41

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

ii. Deferred tax asset

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

iii. Lease liabilities

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

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

iv. Foreign currency translation reserve

The Group has used the CBN rate to translate its Dollar currency to its Naira presentation currency. Management has determined that this rate is available for immediate delivery. If the rate was 10% higher or lower, revenue in Naira would have increased/decreased by ₦29 billion (2020: ₦19 billion). See Note 48 for the applicable translation rates.

v. Consolidation of Elcrest

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

- Eland Oil and Gas Plc has controlling power over Elcrest due to its representation on the board of Elcrest, and clauses contained in the Share Charge agreement and loan agreement which gives Eland the right to control 100% of the voting rights of shareholders.

- Eland Oil and Gas Plc is exposed to variable returns from the activities of Elcrest through dividends and interests.
- Eland Oil and Gas Plc has the power to affect the amount of returns from Elcrest through its right to direct the activities of Elcrest and its exposure to returns.

vi. Revenue recognition

Performance obligations

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

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

Significant financing component

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

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

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

Transactions with Joint Operating arrangement (JOA) partners

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

vii. Exploration and evaluation assets

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

viii. Segment reporting

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

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

4.2 Estimates and assumptions

The key assumptions concerning the future and the other key source of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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. Oil and gas reserves

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

iii. Share-based payment reserve

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share award or appreciation right, volatility and dividend yield and making assumptions about them. The Group measures the fair value of equity-settled transactions with employees at the grant date. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 28.4.

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

iv. Provision for decommissioning obligations

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

v. Property, plant and equipment

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

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

During the year, the Group carried out an impairment assessment on OML 4,38 and 41, OML 56, OML 53, OML 40 and OML 17. The Group used the higher of the fair value less cost to dispose and the value in use in determining the recoverable amount of the cash-generating unit. In determining the value, the Group uses a forecast of the annual net cash flows over the life of proved plus probable reserves, production rates, oil and gas prices, future costs (excluding (a) future restructurings to which the entity is not yet committed; or (b) improving or enhancing the asset's performance) and other relevant assumptions based on the year-end Competent Persons Report (CPR). The pre-tax future cash flows are adjusted for risks specific to the forecast and discounted using a pre-tax discount rate which reflects both current market assessment of the time value of money and risks specific to the asset.

Management considers whether a reasonable possible change in one of the main assumptions will cause an impairment and believes otherwise (see note 16.1).

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

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

viii. Impairment of financial assets
The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 5.1.3.

5. Financial risk management

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

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

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

5.1.1 Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, interest rates and commodity prices.

ix. Commodity price risk

The Group is exposed to the risk of fluctuations on crude oil prices. The uncertainty around the rate at which oil prices increase or decline led to the Group's decision to enter into an option contract to insure the Group's revenue against adverse oil price movements.

Crude Hedge

During the last quarter of 2021, the Group entered an economic crude oil hedge contracts with an average strike price of ₦ 22,141 ($54/bbl.) for 3 million barrels at an average premium price of ₦583.91 ($1.42/bbl.) was agreed at the contract dates.

These contracts, which will commence on 1 January 2022, are expected to reduce the volatility attributable to price fluctuations of oil. The Group did not pre-pay any premium in the current year but the premium for 3 million barrels will be settled on a deferred basis. An unrealized fair value loss of ₦840 million, $2.1 million have been recognized in 2021. The termination date is 31 March and 30 September 2022 respectively. Hedging the price volatility of forecast oil sales is in accordance with the risk management strategy of the Group.

The maturity of the crude oil hedge contracts the Group holds is shown in the table below:

	Less than 6 months	6 to 9 months	10 to 12 months	Above 12 months	Total	Fair value ₦ million	Fair value $'000
As at 31 December 2021							
Crude oil hedges Volume (bbl.)	2,000,000	1,000,000	-	-	3,000,000	1,543	3,745
						1,543	**3,745**

	Less than 6 months	6 to 9 months	10 to 12 months	Above 12 months	Total	Fair value ₦ million	Fair value $'000
As at 31 December 2020							
Crude oil hedges Volume (bbl.)	2,000,000	3,000,000	-	-	5,000,000	626	1,648
						626	**1,648**

The following table summarises the impact of the commodity options on the Group's profit before tax due to a 10 % change in market inputs, with all other variables held constant:

Increase/decrease in market inputs	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million
+10%	154	-	63	-
-10%	(154)	-	(63)	-

Increase/decrease in market inputs	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+10%	375	-	165	-
-10%	(375)	-	(165)	-

The Group may be exposed to business risks from fluctuations in the future prices of crude oil and gas. The following table summarises the impact on the Group's profit before tax of a 10 % change in crude oil prices, with all other variables held constant:

Notes to the consolidated financial statements - continued

Increase/decrease in crude oil prices	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million
+10%	24,765	-	15,042	-
-10%	(24,765)	-	(15,042)	-

Increase/decrease in crude oil prices	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+10%	61,838	-	41,794	-
-10%	(61,838)	-	(41,794)	-

The following table summarises the impact on the Group's profit before tax of a 10% change in gas prices, with all other variables held constant:

Increase/decrease in gas price	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million
+10%	4,598	-	4,050	-
-10%	(4,598)	-	(4,050)	-

Increase/decrease in gas price	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+10%	11,481	-	11,253	-
-10%	(11,481)	-	(11,253)	-

x. Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk relates primarily to interest bearing loans and borrowings. The Group has both variable and fixed interest rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and short-term fixed deposit held at variable rates. Fixed rate borrowings only give rise to interest rate risk if measured at fair value. The Group's borrowings are not measured at fair value and are denominated in US dollars. The Group is exposed to cash flow interest rate risk on short-term deposits to the extent that the significant increases and reductions in market interest rates would result in a decrease in the interest earned by the Group.

The contractual re-pricing date of the interest-bearing loans and borrowings is between 3-6 months. The exposure of the Group's variable interest-bearing loans and borrowings at the end of the reporting period is shown below.

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Corporate loan	**48,828**	**131,107**	**118,535**	**345,019**

The following table demonstrates the sensitivity of the Group's profit before tax to changes in USD LIBOR rate, with all other variables held constant.

Increase/decrease in interest rate	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million
+1%	49	-	131	-
-1%	(49)	-	(131)	-

Increase/decrease in interest rate	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+1%	119	-	345	-
-1%	(119)	-	(345)	-

5.1.2 Foreign exchange risk

The Group has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currency. The Group is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US dollar.

The Group holds most of its cash and bank balances in US dollar. However, the Group maintains deposits in Naira in order to fund ongoing general and administrative activities and other expenditure incurred in this currency. Other monetary assets and liabilities which give rise to foreign exchange risk include trade and other receivables, trade and other payables. The following table demonstrates the carrying value of monetary assets and liabilities exposed to foreign exchange risks for Naira exposures at the reporting date:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Financial assets				
Cash and bank balances	114,773	85,223	278,622	224,270
Trade and other receivables	580	443	1,408	1,167
Contract assets	1,669	2,343	4,050	6,167
	117,032	**88,009**	**284,080**	**231,604**
Financial liabilities				
Trade and other payables	(102,823)	(90,663)	(249,612)	(238,587)
Net exposure to foreign exchange risk	**14,209**	**(2,654)**	**34,468**	**(6,983)**

The following table demonstrates the carrying value of monetary assets and liabilities exposed to foreign exchange risks for Pound exposures at the reporting date:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Financial assets				
Cash and bank balances	900	396	2,186	1,041
Trade and other receivables	35,863	29,799	87,062	78,419
	36,763	30,195	89,248	79,460
Financial liabilities				
Trade and other payables	-	-	-	-
Net exposure to foreign exchange risk	**36,763**	**30,195**	**89,248**	**79,460**

Sensitivity to foreign exchange risk is based on the Group's net exposure to foreign exchange risk due to Naira and pound denominated balances. If the Naira strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit before tax 2021	Effect on other components of equity before tax 2021	Effect on profit before tax 2020	Effect on other components of equity before tax 2020
	₦ million	₦ million	₦ million	₦ million
+5%	(677)	-	(20,983)	-
-5%	748	-	23,192	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+5%	(1,641)	-	(55,218)	-
-5%	1,814	-	61,030	-

If the Pounds strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million
+5%	(1,751)	-	(1,438)	-
-5%	1,935	-	1,589	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+5%	(4,250)	-	(3,784)	-
-5%	4,697	-	4,182	-

5.1.3 Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and bank balances as well as credit exposures to customers (i.e., Mercuria, Shell western, Pillar, Azura, Geregu Power, Sapele Power and Nigerian Gas Marketing Company (NGMC) receivables), and other parties (i.e. NNPC receivables, NPDC receivables and other receivables).

j) Risk management

The Group is exposed to credit risk from its sale of crude oil to Mercuria and Shell western. There is a 30-day payment term after Bill of Lading date in the off-take agreement with Mercuria (OMLs 4, 38 &41) which expires in February 2022. The Group also has an off-take agreement with Shell Western Supply and Trading Limited which expires in September 2023. The Group is exposed to further credit risk from outstanding cash calls from Nigerian Petroleum Development Company (NPDC) and Nigerian National Petroleum Corporation (NNPC).

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 bank 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.

k) Impairment of financial assets

The Group has six types of financial assets that are subject to IFRS 9's expected credit loss model. Contract assets are also subject to the expected credit loss model, even though they are not financial assets, as they have substantially the same credit risk characteristics as trade receivables. The impairment of receivables is disclosed in the table below.

- Nigerian Petroleum Development Company (NPDC) receivables
- Nigerian National Petroleum Corporation (NNPC) receivables
- Trade receivables
- Contract assets
- Other receivables
- Cash and bank balances

Reconciliation of impairment on financial assets

	Notes	₦'million	$'000
As at 1 January 2021		**17,689**	**52,471**
Increase in provision for Nigerian Petroleum Development Company (NPDC) receivables	23.2	1,848	4,614
Increase in provision for Nigerian National Petroleum Corporation (NNPC) receivables	23.3	108	270
Increase in provision for trade receivables	23.1	7,079	17,676
Increase in provision for cash and bank balances: short term fixed deposits	26	-	-
Increase in provision of other receivables	23.4	-	-
Increase in contract asset	24	-	1
Impairment charge to the profit or loss		**9,035**	**22,561**
Exchange difference		4,184	-
As at 31 December 2021		**30,908**	**75,032**

	Notes	₦'million	$'000
As at 1 January 2020		**6,911**	**22,524**
Increase in provision for Nigerian Petroleum Development Company (NPDC) receivables	23.2	171	476
Increase in provision for Nigerian National Petroleum Corporation (NNPC) receivables	23.3	456	1,268
Increase in provision for trade receivables	23.1	542	1,507
Decrease in provision for cash and bank balances: short term fixed deposits	26	60	167
Increase in provision for other receivables	23.4	9,548	26,529
Exchange difference		1	-
Impairment charge to the profit or loss		**10,778**	**29,947**
As at 31 December 2020		**17,689**	**52,471**

The parameters used to determine impairment for NPDC receivables, NNPC receivables, other receivables and short-term fixed deposits are shown below. For all receivables presented in the table, the respective 12-month Probability of Default (PD) equate the lifetime PD for stage 2 as the maximum contractual period over which the Group is exposed to credit risk arising from the receivables is less than 12 months.

	Nigerian Petroleum Development Company (NPDC) receivables	Nigerian National Petroleum Corporation (NNPC) receivables	Other receivables	Short term fixed deposits
Probability of Default (PD)	The 12 month sovereign cumulative PD for base case, downturn and upturn respectively is 4.47%, 4.33%, 4.61% , for stage 1 and stage 2. The PD for stage 3 is 100%.	The 12 month sovereign cumulative PD for base case, downturn and upturn respectively is 4 .47%,4.33%, 4.61%, for stage 1 and stage 2. The PD for stage 3 is 100%.	The PD for stage 3 is 100%.	The PD for base case, downturn and upturn is 11.77%, 12.75% and 10.88% respectively for stage 1 and stage 2. The PD for stage 3 is 100%.
Loss Given Default (LGD)	The 12-month LGD and lifetime LGD were determined using Moody's recovery rate and mapped based on the priority rating of the receivable, for emerging economies.	The 12-month LGD and lifetime LGD were determined using Moody's recovery rate and mapped based on the priority rating of the receivable, for emerging economies.	The 12-month LGD and lifetime LGD were determined using Management's estimate of expected cash recoveries.	The 12-month LGD and lifetime LGD were determined using the average recovery rate for Moody's senior unsecured corporate bonds for emerging economies.
Exposure at default (EAD)	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the short-term fixed deposits to credit risk.
Macroeconomic indicators	The historical inflation and Brent oil price were used.	The historical inflation and Brent oil price were used.	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used.	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used.
Probability weightings	38%, 28%, and 35% was used as the weights for the base, upturn and downturn ECL modelling scenarios respectively.	38%, 28%, and 35% was used as the weights for the base, upturn and downturn ECL modelling scenarios respectively.	89%, 2% and 9% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	78%, 12% and 10% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.

The Group considers both quantitative and qualitative indicators in classifying its receivables into the relevant stages for impairment calculation as shown below:

- Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).
- Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as the increase in political risk concerns or other macro-economic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.
- Stage 3: This stage includes financial assets that have been assessed as being in default (i.e. receivables that are more than 90 days past due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

xi. Nigerian Petroleum Development Company (NPDC) receivables

NPDC receivables represent the outstanding cash calls due to Seplat from its Joint venture partner, Nigerian Petroleum Development Company. The Group applies the IFRS 9 general model for measuring expected credit losses (ECL). This requires a three-stage approach in recognising the expected loss allowance for NPDC receivables.

The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The ECL was calculated based on actual credit loss experience from 2014, which is the date the Group initially became a party to the contract. The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

There was no write-off during the year (2020: Nil). (See details in Note 23.2).

31 December 2021

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	-	39,514	-	39,514
Loss allowance	-	(4,943)	-	(4,943)
Net Exposure at Default (EAD)	**-**	**34,571**	**-**	**34,571**

31 December 2020

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	41,300	-	-	41,300
Loss allowance	(619)	-	-	(619)
Net Exposure at Default (EAD)	**40,681**	**-**	**-**	**40,681**

31 December 2021

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	-	95,924	-	95,924
Loss allowance	-	(12,000)	-	(12,000)
Net Exposure at Default (EAD)	**-**	**83,924**	**-**	**83,924**

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	114,439	-	-	114,439
Loss allowance	(7,386)	-	-	(7,386)
Net Exposure at Default (EAD)	**107,053**	**-**	**-**	**107,053**

xii. Nigerian National Petroleum Corporation (NNPC) receivables

NNPC receivables represent the outstanding cash calls due to Seplat from its Joint Operating Arrangement (JOA) partner, Nigerian National Petroleum Corporation . The Group applies the general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for NNPC receivables.

The ECL was calculated based on actual credit loss experience from 2016, which is the date the Group initially became a party to the contract. The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty. The tables below show the expected credit losses for the year ended 31 December 2021 and 31 December 2020.

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31 December 2021

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	-	8,269	2,550	10,819
Loss allowance	-	(80)	(585)	(665)
Net Exposure at Default (EAD)	**-**	**8,189**	**1,965**	**10,154**

31 December 2021

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	\$'000	\$'000	\$'000	\$'000
Gross Exposure at Default (EAD)	-	20,075	6,190	26,265
Loss allowance	-	(195)	(1,420)	(1,615)
Net Exposure at Default (EAD)	**-**	**19,880**	**4,770**	**24,650**

31 December 2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	11,832	-	-	11,832
Loss allowance	(479)	-	-	(479)
Net Exposure at Default (EAD)	**11,353**	**-**	**-**	**11,353**

31 December 2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	\$'000	\$'000	\$'000	\$'000
Gross Exposure at Default (EAD)	31,221	-	-	31,221
Loss allowance	(1,345)	-	-	(1,345)
Net Exposure at Default (EAD)	**29,876**	**-**	**-**	**29,876**

xiii. Trade receivables (Gerugu Power, Sapele Power, Nigerian Gas Marketing Company, Pan ocean, Oghareki and Summit)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The impairment of trade receivables (Gerugu Power, Sapele Power, NGMC, Pan ocean, Oghareki and Summit) was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2021 and 31 December 2020 are as follows:

31 December 2021

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	-	20,206	386	2,775	2,264	8,665	34,296
Expected loss rate	2%	2%	39%	39%	70%	70%	
Lifetime ECL (Note 23.1)	-	(326)	(167)	(1,069)	(1,578)	(5,244)	(8,384)
Total	**-**	**19,880**	**219**	**1,706**	**686**	**3,421**	**25,912**

31 December 2020

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	1,844	-	1,005	1,377	1,556	6,900	12,682
Expected loss rate	0.14%	0.14%	0.14%	0.15%	4.43%	6.27%	-
Lifetime ECL (Note 23.1)	(2)	-	(1)	(2)	(66)	(452)	(523)
Total	**1,842**	**-**	**1,004**	**1,375**	**1,490**	**6,448**	**12,159**

31 December 2021

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	-	49,052	936	6,737	5,496	21,035	83,256
Expected loss rate	2%	2%	39%	39%	70%	70%	
Lifetime ECL (Note 23.1)	-	(792)	(405)	(2,595)	(3,831)	(12,729)	(20,352)
Total	**-**	**48,260**	**531**	**4,142**	**1,665**	**8,306**	**62,904**

31 December 2020

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	4,859	-	2,649	3,629	4,099	18,137	33,373
Expected loss rate	0.14%	0.14%	0.14%	0.15%	4.43%	6.27%	
Lifetime ECL (Note 23.1)	(6)	-	(4)	(5)	(173)	(1,191)	(1,379)
Total	**4,853**	**-**	**2,645**	**3,624**	**3,926**	**16,946**	**31,994**

xiv. Trade receivables (Mercuria)

The impairment of trade receivables (Mercuria) was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2021 was nil.

xv. Trade receivables (Pillar)

The impairment of trade receivables (Pillar) was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2021 and 31 December 2020 are as follows:

31 December 2021

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount		-	11	-	-	391	402
Expected loss rate	3%	4%	4%	17%	100%	100%	
Lifetime ECL (Note 23.1)	-	-	-	-	-	(391)	(391)
Total	-	-	11	-	-	-	11

31 December 2020

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	89	-	-	-	-	346	435
Expected loss rate	1.22%	1.22%	2.16%	15.03%	52.65%	100%	
Lifetime ECL (Note 23.1)	(1)	-	-	-	-	(346)	(347)
Total	**88**	**-**	**-**	**-**	**-**	**-**	**88**

31 December 2021

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	-	-	26	-	-	948	974
Expected loss rate	3%	4%	4%	17%	100%	100%	
Lifetime ECL (Note 23.1)	-	-	(1)	-	-	(948)	(949)
Total	-	-	25	-	-	-	25

31 December 2020

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	234	-	-	-	-	913	1,147
Expected loss rate	1.22%	1.22%	2.16%	15.03%	52.65%	100%	
Lifetime ECL (Note 23.1)	(2)	-	-	-	-	(913)	(915)
Total	**232**	-	-	-	-	-	**232**

xvi. Contract assets

The expected credit losses on contract assets was estimated by applying the provision matrix. The expected loss rate was calculated as the percentage of the receivable that is deemed during a particular period. The expected loss rates as at 31 December 2021 is shown below (2020: nil).

31 December 2021

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Gross carrying amount	1,679	-	-	-	-	-	1,679
Expected loss rate	0.03%	0.05%	0.1%	0.2%	0.2%	5.29%	
Lifetime ECL (Note 24.1)	-	-	-	-	-	-	-
Total	**1,679**	-	-	-	-	-	**1,679**

31 December 2021

	Current	1-30 days	31-60 days	61-90 days	91- 120 days	Above 120 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	4,077	-	-	-	-	-	4,077
Expected loss rate	0.03%	0.05%	0.1%	0.2%	0.2%	5.29%	
Lifetime ECL (Note 24.1)	(1)	-	-	-	-	-	(1)
Total	**4,076**	-	-	-	-	-	**4,076**

xvii. Other receivables

Other receivables are amounts outside the usual operating activities of the Group. Included in other receivables is a receivable amount on an investment that is no longer being pursued. The Group applied the general approach in estimating the expected credit loss.

31 December 2021

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	-	-	23,473	23,473
Loss allowance	-	-	(15,303)	(15,303)
Exchange difference	-	-	(3,365)	(3,365)
Net Exposure at Default (EAD)	-	-	**4,805**	**4,805**

31 December 2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	₦'million	₦'million	₦'million	₦'million
Gross Exposure at Default (EAD)	-	-	16,348	16,348
Loss allowance	-	-	(15,303)	(15,303)
Net Exposure at Default (EAD)	-	-	**1,045**	**1,045**

31 December 2021

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Gross Exposure at Default (EAD)	-	-	53,208	53,208
Loss allowance	-	-	(45,319)	(45,319)
Net Exposure at Default (EAD)	-	-	**7,889**	**7,889**

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	-	-	48,070	48,070
Loss allowance	-	-	(45,319)	(45,319)
Net Exposure at Default (EAD)	**-**	**-**	**2,751**	**2,751**

xviii. Cash and cash equivalent

Short-term fixed deposits

The Group applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for cash and cash equivalents. The ECL was calculated as the probability weighted estimate of the credit losses expected to occur over the contractual period of the facility after considering macroeconomic indicators.

31 December 2021

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	29,182	-	-	29,182
Loss allowance	(101)	-	-	(101)
Net Exposure at Default (EAD)	**29,081**	**-**	**-**	**29,081**

31 December 2020

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	8,061	-	-	8,061
Loss allowance	(93)	-	-	(93)
Net Exposure at Default (EAD)	7,968	-	-	7,968

31 December 2021

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	70,842	-	-	70,842
Loss allowance	(246)	-	-	(246)
Net Exposure at Default (EAD)	**70,596**	**-**	**-**	**70,596**

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	21,212	-	-	21,212
Loss allowance	(246)	-	-	(246)
Net Exposure at Default (EAD)	20,966	-	-	20,966

Other cash and bank balances

The group assessed the other cash and bank balances to determine their expected credit losses. Based on this assessment, they identified the expected credit loss to be nil as at 31 December 2021 (2020: nil). The assets are assessed to be in stage 1.

Credit quality of cash and bank balances (including restricted cash)

The credit quality of the Group's cash and bank balances are assessed on the basis of external credit ratings (Fitch national long-term ratings) as shown below cash and bank balances are all in Stage 1 based on the ECL assessment:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Non-rated	-	4,841	-	12,740
BBB-	24,903	672	60,455	1,764
A	134		326	
A+	94,973	80,832	230,557	212,717
AA-	10,274	9,004	24,941	23,694
AA+	-	-	-	-
AAA-	10,087		24,486	
AAA		3,059		8,049
	140,371	98,408	340,765	258,964
Allowance for impairment recognised during the year (Note 26)	(101)	(93)	(246)	(246)
Net cash and cash bank balances	**140,270**	**98,315**	**340,519**	**258,718**

l) Maximum exposure to credit risk – financial instruments subject to impairment

The Group estimated the expected credit loss on NPDC receivables, NNPC receivables and short-term fixed deposits by applying the general model. The gross carrying amount of financial assets represents the Group's maximum exposure to credit risks on these assets.

All financial assets impaired using the General model (NPDC, NNPC and short-term fixed deposits) are graded under the standard monitoring credit grade (rated B- under Standard and Poor's unmodified ratings) and are classified under Stage 1, except for the other receivables which are graded under the investment grade (rated AA under Standard and Poor's unmodified ratings) and classified in Stage 2 and Stage 3.

m) Roll forward movement in loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 or Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslation for assets dominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-off of receivables and allowances related to assets.

The following tables explain the changes in the loss allowance between the beginning and end of the annual period due to these factors:

Nigerian Petroleum Development Company (NPDC) receivables

	Stage 1 12-month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million	Purchased credit-impaired ₦ million	Total ₦ million
Loss allowance as at 1 January 2021	-	806	-	-	806
Movements with profit or loss impact	-	1,848	-	-	1,848
New financial assets originated or purchased	-	-	-	-	-
Total net profit or loss charge during the period	-	1,848	-	-	1,848
Exchange difference	-	2,289	-	-	2,889
Loss allowance as at 31 December 2021	**-**	**4,943**	**-**	**-**	**4,943**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at 1 January 2021	-	7,386	-	-	7,386
Movements with profit or loss impact	-	4,614	-	-	4,614
New financial assets originated or purchased	-	-	-	-	-
Total net profit or loss charge during the period	-	4,614	-	-	4,614
Loss allowance as at 31 December 2021	**-**	**12,000**	-	-	**12,000**

National National Petroleum Corporation (NNPC) receivables

	Stage 1 12-month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million	Purchased credit-impaired ₦ million	Total ₦ million
Loss allowance as at 1 January 2021	-	479	-	-	479
Movements with profit or loss impact	-	(461)	569	-	108
New financial assets originated or purchased	-	-	-	-	-
Total net profit or loss charge during the period	-	(461)	569	-	108
Exchange difference	-	62	16	-	78
Loss allowance as at 31 December 2021	**-**	**80**	**585**	**-**	**665**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at 1 January 2021		1,345	-	-	1,345
Movements with profit or loss impact		(1,150)	1,420	-	270
New financial assets originated or purchased		-	-	-	-
Total net profit or loss charge during the period		**(1,150)**	**1,420**	**-**	270
Loss allowance as at 31 December 2021		**195**	**1,420**	**-**	**1,615**

Other receivables

	Stage 1 12-month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 3 Lifetime ECL ₦ million	Purchased credit-impaired ₦ million	Total ₦ million
Loss allowance as at 1 January 2021	-	-	15,303	-	15,303
Movements with profit or loss impact					
Changes in PDs/LGDs/EADs	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Total net profit or loss charge during the period	-	-	-	-	-
Other movements with no profit or loss impact					
Exchange difference	-	-	3,365	-	3,365
Loss allowance as at 31 December 2021	**-**	**-**	**18,668**	**-**	**18,668**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 2 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at 1 January 2021	-	-	45,319	-	45,319
Movements with profit or loss impact					
Changes in PDs/LGDs/EADs	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Total net profit or loss charge during the period	-	-	-	-	-
Loss allowance as at 31 December 2021	**-**	**-**	**45,319**	**-**	**45,319**

Short-term fixed deposit

	Stage 1 12-month ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Stage 2 Lifetime ECL ₦ million	Purchased credit-impaired ₦ million	Total ₦ million
Loss allowance as at 1 January 2021	93	-	-	-	93
Movements with profit or loss impact					
New financial assets originated or purchased	-	-	-	-	-
Total net profit or loss charge during the period	-	-	-	-	-
Other movements with no profit or loss impact					
Exchange difference	8	-	-	-	8
Loss allowance as at 31 December 2021	**101**	-	-	-	**101**

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at 1 January 2021	246	-	-	-	246
Movements with profit or loss impact					
New financial assets originated or purchased	-	-	-	-	-
Total net profit or loss charge during the period	-	-	-	-	-
Loss allowance as at 31 December 2021	**246**	**-**	**-**	**-**	**246**

n) Estimation uncertainty in measuring impairment loss

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

xix. Expected cashflows recoverable

The table below demonstrates the sensitivity of the Group's profit before tax to a 20% change in the expected cashflows from financial assets, with all other variables held constant:

	Effect on profit before tax 2021	Effect on other components of equity before tax 2021	Effect on profit before tax 2021	Effect on other components of equity before tax 2021
	₦ million	₦ million	$'000	$'000
Increase/decrease in estimated cashflows				
+20%	148	-	371	-
-20%	(148)	-	(371)	-

	Effect on profit before tax 2020	Effect on other components of equity before tax 2020	Effect on profit before tax 2020	Effect on other components of equity before tax 2020
	₦ million	₦ million	$'000	$'000
Increase/decrease in estimated cash flows				
+20%	41	-	108	-
-20%	(41)	-	(108)	-

xx. Significant unobservable inputs

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

	Effect on profit before tax 2021	Effect on other components of equity before tax 2021	Effect on profit before tax 2021	Effect on other components of equity before tax 2021
	₦ million	₦ million	$'000	$'000
Increase/decrease in loss given default				
+10%	(717)	-	(1,800)	-
-10%	717	-	1,800	-

	Effect on profit before tax 2020	Effect on other components of equity before tax 2020	Effect on profit before tax 2020	Effect on other components of equity before tax 2020
	₦ million	₦ million	$'000	$'000
Increase/decrease in loss given default				
+10%	(285)	-	(749)	-
-10%	285	-	749	-

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

	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000
Increase/decrease in probability of default				
+10%	(679)	-	(1,704)	-
-10%	679	-	1,704	-

	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
Increase/decrease in probability of default				
+10%	(188)	-	(496)	-
-10%	188	-	496	-

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

	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000
Increase/decrease in forward looking macroeconomic indicators				
+10%	(19)	-	(48)	-
-10%	19	-	48	-

	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
Increase/decrease in forward looking macroeconomic indicators				
+10%	(230)	-	(605)	-
-10%	230	-	605	-

5.1.4 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 and time deposits.

Notes to the consolidated financial statements - continued

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 ₦ million	1 - 2 year ₦ million	2 - 3 years ₦ million	3 - 5 years ₦ million	Total ₦ million
31 December 2021						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	7.75%	**20,751**	**20,751**	**20,751**	**298,881**	**361,134**
Variable interest rate borrowings						
The Mauritius Commercial Bank Ltd	8.00% + USD LIBOR	1,298	4,390	6,456	7,650	19,794
The Stanbic IBTC Bank Plc	8.00% + USD LIBOR	1,324	4,481	6,590	7,810	20,205
The Standard Bank of South Africa Limited	8.00% + USD LIBOR	757	2,561	3,766	4,463	11,547
First City Monument Bank Limited	8.00% + USD LIBOR	338	1,143	1,681	1,992	5,154
Shell Western Supply and Trading Limited	10.5% + USD LIBOR	486	924	876	4,422	6,708
Total variable interest borrowings		**4,203**	**13,499**	**19,369**	**26,337**	**63,408**
Other non - derivatives						
Trade and other payables**		151,204	-	-	-	151,204
Lease liability		1,950	66	28	-	2,044
		153,154	66	28	-	153,248
Total		**178,108**	**34,316**	**40,148**	**325,218**	**577,790**

	Effective interest rate %	Less than 1 year ₦ million	1 - 2 year ₦ million	2 - 3 years ₦ million	3 - 5 years ₦ million	Total ₦ million
31 December 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	-	-	**133,000**	-	**133,000**
Variable interest rate borrowings						
Citibank, N.A., London Branch	6% + USD LIBOR	724	10,133	-	-	10,857
Nedbank Limited London	6% + USD LIBOR	724	10,133	-	-	10,857
Stanbic IBTC Bank Plc	6% + USD LIBOR	362	5,067	-	-	5,429
The Standard Bank of South Africa Limited	6% + USD LIBOR	362	5,067	-	-	5,429

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

	Effective interest rate %	Less than 1 year $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
31 December 2021						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	7.75%	**50,375**	**50,375**	**50,375**	**725,563**	**876,688**
Variable interest rate borrowings						
The Mauritius Commercial Bank Ltd	8.00% + USD LIBOR	3,150	10,656	15,672	18,572	48,050
The Stanbic IBTC Bank Plc	8.00% + USD LIBOR	3,215	10,878	15,998	18,959	49,050
The Standard Bank of South Africa Limited	8.00% + USD LIBOR	1,837	6,216	9,142	10,834	28,029
First City Monument Bank Limited	8.00% + USD LIBOR	820	2,775	4,081	4,836	12,512
Shell Western Supply and Trading Limited	10.5% + USD LIBOR	1,179	2,243	2,126	10,734	16,282
Total variable interest borrowings		**10,201**	**32,768**	**47,019**	**63,935**	**153,923**

Notes to the consolidated financial statements - continued

Other non - derivatives					
Trade and other payables**	367,058	-	-	-	367,058
Lease liability	4,733	160	67	-	4,960
	371,791	**160**	**67**	**-**	**372,018**
Total	**432,367**	**83,303**	**97,461**	**789,498**	**1,402,629**

	Effective interest rate %	Less than 1 year $'000	1 - 2 year $'000	2 - 3 years $'000	3 - 5 years $'000	Total $'000
31 December 2020						
Non - derivatives						
Fixed interest rate borrowings						
Senior notes	9.25%	-	-	350,000	-	350,000
Variable interest rate borrowings						
Citibank, N.A., London Branch	6.0% +USD LIBOR	1,905	26,667	-	-	28,572
Nedbank Limited London	6.0% +USD LIBOR	1,905	26,667	-	-	28,572
Stanbic IBTC Bank Plc	6.0% +USD LIBOR	952	13,333	-	-	14,285
The Standard Bank of South Africa Limited	6.0% +USD LIBOR	952	13,333	-	-	14,285
RMB International (Mauritius) Limited	6.0% +USD LIBOR	1,905	26,667	-	-	28,572
The Mauritius Commercial Bank Ltd	6.0% +USD LIBOR	1,905	26,667	-	-	28,572
JPMorgan Chase Bank, N.A., London Branch	6.0% +USD LIBOR	1,429	20,000	-	-	21,429
Standard Chartered Bank	6.0% +USD LIBOR	1,429	20,000	-	-	21,429
Natixis	6.0% +USD LIBOR	1,429	20,000	-	-	21,429
Société Générale, London Branch	6.0% +USD LIBOR	714	10,000	-	-	10,714
Zenith Bank Plc	6.0% +USD LIBOR	714	10,000	-	-	10,714
United Bank for Africa Plc	6.0% +USD LIBOR	714	10,000	-	-	10,714
First City Monument Bank Limited	6.0% +USD LIBOR	713	10,000	-	-	10,713
FBNQuest	8.0% +USD LIBOR	3,000	7,875	1,125	-	12,000
The Mauritius Commercial Bank LTD	8.0% +USD LIBOR	8,600	22,575	3,225	-	34,400
Stanbic IBTC Bank Plc/ The Standard Bank of South Africa Limited	8.0% +USD LIBOR	13,400	35,175	5,025	-	53,600
Total variable interest borrowings		**41,666**	**298,959**	**9,375**	**-**	**350,000**
Other non - derivatives						
Trade and other payables**		343,341	-	-	-	343,341

Lease liability	2,455	2,354	1,924	67	6,800
	345,796	2,354	1,924	67	350,141
Total	**387,462**	**301,313**	**361,299**	**67**	**1,050,141**

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

5.1.5 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	
	2021	2020	2021	2020
	₦ million	₦ million	₦ million	₦ million
Financial assets at amortised cost				
Trade and other receivables*	78,869	58,398	78,869	58,398
Contract assets	1,679	2,343	1,679	2,343
Cash and cash equivalents	133,667	85,554	133,667	85,554
	214,215	**146,295**	**214,215**	**146,295**
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	315,791	265,398	307,447	277,170
Trade and other payables	136,619	93,537	136,619	93,537
	452,410	**358,935**	**444,066**	**370,707**
Financial liabilities at fair value	-		-	
Derivative financial instruments (Note 25)	1,543	626	1,543	626
	1,543	**626**	**1,543**	**626**

	Carrying amount		Fair value	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Trade and other receivables*	191,463	153,680	191,463	153,680
Contract assets	4,076	6,167	4,076	6,167
Cash and cash equivalents	324,490	225,137	324,490	225,137
	520,029	**384,984**	**520,029**	**384,984**
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	766,614	698,415	746,358	729,395
Trade and other payables	331,655	246,150	331,655	246,150
	1,098,269	**944,565**	**1,078,013**	**975,545**
Financial liabilities at fair value				
Derivative financial instruments (Note 25)	3,745	1,648	3,745	1,648
	3,745	**1,648**	**3,745**	**1,648**

*Trade and other receivables exclude Geregu Power, Sapele Power and NGMC VAT receivables, cash advances and advance payments.
In determining the fair value of the interest-bearing loans and borrowings, non-performance risks of the Group as at year-end were assessed to be insignificant.

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

5.1.6 Fair Value Hierarchy

As at the reporting period, the Group had classified its financial instruments into the three levels prescribed under the accounting standards. There were no transfers of financial instruments between fair value hierarchy levels during the year.

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

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

Recurring fair value measurements

Financial liability

31 Dec 2021	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial liabilities:						
Derivative financial instruments	-	1,543	-	-	3,735	-

31 Dec 2020	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial liabilities:						
Derivative financial instruments	-	626	-	-	1,648	-

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

Financial Liabilities

31 Dec 2021	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial liabilities:						
Interest bearing loans and borrowings	-	307,447	-	-	746,358	-
	-	**307,447**	**-**	**-**	**746,358**	**-**

31 Dec 2020	Level 1 ₦ million	Level 2 ₦ million	Level 3 ₦ million	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial liabilities:						
Interest bearing loans and borrowings	-	277,170	-	-	729,395	-
	-	**277,170**	**-**	**-**	**729,395**	**-**

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

The valuation process

The finance & planning team of the Group performs the valuations of financial and non-financial assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the General Manager (GM) Commercial who reports to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the GM and the valuation team at least once every quarter, in line with the Group's quarterly reporting periods.

Notes to the consolidated financial statements - continued

5.1.7 Capital management

Risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain optimal capital structure and reduce cost of capital. Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio, net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances.

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Interest bearing loans and borrowings	315,791	265,398	766,614	698,415
Lease liabilities	1,471	2,270	3,571	5,974
Less: cash and cash equivalents	(133,667)	(85,554)	(324,490)	(225,137)
Net debt	183,595	182,114	445,695	479,252
Total equity	703,364	632,337	1,707,486	1,664,045
Total capital	886,959	814,451	2,153,181	2,143,297
Net debt (net debt/total capital) ratio	21%	22%	21%	22%

During the year, the Group's strategy which was unchanged from 2021, was to maintain a net debt gearing ratio of 20% to 40%. Capital includes share capital, share premiums, capital contribution and all other equity reserves.

As the Group continuously reviews its funding and maturity profile, it continues to monitor the market in ensuring that its well positioned for any refinancing and or buy back opportunities for the current debt facilities.

Loan covenant

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- Total net financial indebtedness to annualised EBITDA is not to be greater than 3:1;
- The sources of funds exceed the relevant expenditures in each semi-annual period within the 18 months shown in the Group's liquidity plan.
- The minimum production levels stipulated for each 6-month period must be achieved.
- The Cash Adjusted Debt Service Cover Ratio should equal to or greater than 1.20 to 1 for each Calculation Period through to the applicable Termination Date.

The Group has complied with these covenants throughout the reporting periods.

6. Segment reporting

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

For the year ended 31 December 2021, revenue from the gas segment of the business constituted 16% (2020: 21%) of the Group's revenue. Management is committed to continued growth of the gas segment of the business, including through increased investment to establish additional offices, create a separate gas business operational management team and procure 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 the gas business segment's revenues, results and cash flows are largely independent of other business units within the Group, it is regarded as a separate segment.

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

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

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

6.1 Segment profit disclosure

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Oil	26,251	(56,471)	65,539	(156,893)
Gas	20,680	25,759	51,637	71,571
Total profit/(loss) for the year	**46,931**	**(30,712)**	**117,176**	**(85,322)**

Oil

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Revenue from contract with customers				
Crude oil sales (Note 7)	247,651	150,422	618,377	417,941
Operating profit before depreciation, amortisation and impairment	146,036	64,977	364,637	159,979
Depreciation, amortization and impairment	(68,388)	(104,622)	(170,762)	(270,124)
Operating profit/loss)	77,648	(39,645)	193,875	(110,145)
Finance income (Note 13)	126	601	314	1,671
Finance costs (Note 13)	(30,516)	(18,656)	(76,197)	(51,834)
Profit/(loss) before taxation	47,258	**(57,700)**	117,992	**(160,308)**
Income tax (expense)/credit (Note 14)	(21,007)	1,229	(52,453)	3,415
Profit/(loss) for the year	**26,251**	**(56,471)**	**65,539**	**(156,893)**

Gas

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Revenue from contract with customer				
Gas sales	45,980	40,500	114,811	112,526
Operating profit before depreciation, amortisation and impairment	23,776	32,024	59,368	88,977
Depreciation and amortization	(1,023)	(3,797)	(2,555)	(10,548)
Operating profit	22,753	28,227	56,813	78,429
Share of profit from joint venture accounted for using equity accounting	1,017	601	2,540	1,670
Profit before taxation	23,770	28,828	59,353	80,099
Taxation	(3,090)	(3,069)	(7,716)	(8,528)
Profit for the year	**20,680**	**25,759**	**51,637**	**71,571**

During the reporting period, impairment losses recognised in the gas segment relates to Geregu Power, Sapele Power and NGMC. Impairment losses recognised in the oil segment relate to receivables from trade receivables (Pillar, Pan ocean, Oghareki and Summit) NPDC, NNPC and other receivables. See Note 11 for further details.

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.

	2021 Oil ₦'million	2021 Gas ₦'million	2021 Total ₦'million	2021 Oil $'000	2021 Gas $'000	2021 Total $'000
Geographical markets						
Bahamas	53,788	-	53,788	134,307	-	134,307
Nigeria	-	45,980	45,980	-	114,811	114,811
Switzerland	157,128	-	157,128	392,345	-	392,345
United Kingdom	36,735	-	36,735	91,725	-	91,725
Revenue from contract with customers	**247,651**	**45,980**	**293,631**	**618,377**	**114,811**	**733,188**
Timing of revenue recognition						
At a point in time	247,651	-	247,651	618,377	-	618,377
Over time	-	45,980	45,980	-	114,811	114,811
Revenue from contract with customers	**247,651**	**45,980**	**293,631**	**618,377**	**114,811**	**733,188**

	2020 Oil ₦'million	2020 Gas ₦'million	2020 Total ₦'million	2020 Oil $'000	2020 Gas $'000	2020 Total $'000
Geographical markets						
Nigeria	53,587	40,500	94,087	148,890	112,526	261,416
Switzerland	96,835	-	96,835	269,051	-	269,051
Revenue from contract with customers	**150,422**	**40,500**	**190,922**	**417,941**	**112,526**	**530,467**
Timing of revenue recognition						
At a point in time	150,422	-	150,422	417,941	-	417,941
Over time	-	40,500	40,500	-	112,526	112,526
Revenue from contract with customers	**150,422**	**40,500**	**190,922**	**417,941**	**112,526**	**530,467**

The Group's transactions with its major customer, Mercuria, constitutes more than 54% ($392 million, ₦157.1 billion) of the total revenue from the oil segment and the Group as a whole. Also, the Group's transactions with Geregu Power, Sapele Power, NGMC and Azura ($114.8 million, ₦46 billion) accounted for the total revenue from the gas segment.

6.1.2 Impairment/ (reversal of) losses on financial assets by reportable segments

	2021 Oil ₦'million	2021 Gas ₦'million	2021 Total ₦'million	2020 Oil ₦'million	2020 Gas ₦'million	2020 Total ₦'million
Impairment losses recognised during the year	5,960	3,075	9,035	10,761	97	10,858
Reversal of previous impairment losses	-	-	-	(80)	-	(80)
	5,960	**3,075**	**9,035**	**10,681**	**97**	**10,778**

	2021 Oil $'000	2021 Gas $'000	2021 Total $'000	2020 Oil $'000	2020 Gas $'000	2020 Total $'000
Impairment losses recognised during the year	14,883	7,678	22,561	29,899	269	30,168
Reversal of previous impairment losses	-	-	-	(221)	-	(221)
	14,883	**7,678**	**22,561**	**29,678**	**269**	**29,947**

Notes to the consolidated financial statements - continued

6.1.3 Impairment/ (reversal of) losses on non-financial assets by reportable segments

	2021 Oil ₦'million	2021 Gas ₦'million	2021 Total ₦'million	2020 Oil ₦'million	2020 Gas ₦'million	2020 Total ₦'million
Impairment (reversal)/losses recognised during the year	(23,684)	-	(23,684)	41,175	-	41,175
	(23,684)	-	**(23,684)**	**41,175**	**-**	**41,175**

	2021 Oil $'000	2021 Gas $'000	2021 Total $'000	2020 Oil $'000	2020 Gas $'000	2020 Total $'000
Impairment (reversal)/losses recognised during the year	(59,138)	-	(59,138)	114,402	-	114,402
	(59,138)	-	**(59,138)**	**114,402**	**-**	**114,402**

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.

Total segment assets	Oil ₦'million	Gas ₦'million	Total ₦'million	Oil $'000	Gas $'000	Total $'000
31 December 2021	1,393,987	209,549	1,603,536	3,384,033	508,701	3,892,734
31 December 2020	1,101,463	209,374	1,310,837	2,898,588	550,985	3,449,573

6.3 Segment liabilities

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

Total segment liabilities	Oil ₦'million	Gas ₦'million	Total ₦'million	Oil $'000	Gas $'000	Total $'000
31 December 2021	690,623	209,549	900,172	1,676,547	508,701	2,185,248
31 December 2020	654,095	24,405	678,500	1,721,305	64,223	1,785,528

7. Revenue from contracts with customers

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Crude oil sales	247,651	150,422	618,377	417,941
Gas sales	45,980	40,500	114,811	112,526
	293,631	**190,922**	**733,188**	**530,467**

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

8. Cost of sales

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Royalties	51,997	36,483	129,836	101,366
Depletion, depreciation and amortisation (Note 16.4)	56,503	45,876	141,086	127,464
Crude handling fees	21,009	20,198	52,457	56,119
Nigeria Export Supervision Scheme (NESS) fee	250	130	624	361
Barging and Trucking	4,702	5,753	11,741	15,986
Niger Delta Development Commission Levy	1,741	3,224	4,346	8,957
Operational & maintenance expenses	43,212	34,424	107,909	95,639
	179,414	**146,088**	**447,999**	**405,892**

Operational & maintenance expenses relates mainly to maintenance costs, warehouse operations expenses, security expenses, community expenses, clean-up costs, fuel supplies and catering services. Also included in operational and maintenance expenses is gas flare penalty of $14.1 million, ₦ 5.6 billion (2020: $6.2 million ₦2.2 billion).

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

9. Other income

	2021 ₦ million	2020 ₦'million	2021 $'000	2020 $'000
Underlift	5,587	17,996	13,950	50,001
Loss on foreign exchange	(1,755)	(680)	(4,381)	(1,890)
Gains on disposal of property, plant & equipment	-	1	-	3
Crude Hedging income	-	9,487	-	26,358
Provision no longer required	2,147	2,597	5,362	7,217
Tariffs	2,077	783	5,187	2,175
	8,056	**30,184**	**20,118**	**83,864**

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

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

Crude hedging income is nil due to the rise in oil price when compared to the prior year, resulting in no payment from the bank.

Provision no longer required relates to the reversal of decommissioning obligation no longer required for Eland operations. In the comparative year, it relates to contingent liability initially recognised on acquisition of Eland. The liability is an outcome of the European union state aid – UK Controlled Foreign Companies (CFC) case required companies in tax efficient jurisdictions to assess the profit allocable to UK significant people functions (SPFs).

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

10. General and administrative expenses

	2021 ₦ million	2020 ₦'million	2021 $'000	2020 $'000
Depreciation (Note 16.2)	2,003	1,936	5,000	5,376
Depreciation of right-of-use assets (Note 18)	1,870	1,254	4,670	3,483
Auditor's remuneration	392	366	980	1,017
Professional and consulting fees	4,915	4,111	12,274	11,421
Directors' emoluments (executive)	897	1,642	2,240	4,561
Directors' emoluments (non-executive)	1,844	1,284	4,604	3,567
Donations	173	158	433	439
Employee benefits (Note 10.1)	17,268	15,179	43,116	42,172
Loss on disposal of property, plant & equipment	89	-	222	-
Flights and other travel costs	1,992	1,257	4,977	3,495
Rentals	631	185	1,574	516
	32,074	**27,372**	**80,090**	**76,047**

Directors' emoluments have been split between executive and non-executive directors. Included in the non-executive directors' emoluments are amount paid to four new non-executive directors. Professional and consulting increase is as a result of strategy related consultancy services and legal fees.

10.1 Employee benefits - Salaries and employee related costs include the following:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Short term employee benefits:				
Basic salary	10,262	8,458	25,623	23,498
Housing allowances	1,763	1,356	4,403	3,768
Other allowances	2,652	2,374	6,621	6,596
Post-employment benefits:				
Defined contribution expenses	943	726	2,354	2,018
Defined benefit expenses (Note 34.2)	439	409	1,095	1,135
Other employee benefits:				
Share based payment expenses (Note 28.2)	1,209	1,856	3,020	5,157
	17,268	**15,179**	**43,116**	**42,172**

Other allowances relate to staff bonus, car allowances and relocation expenses.

10.2 Below are details of non-audit services provided by the auditors:

Entity	Service	PWC office	Fees ($)	Year
Seplat Energy UK Limited	UK share plan reporting (Management Team Advisory)	PWC UK	13,800	2021
Seplat Energy Plc	Project Condor (Capital market advice)	PWC Nigeria	200,000	2021
Seplat Energy Plc	Tax compliance	PWC UK	5,000	2021
Seplat Energy Plc	Remuneration committee advice	PWC UK	414,000	2021
Seplat Energy UK Limited	VAT compliance	PWC UK	11,040	2021

Notes to the consolidated financial statements - continued

10.3 Below are details of assurance service providers to the Group during the year:

S/N	Name of Signer	Name of firm	Service rendered
1	Gen Wingrave*	RPS Group (UK)	Decommissioning cost valuation
2	Tosin Famurewa* Stephen .T. Philips*	Ryder Scott Petroleum Consultants	Reserve valuation
3	Ganiu Shefiu (FRC/2017/NAS/0000001754)	Logic Professional Service	Actuarial valuation service
4	Reuben Temerigha*	Westend Diamond Nigeria Limited	Drilling rigs valuation
5	Benson Uwheru (FRC/2013/CIBN/00000001554)	EY Nigeria	Valuation of new shares awarded

*The signers and firms do not have FRCN numbers.

11. Impairment loss

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Impairment losses on financial assets-net (Note 11.1)	9,035	10,778	22,561	29,947
Impairment loss on non-financial assets (Note 11.2)	6,216	41,175	15,521	114,402
Reversal of impairment on non-financial asset (Note 11.2)	(29,900)	-	(74,659)	-
	(14,649)	**51,953**	**(36,577)**	**144,349**

11.1 Impairment losses on financial assets-net

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Impairment losses on:				
NNPC receivables	108	456	270	1,268
NPDC receivables	1,848	171	4,614	476
Other receivables	-	9,548	-	26,529
Trade receivables (Geregu Power, Sapele Power and NGMC)	7,006	97	17,493	269
Short term deposits	-	60	-	167
Contract asset	-	-	1	-
Other trade receivables	73	525	183	1,459
	9,035	10,857	22,561	30,168
Reversal of impairment losses on:			-	
Mercuria	-	(80)	-	(221)
	-	(80)	-	(221)
Exchange difference	-	1	-	-
Total impairment loss allowance	**9,035**	**10,778**	**22,561**	**29,947**

Notes to the consolidated financial statements - continued

11.2 Impairment (reversal)/ loss on non-financial assets:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Impairment loss on non-financial assets (Plant & Machinery)	6,027	41,175	15,049	114,402
Impairment loss on non-financial assets (OML 17)	189	-	472	-
Reversal of impairment on non-financial asset	(29,900)	-	(74,659)	-
	(23,684)	**41,175**	**(59,138)**	**114,402**

During the year, the Group recognised impairment loss of $15.2 million (₦6.2 billion) for its plant and machinery (see Note 16.2) and OML 17 CGU assets (see Note 18). A reversal of $74.7 million (₦29.9 billion) was also recognized on its OML 40 CGU asset. The reversal of impairment is primarily as a result of re-assessment of future cash flows from the Group's oil and gas properties due to a rise in oil prices (see Note 16 and 18).

12. Fair value loss

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Realised fair value losses on crude oil hedges	(3,608)	(3,016)	(9,010)	(8,380)
Unrealised fair value loss	(839)	(953)	(2,096)	(2,649)
Fair value loss on other assets	-	(3,142)	-	(8,730)
	(4,447)	**(7,111)**	**(11,106)**	**(19,759)**

Fair value loss on derivatives represents changes in the fair value of hedging receivables charged to profit or loss. Fair value loss on other assets relates to changes in fair value of financial interest in OML 55 (See Note 17).

13. Finance income/(cost)

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Finance income				
Interest income	**126**	**601**	**314**	**1,671**
Finance cost				
Interest on bank loans (Note 30)	(29,765)	(17,504)	(74,322)	(48,634)
Interest on lease liabilities (Note 31)	(212)	(106)	(530)	(295)
Unwinding of discount on provision for decommissioning (Note 32)	(539)	(1,046)	(1,345)	(2,905)
	(30,516)	**(18,656)**	**(76,197)**	**(51,834)**
Finance (cost) - net	**(30,390)**	**(18,055)**	**(75,883)**	**(50,163)**

Finance income represents interest on short-term fixed deposits.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings denominated in dollars during the year, in this case 7.72% (2020: 8.93%). The amount capitalised during the year is ₦5 billion ($12.5 million), (2020: ₦5.8 billion, $15.4 million).

14. Taxation

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

Income tax expense

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Current tax:				
Current tax expense on profit for the year	12,317	4,170	30,755	11,586
Education tax	2,603	749	6,500	2,082
NASENI Levy	139		346	
Police Levy	2		5	

Total current tax	15,061	4,919	37,606	13,668
Deferred tax:				
Deferred tax expense in profit or loss (Note 14.6)	9,036	(3,079)	22,563	(8,555)
Total tax expense in statement of profit or loss	24,097	1,840	60,169	5,113
Deferred tax recognised in other comprehensive income (Note 14.6)	133	25	333	69
Total tax charge for the period	**24,230**	**1,865**	**60,502**	**5,182**
Effective tax rate	**34%**	**(6%)**	**34%**	**(6%)**

14.1 Reconciliation of effective tax rate

The 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 annual tax rate used for the year ended 31 December 2021 is 85% for crude oil activities and 30% for gas activities. As at 31 December 2020, the applicable tax rate was 85%, 65.75% and 30% respectively.

The effective tax rate for the period was 34% (2020: 6%).

A reconciliation between income tax expense and accounting profit before income tax multiplied by the applicable statutory tax rate is as follows:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Profit/(loss) before taxation	71,028	(28,872)	177,345	(80,209)
Tax rate of 85%, 65.75% and 30%	60,374	7,882	150,743	21,899
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Income not subject to tax	(14,649)	(32,594)	(36,579)	(90,560)
Expenses not deductible for tax purposes	100,349	42,804	250,570	118,929
Impact of unutilised tax losses	(124,721)	(3,079)	(311,416)	(8,555)
Impact of tax incentive	-	(13,922)	-	(38,682)
Education tax	2,603	749	6,500	2,082
NASENI levy	139	-	346	-
Police levy	2	-	5	-
Total tax charge in statement of profit or loss	**24,097**	**1,840**	**60,169**	**5,113**

14.2 Current tax liabilities

The movement in the current tax liabilities is as follows:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
As at 1 January	8,261	5,679	21,739	18,502
Tax charge	15,061	4,919	37,606	13,668
Tax paid	(5,203)	(2,337)	(12,994)	(10,431)
Exchange difference	975	-	-	-
As at 31 December	**19,094**	**8,261**	**46,351**	**21,739**

14.3 Deferred tax

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

Deferred tax assets	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Deferred tax asset to be recovered within 12months	40,280	9,437	97,785	33,151
Deferred tax asset to be recovered after more than 12 months	388,706	280,440	943,621	729,682
	428,986	**289,877**	**1,041,406**	**762,833**

Deferred tax liabilities	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Deferred tax liability to be recovered within 12months	(121,995)	(2,282)	(296,156)	(7,456)
Deferred tax liability to be recovered after more than 12 months	(221,184)	(199,738)	(536,945)	(524,176)
	(343,179)	**(202,020)**	**(833,101)**	**(531,632)**
	85,807	**87,857**	**208,305**	**231,201**

14.4 Deferred tax assets

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

	Balance at 1 January 2021 ₦ million	(Charged)/ credited to profit or loss ₦ million	Credited to other comprehensiv e income ₦ million	Exchange difference N million	Balance at 31 December 2021 ₦ million
Tax losses	927	11,302	-	457	12,686
Other cumulative timing differences:					
Unutilised capital allowance	168,996	141,210	-	53,637	363,843
Provision for decommissioning obligation	1,120	(1,307)	-	187	-
Provision for defined benefit	3,780	(1,149)	(133)	1,056	3,554
Share based payment plan	6,393	(805)	-	2,041	7,629
Unrealised foreign exchange loss on trade and other receivables	18,139	(13,535)	-	2,452	7,056
Overlift/(underlift)	(978)	1,578	-	2,077	2,677
Acquired in business combination	27,686	(36,116)	-	8,430	-
Impairment provision on trade and other receivables	10,415	17,447	-	2,685	30,547
Leases	-	967		27	994
Previously unrecognized deferred tax asset	6,050	(7,895)		1,845	
Effect of exchange differences	47,349	-		(47,349)	
	289,877	**111,697**	**(133)**	**27,545**	**428,986**

	Balance at 1 January 2020	(Charged)/ credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2020
	₦ million	₦ million	₦ million	₦ million
Tax losses	-	927	-	927
Other cumulative timing differences:				
Unutilised capital allowance	124,433	44,563	-	168,996
Provision for decommissioning obligation	296	824	-	1,120
Provision for defined benefit	2,725	1,080	(25)	3,780
Share based payment plan	5,670	723	-	6,393
Unrealised foreign exchange loss/(gain) on trade and other receivables	1,046	17,093	-	18,139
Overlift/(underlift)	10,866	(11,844)	-	(978)
Acquired in business combination	27,686	-	-	27,686
Impairment provision on trade and other receivables	3,399	7,016	-	10,415
Previously unrecognised deferred tax asset	6,050	-	-	6,050
	182,171	60,382	**(25)**	242,528
Effect of exchange differences	181	47,168		47,349
	182,352	**107,550**	**(25)**	**289,877**

	Balance at 1 January 2021	(Charged)/ credited to profit or loss	Credited to other comprehensive income	Balance at 31 December 2021
	$'000	$'000	$'000	$'000
Tax losses	2,576	28,221	-	30,797
Other cumulative timing differences:				
Unutilised capital allowance	530,663	352,601	-	883,264
Provision for decommissioning obligation	3,264	(3,264)	-	-
Provision for defined benefit	11,830	(2,870)	(333)	8,627
Share based payment plan	20,529	(2,010)	-	18,519
Unrealised Foreign exchange loss	50,924	(33,796)	-	17,128
Overlift/(underlift)	2,562	3,940	-	6,502
Acquired in business combination	90,182	(90,182)	-	-
Impairment provision on trade and other receivables	30,589	43,566	-	74,155
Leases	-	2,414	-	2,414
Previously unrecognised deferred tax asset	19,714	(19,714)	-	-
	762,833	**278,906**	**(333)**	**1,041,406**

	Balance at 1 January 2020 $'000	(Charged)/ credited to profit or loss $'000	Credited to other comprehensive income $'000	Balance at 31 December 2020 $'000
Tax losses	-	2,576	-	2,576
Other cumulative timing differences:				
Unutilised capital allowance	406,848	123,815	-	530,663
Provision for decommissioning obligation	974	2,290	-	3,264
Provision for defined benefit	8,897	3,002	(69)	11,830
Share based payment plan	18,519	2,010	-	20,529
Unrealised Foreign exchange loss/(gain)	3,433	47,491	-	50,924
Overlift/(underlift)	35,469	(32,907)	-	2,562
Acquired in business combination	90,182	-	-	90,182
Impairment provision on trade and other receivables	11,096	19,493	-	30,589
Previously unrecognised deferred tax asset	19,714	-	-	19,714
	595,132	**167,770**	**(69)**	**762,833**

14.5 Deferred tax liabilities

Deferred tax liabilities are recognised for amounts of income taxes payable in future periods in respect of taxable temporary differences.

	Balance at 1 January 2021 ₦ million	Charged /(credited) to profit or loss ₦ million	Exchange difference ₦ million	Balance at 31 December 2021 ₦ million
Tax losses	1,131	(1,460)	329	-
Other cumulative timing differences:				
Property, plant & equipment	167,879	122,891	50,057	340,827
Derivative financial instruments	2,282	(2,986)	704	-
Leases	-	2,288	64	2,352
Effect of exchange difference	30,728		(30,728)	
	202,020	**120,733**	**20,426**	**343,179**

	Balance at 1 January 2020 ₦ million	Charged /(credited) to profit or loss ₦ million	Balance at 31 December 2020 ₦ million
Tax losses	1,131	-	1,131
Other cumulative timing differences:			
Fixed assets	110,582	57,297	167,879
Derivative financial instruments	2,282	-	2,282
	113,995	57,297	171,292
Effect of exchange differences	(10)	30,738	30,728
	113,985	**88,035**	**202,020**

	Balance at 1 January 2021	Charged/(credited) to profit or loss	Balance at 31 December 2021
	$'000	$'000	$'000
Tax losses	3,645	(3,645)	-
Other cumulative timing differences:			
Property, plant and equipment	520,531	306,859	827,930
Leases	-	5,711	5,711
Derivative financial instruments	7,456	(7,456)	-
	531,632	**301,468**	833,101

	Balance at 1 January 2020	Charged/(credited) to profit or loss	Balance at 31 December 2020
	$'000	$'000	$'000
Tax losses	3,645	-	3,645
Other cumulative timing differences:			
Fixed assets	361,334	159,197	520,531
Derivative financial instruments	7,456	-	7,456
	372,435	**159,197**	**531,632**

14.6 Deferred tax recognised in profit or loss

	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
	₦'million	₦'million	$'000	$'000
Credited/(Charged) to profit or loss:				
Unutilised capital allowance	(141,210)	44,563	(352,601)	123,815
Provision for defined benefit	1,149	1,080	2,870	3,002
Share based payment plan	805	723	2,010	2,010
Overlift/(underlift)	(1,578)	(11,844)	(3,940)	(32,907)
Impairment provision on trade and other receivables	(17,447)	7,016	(43,566)	19,493
Unrecognised deferred tax asset	7,895	-	19,714	-
Tax losses	(12,762)	927	(31,866)	2,576
Provision for decommissioning obligation	1,307	824	3,264	2,290
Unrealised foreign exchange loss/(gain)	13,535	17,093	33,796	47,491
Property plant and equipment	122,891	(57,297)	306,859	(159,197)
Leases	1,321	-	3,297	-
Derivatives	(2,986)	-	(7,456)	-
Acquired in a business combination	36,116	-	90,182	-
Exchange difference		(6)	-	(18)
Total (charged) to profit or loss	**9,036**	**3,079**	**22,563**	**8,555**
Charged to other comprehensive income				
Deferred tax credit/(expense) on remeasurement	(133)	(25)	(333)	(69)
	(133)	**(25)**	**(333)**	**(69)**

14.7 Unrecognised deferred tax assets

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

14.8 Unrecognised deferred tax liabilities

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

15. Computation of cash generated from operations

	Notes	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Profit/(loss) before tax		71,028	(28,872)	177,345	(80,209)
Adjusted for:					
Depletion, depreciation and amortization	16.4	58,506	47,811	146,086	132,840
Depreciation of right-of-use asset	18	1,870	1,254	4,670	3,483
Impairment losses on financial assets	11.1	9,035	10,778	22,561	29,947
Impairment losses on non-financial assets	11.2	6,216	41,175	15,521	114,402
Reversal of impairment loss on non-financial assets	11.2	(29,900)	-	(74,659)	-
Loss/(gain) on disposal of other property, plant & equipment	16.3	89	(1)	222	(3)
Interest income	13	(126)	(601)	(314)	(1,671)
Interest expense on bank loans	30	29,765	17,504	74,322	48,634
Interest on lease liabilities	31	212	106	530	295
Unwinding of discount on provision for decommissioning	32	539	1,046	1,345	2,905
Fair value on other assets	12	-	3,142	-	8,730
Unrealised fair value loss on derivatives financial instrument	12	839	953	2,096	2,649
Realised fair value loss on derivatives	12	3,608	-	9,010	-
Unrealised foreign exchange loss/(gain)	9	1,755	(680)	4,381	(1,890)
Share based payment expenses	27.2	1,209	1,856	3,020	5,157
Defined benefit expenses		439	409	1,095	1,135
Share of profit in joint venture	21.3	(1,017)	(601)	(2,540)	(1,670)
Provision no longer required	9	-	(2,597)	-	(7,217)
Changes in working capital: (excluding the effects of exchange differences)					
Trade and other receivables		(8,302)	72,754	(20,729)	202,144
Inventories		(155)	3,577	(387)	9,938
Prepayments		(1,252)	1,404	(3,126)	3,901
Contract assets		837	5,432	2,090	15,092
Trade and other payables		9,499	(45,156)	23,718	(125,464)
Contract liabilities		(3,793)	(2,459)	(9,470)	(6,831)
Restricted Cash		7,029	(9,676)	17,552	(26,883)
Net cash from operating activities		**157,930**	**118,558**	**394,339**	**329,414**

16. Property, plant and equipment

16.1 Oil and gas properties

Cost	Production and field facilities ₦ million	Assets under construction ₦ million	Exploration and Evaluation assets ₦ million	Total ₦ million
At 1 January 2021	741,974	107,129	22,367	871,470
Additions	25,028	28,955	635	54,618
Transfer	28,888	(28,888)	-	-
Changes in decommissioning (Note 32)	(3,727)	-	-	(3,727)
Interest capitalized (Note 30.1)	-	4,995	-	4,995
Exchange differences	63,781	9,146	1,899	74,826
At 31 December 2021	**855,944**	**121,337**	**24,901**	**1,002,182**
Depreciation				
At 1 January 2021	261,995	-	-	261,995
Charge for the year	55,832	-	-	55,832
Exchange differences	23,610	-	-	23,610
At 31 December 2021	**341,437**	**-**	**-**	**341,437**
NBV				
At 31 December 2021	**514,507**	**121,337**	**24,901**	**660,745**

Cost				
At 1 January 2020	595,817	37,469	18,072	651,358
Additions	-	52,089	-	52,089
Changes in decommissioning (Note 32)	4,244	-	-	4,244
Interest capitalized	-	5,753	-	5,753
Exchange differences	141,913	11,818	4,295	158,026
At 31 December 2020	**741,974**	**107,129**	**22,367**	**871,470**
Depreciation				
At 1 January 2020	172,986	-	-	172,986
Charge for the year	45,344	-	-	45,344
Exchange difference	43,665	-	-	43,665
At 31 December 2020	**261,995**	**-**	**-**	**261,995**
NBV				
At 31 December 2020	**479,979**	**107,129**	**22,367**	**609,475**

Assets under construction represent costs capitalised in connection with the development of the Group's oil fields and other property, plant and equipment not yet ready for their intended use. Some of which are qualifying assets that take a substantial period to get ready for its intended use. A capitalisation rate of 7.72% (2020: 8.93%) has been determined and applied to the Group's general borrowing to determine the borrowing cost capitalised as part of the qualifying assets.

	Production and field facilities	Assets under construction	Exploration and Evaluation assets	Total
Cost	$'000	$'000	$'000	$'000
At 1 January 2021	1,952,564	281,919	58,865	2,293,348
Additions	62,497	72,299	1,585	136,381
Transfer	72,133	(72,133)	-	-
Changes in decommissioning (Note 32)	(9,305)	-	-	(9,305)
Interest capitalized (Note 30.1)	-	12,473	-	12,473
At 31 December 2021	**2,077,889**	**294,558**	**60,450**	**2,432,897**
Depreciation				
At 1 January 2021	689,460	-	-	689,460
Charge for the year	139,412	-	-	139,412
At 31 December 2021	**828,872**	**-**	**-**	**828,872**
NBV				
At 31 December 2021	**1,249,017**	**294,558**	**60,450**	**1,604,025**

Cost				
At 1 January 2020	1,940,771	122,050	58,865	2,121,686
Additions	-	144,729	-	144,729
Changes in decommissioning (Note 32)	11,793	-	-	11,793
Interest capitalized (Note 30.1)	-	15,140	-	15,140
At 31 December 2020	**1,952,564**	**281,919**	**58,865**	**2,293,348**
Depreciation				
At 1 January 2020	563,473	-	-	563,473
Charge for the year	125,987	-	-	125,987
At 31 December 2020	**689,460**	**-**	**-**	**689,460**
NBV				
At 31 December 2020	**1,263,104**	**281,919**	**58,865**	**1,603,888**

Borrowing costs capitalised during the year amounted to ₦5 billion, 2020: ₦5.8 billion (2021: $12.5 million, 2020: $15.1 million). There was no oil and gas property pledged as security during the reporting period.

Impairment testing

During the year ended 31 December 2021, the Group performed impairment test. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

OML 4, 38, 41 CGU

The recoverable amount of $1,186.2 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the rise in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2021. The cash flow was estimated using three scenarios (base case, worst case and upturn).

The pre-tax discount rate applied was 15%. As the recoverable amount ($1,186.2 million) was higher than the carrying amount ($843.2 million), no impairment loss was recorded. There is a significant headroom between the recoverable amount and carrying amount. A rise in the discount rate to 17.5% would result in a recoverable amount of $1,093.8 million which would still not result in an impairment loss.

OML 53 CGU

The recoverable amount of $501.9 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the rise in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2021. The cash flow was estimated using three scenarios (base case, worst case and upturn).

The pre-tax discount rate applied was 15%. As the recoverable amount ($501.9 million) was higher than the carrying amount ($345.7 million), no impairment loss was recorded. There is a significant headroom between the recoverable amount and carrying amount. A rise in the discount rate to 17.5% would result in a recoverable amount of $450.9 million which would still not result in an impairment loss.

OML 56 CGU

The recoverable amount of $102.1 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the rise in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2021. The cash flow was estimated using three scenarios (base case, worst case and upturn).

The pre-tax discount rate applied was 15%. As the recoverable amount ($102.1 million) was higher than the carrying amount ($79.9 million), no impairment loss was recorded. There is a significant headroom between the recoverable amount and carrying amount. A rise in the discount rate to 17.5% would result in a recoverable amount of $93.6 million which would still not result in an impairment loss.

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

Management approach to valuing the assumptions used in the value in use calculations were based on both experience, recent sales and external data sources. The most sensitive assumptions are shown below:

Discount rates

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

Oil price

Oil prices used were indexed to the Brent crude forward curve. The prices when compared to external market prices are deemed to be reasonable.

Years	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Oil price ($)	74.2	68.8	67.3	69.4	70.8	72.3	73.7	75.2	76.7	78.3

Years	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Oil price ($)	79.9	81.5	83.2	84.8	86.6	88.3	90.1	91.9	93.8	95.7

Years	2042	2043	2044	2045	2046 till the estimated life span of the reserves
Oil price ($)	97.6	99.6	101.6	103.6	105.7

Notes to the consolidated financial statements - continued

A further rise/(decline) in oil price would result in the following:

CGU	Percentage	Recoverable amount $'million	Impairment loss $' million
OML 4, 38 and 41	+10%	1,728.1	Nil
	-10%	644.3	198.9
OML 53	+10%	551.0	Nil
	-10%	452.9	Nil
OML 56	+10%	127.8	Nil
	-10%	76.3	3.6

Projection period

The cash flows projection was based on management estimation of the performance of the well. This was independently verified. The projected period were 24years for OML 3, 38, and 41, 37years for OML 53 and 26 years for OML 56.

Growth rate

No growth rate was used to extrapolate cash flows. The production volume was determined based on the estimated performance of the well.

16.2 Other property, plant and equipment

Cost	Plant & machinery ₦ million	Motor vehicles ₦ million	Office furniture & IT equipment ₦ million	Leasehold improvements ₦ million	Land ₦ million	Building ₦ million	Total ₦ million
At 1 January 2021	1,950	5,150	8,413	2,142	25	1,478	18,888
Additions	13,045	135	204	32	-	-	13,416
Disposals	-	(1,838)	-	-	-	-	(1,838)
Exchange differences	536	384	691	181	3	125	1,920
At 31 December 2021	**15,531**	**3,831**	**9,038**	**2,355**	**28**	**1,603**	**32,386**
Depreciation and impairment							
At 1 January 2021	1,861	3,414	6,605	1,592	-	86	13,558
Charge for the year	74	694	991	181	-	63	2,003
Impairment loss	6,199	-	-	-	-	-	6,199
Disposals	-	(1,749)	-	-	-	-	(1,749)
Exchange differences	159	257	584	139	-	8	1,147
At 31 December 2021	**8,293**	**2,616**	**8,180**	**1,912**	**-**	**157**	**21,158**
NBV							
At 31 December 2021	**7,238**	**1,215**	**858**	**443**	**28**	**1,446**	**11,228**

Cost							
At 1 January 2020	1,526	3,375	6,293	1,291	21	1,194	13,700
Additions	57	965	335	515	-	-	1,872
Disposals	-	(44)	-	-	-	-	(44)
Exchange differences	367	854	1,515	336	4	284	3,360
At 31 December 2020	**1,950**	**5,150**	**8,143**	**2,142**	**25**	**1,478**	**18,888**

Depreciation							
At 1 January 2020	1,396	2,239	4,778	907	-	20	9,340
Charge for the year	126	653	656	444	-	57	1,936
Disposals	-	(44)	-	-	-	-	(44)
Exchange differences	339	566	1,171	241	-	9	2,326
At 31 December 2020	**1,861**	**3,414**	**6,605**	**1,592**	**-**	**86**	**13,558**
NBV							
At 31 December 2020	**89**	**1,736**	**1,538**	**550**	**25**	**1,392**	**5,330**

Cost	Plant & machinery $'000	Motor vehicles $'000	Office furniture & IT equipment $'000	Leasehold improvements $'000	Land $'000	Building $'000	Total $'000
At 1 January 2021	5,131	13,552	21,431	5,638	68	3,891	49,711
Additions	32,573	336	510	79	-	-	33,498
Disposals	-	(4,589)	-	-	-	-	(4,589)
At 31 December 2021	37,704	9,299	21,941	5,717	68	3,891	78,620
Depreciation and impairment							
At 1 January 2021	4,899	8,986	17,384	4,190	-	224	35,683
Charge for the year	184	1,732	2,474	452	-	158	5,000
Impairment loss	15,049	-	-	-	-	-	15,049
Disposal	-	(4,367)	-	-	-	-	(4,367)
At 31 December 2021	20,132	6,351	19,858	4,642	-	382	51,365
NBV							
At 31 December 2021	17,572	**2,948**	**2,083**	**1,075**	**68**	**3,509**	27,255

Cost	Plant & machinery $'000	Motor vehicles $'000	Office furniture & IT equipment $'000	Leasehold improvements $'000	Land	Building $'000	Total $'000
At 1 January 2020	4,972	10,992	20,499	4,208	68	3,891	44,630
Additions	159	2,682	932	1,430	-	-	5,203
Disposals	-	(122)	-	-		-	(122)
At 31 December 2020	**5,131**	**13,552**	**21,431**	**5,638**	**68**	**3,891**	**49,711**
Depreciation							
At 1 January 2020	4,549	7,294	15,565	2,955	-	66	30,429
Charge for the year	350	1,814	1,819	1,235	-	158	5,376
Disposal	-	(122)	-	-			(122)
At 31 December 2020	**4,899**	**8,986**	**17,384**	**4,190**	**-**	**224**	**35,683**
NBV							
At 31 December 2020	**232**	**4,566**	**4,047**	**1,448**	**68**	**3,667**	**14,027**

During the year, the Group performed an impairment test for the newly acquired drilling rigs.

The recoverable amount of $17.5 million as at 31 December 2021 has been determined based on the fair value less cost to dispose using the services of Westend Diamond Nigeria Limited, an independent valuer.

The fair value was determined using the current asset value of the rigs. This was based on inspection of the components, recent sales of similar assets and price adjustment for damaged components based on industry knowledge and the Valuer's experience in rig acceptance services and testing rig condition surveys.

The recoverable amount ($17.5 million) was lower than the carrying value ($32.5 million) resulting in an impairment loss of $15 million recorded in profit or loss.

it is categorised under level 2 of the fair value hierarchy.

16.3 (Loss)/gain on disposal of other property, plant and equipment

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Proceeds from disposal of assets	-	1	-	3
Less net book value of disposed assets	89	-	222	-
	(89)	**1**	**(222)**	**3**

16.4 Depletion, depreciation and amortisation

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Oil and gas properties (Note 16.1)	55,832	45,344	139,412	125,987
Amortisation of intangible asset (Note 19)	671	532	1,674	1,477
Charged to cost of sales	**56,503**	**45,876**	**141,086**	**127,464**
Other property, plant and equipment charged to general and administrative expense (Note 16.2)	2,003	1,936	5,000	5,376
Right of use assets (Note 18)	1,870	1,254	4,670	3,483
Total depletion, depreciation and amortisation	**60,376**	**49,066**	**150,756**	**136,323**

17. Other asset

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Fair value at the beginning of the year	44,630	40,190	117,448	130,915
Receipts from crude oil lifted	(1,961)	(1,705)	(4,897)	(4,737)
Fair value loss	-	(3,142)	-	(8,730)
Exchange differences	3,694	9,287	-	-
Fair value at the end of the year	**46,363**	**44,630**	**112,551**	**117,448**

Other assets represents the Group's rights to receive the discharge sum of ₦ 61 billion, 2020: ₦63 billion ($199 million, 2020: $204 million) from the crude oil reserves of OML 55. The asset is measured at fair value through profit or loss (FVTPL) and receipts from crude oil lifted reduce the value of the asset. At each reporting date, the fair value of the discharge sum is determined using the income approach in line with IFRS 13: Fair Value Measurement (discounted cash flow). This asset is categorised within Level 3 of the fair value hierarchy.

A further increase/(decrease) in the discount rate of 15% would result in the following:

Percentage	Fair value $'000	Impact on profit or loss $'000
+2%	106,061	(6,490)
-2%	118,718	6,167

18. Right of use asset

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
As at 1 January	3,965	4,026	10,435	13,115
Additions during the year	656	1,193	1,639	803
Less: depreciation for the period	(1,870)	(1,254)	(4,670)	(3,483)
Exchange difference	299	-	-	-
As at 31 December	**3,050**	**3,965**	**7,404**	**10,435**

In 2018, the Group entered into a lease agreement for an office building in Lagos. The non-cancellable period of the lease is 5 years commencing on 1 January 2020 and ending on 31 December 2023. However, the Group has an option of either extending the lease period on terms to be mutually agreed by parties to the lease on the expiration of the current term or purchase the property.

19. Intangible assets

Cost	License ₦ million	Total ₦ million	License $'000	Total $'000
At 1 January 2021	55,751	55,751	146,713	146,713
Exchange difference	4,684	4,684	-	-
At 31 December 2021	**60,435**	**60,435**	**146,713**	**146,713**
Amortisation and impairment				
At 1 January 2021	33,450	33,450	88,026	88,026
-Impairment loss	189	189	472	472
-Impairment reversal	(29,900)	(29,900)	(74,659)	(74,659)
Amortisation	671	671	1,674	1,674
Exchange difference	1,980	1,980	-	-
At 31 December 2021	**6,390**	**6,390**	**15,513**	**15,513**
NBV				
At 31 December 2021	**54,045**	**54,045**	**131,200**	**131,200**

Cost				
At 1 January 2020	45,041	45,041	146,713	146,713
Exchange difference	10,710	10,710	-	-
At 31 December 2020	**55,751**	**55,751**	**146,713**	**146,713**
At 1 January 2020	517	517	1,685	1,685
-Impairment	30,544	30,544	84,864	84,864
-Amortisation	561	561	1,477	1,477
Exchange difference	1,828	1,828	-	-
At 31 December 2020	**33,450**	**33,450**	**88,026**	**88,026**
NBV				
At 31 December 2020	**22,301**	**22,301**	**58,687**	**58,687**

License relates to costs paid in connection with the renewal of a right for exploration of an oil mining lease field.

During the year ended 31 December 2021, the Group performed impairment test. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

As at 31 December 2021, the market capitalisation of the Group was above the book value of its intangible assets, indicating a potential impairment reversal. In addition, there has been a slight increase in oil price and development activities around the world, as well as the subtle adjustment to current economic activities compared to the prior year which has led to an increase in the value of oil and gas assets.

OML 40 CGU

Notes to the consolidated financial statements - continued

The recoverable amount of $497.6 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the rise in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2021.

The pre-tax discount rate applied was 15% resulting in a reversal of previously recognised impairment loss (excluding goodwill) of $74.5 million recorded in profit or loss. The carrying value of the CGU was $344.6 million. A rise in the discount rate to 17.5% would result in a recoverable amount $469.6 million and no impairment loss.

OML 17 CGU

The recoverable amount of $53.8 million as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets extracted from the Competent Person's Report covering the economic limit of the assets. The projected cash flows have been updated to reflect the rise in global oil price and production forecasts derived from proved plus probable reserves and associated future development costs extracted from the Competent Person's Report for oil and gas industry as at December 2021.

The pre-tax discount rate applied was 15% resulting in an impairment loss of $0.5 million recorded in profit or loss. The carrying value of the CGU was $54.3 million. A rise in the discount rate to 17.5% would result in a further impairment loss of $5 million.

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

Management approach to valuing the assumptions used in the value in use calculations were based on both experience, recent sales and external data sources. The most sensitive assumptions are shown below:

Discount rates

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

Oil price

Oil prices used were indexed to the Brent crude forward curve. The prices when compared to external market prices are deemed to be reasonable.

Years	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Oil price ($)	74.2	68.8	67.3	69.4	70.8	72.3	73.7	75.2	76.7	78.3

Years	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Oil price ($)	79.9	81.5	83.2	84.8	86.6	88.3	90.1	91.9	93.8	95.7

Years	2042	2043	2044	2045	2046 till the estimated life span of the reserves
Oil price ($)	97.6	99.6	101.6	103.6	105.7

A further rise/(decline) in oil price would result in the following:

CGU	Percentage	Recoverable amount $'million	Impairment loss $' million
OML 40	+10%	605.0	Nil
	-10%	390.3	Nil
OML 17	+10%	66.6	Nil
	-10%	41.1	13.2

Projection period

The cash flows projection was based on management estimation of the performance of the well. This was independently verified. The projected period were 15 years for OML 40 and OML 17 respectively.

Growth rate

No growth rate was used to extrapolate cash flows. The production volume was determined based on the estimated performance of the well.

20. Prepayments

	2021	2020	2021	2020
Non-current	₦ million	₦ million	$'000	$'000
Advances to suppliers	27,512	23,463	66,788	61,744
	27,512	**23,463**	**66,788**	**61,744**
Current				
Rent	84	364	204	957
Other prepayments	627	1,021	1,522	2,687
	711	1,385	1,726	3,644
	28,223	**24,848**	**68,514**	**65,388**

20.1 Rent

Rent relate to short-term leases of residential buildings, car parks and office buildings with contractual lease term of less than or equal to 12 months. At the end of the reporting period, rental expense of ₦631 million, $1.6 million (2020: ₦185 million ($0.51 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 are ₦184 million, $449 thousand (2020: ₦416 million, $1.1 million).

20.2 Advances to suppliers

Advances to suppliers relate to a milestone payment made to finance the construction of the Amukpe Escravos Pipeline Project and other related facilities. Recoveries would be made after the completion of the pipeline. At the end of the reporting period, the total prepaid amount in ₦27.5 billion, $66.8 million, (2020: ₦23.4 billion, $61.7 million).

20.3 Other prepayments

Included in other prepayments are prepaid service charge expenses for office buildings, health insurance, software license maintenance, motor insurance premium and crude oil handling fees.

21. Interest in other entities

21.1 Material subsidiaries

The Group's principal subsidiaries as at 31 December 2021 are set 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. The Group exercised significant judgement in consolidating Elcrest. Please see Note 4.1 for details. Also, there were no significant restrictions on any of the entities.

21.2 Non-controlling interest (NCI)

Summarised financial information in respect of Elcrest Exploration and Production Nigeria Limited which has a material non-controlling interest is set out below.

The information disclosed reflects amounts presented in the financial statements of the subsidiary amended to reflect fair value adjustments made by the Group, and modifications for differences in accounting policy during the business combination.

21.2.1 Statement of financial position

	As at 31 Dec 2021 ₦'million	As at 31 Dec 2021 $'000	As at 31 Dec 2020 ₦'million	As at 31 Dec 2020 $'000
Current assets	11,600	28,161	28,845	66,643
Current liabilities	(289,360)	(717,060)	(252,364)	(664,116)
Current net liabilities	**(277,760)**	**(688,899)**	**(223,519)**	**(597,473)**
Non-current asset	246,878	599,320	208,264	548,325
Non-current liabilities	(7,142)	(17,338)	(4,850)	(13,026)
Non-current net assets	**239,736**	**581,982**	**203,414**	**535,299**
Net liabilities	(38,024)	(106,917)	(20,105)	(62,174)
Accumulated NCI at 55%	**(20,913)**	**(58,804)**	**(11,058)**	**(34,196)**

21.2.2 Statement of profit or loss and other comprehensive income

	As at 31 Dec 2021 ₦'million	As at 31 Dec 2021 $'000	As at 31 Dec 2020 ₦'million	As at 31 Dec 2020 $'000
Revenue	53,788	134,307	32,756	93,625
Cost of sales	(52,828)	(131,911)	(46,430)	(132,706)
Operating expenses	(6,450)	(16,105)	(2,727)	(7,795)
Finance cost	(12,428)	(31,032)	(8,634)	(24,678)
Loss before Tax	**(17,918)**	**(44,741)**	(20,103)	**(57,458)**
Tax credit	-	-	13,376	38,232
Profit for the year	**(17,918)**	**(44,741)**	(6,727)	**(19,226)**
Total comprehensive income	**(17,918)**	**(44,741)**	(6,727)	**(19,226)**

21.2.3 Statement of cash flows

	As at 31 Dec 2021 ₦'million	As at 31 Dec 2021 $'000	As at 31 Dec 2020 ₦'million	As at 31 Dec 2020 $'000
Operating activities	26,267	65,589	11,350	32,441
Investing activities	(25,834)	(64,507)	(11,164)	(31,908)
Financing activities	4,152	10,367	56	161

21.3 Investment accounted for using equity accounting method

	As at 31 Dec 2021 ₦'million	As at 31 Dec 2020 ₦'million	As at 31 Dec 2021 $'000	As at 31 Dec 2020 $'000
Investment in joint venture (note 21.3.1)	92,795	84,639	225,270	222,730
Investment in associate (note 21.3.2)	-	3	-	11
	92,795	**84,642**	**225,270**	**222,741**

21.3.1 Interest in joint ventures

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 because the Group interest in ANOH (Joint venture) is assessed to be a joint venture.

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.

Name of entity	Country of incorporation and place of business	Percentage of ownership interest		Carrying amount			
		As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 30 Dec 2020
		%	%	₦'million	₦'million	$'000	$'000
ANOH Gas Processing Company Limited	Nigeria	50	50	92,795	84,639	225,270	222,730

21.3.1.1 Summarised statement of financial position of ANOH

	As at 31 Dec 2021 ₦'million	As at 31 Dec 2021 $'000	As at 31 Dec 2020 ₦'million	As at 31 Dec 2020 $'000
Current assets:				
Cash and bank balances	15,980	38,793	32,025	84,275
Other current assets	48,662	118,131	28,380	74,685
Total current assets	64,642	156,924	60,405	158,960
Non-current assets	221,976	538,869	121,565	319,907
Total assets	**286,618**	**695,793**	**181,970**	**478,867**
Current liabilities:				
Financial liabilities (excluding trade payables)	(37,492)	(91,017)	(3,119)	(8,209)
Other current liabilities	(72,846)	(176,840)	(18,227)	(47,802)
Total liabilities	(110,338)	(267,857)	(21,346)	(56,011)
Net assets	**176,280**	**427,936**	**160,624**	**422,856**
Reconciliation to carrying amounts:				
Opening net assets	160,624	422,856	91,951	299,516
Profit for the period	2,035	5,080	601	3,340
Additional contribution	-	-	45,600	120,000
Dividends paid		-	-	-
Exchange difference	13,621	-	22,472	-
Closing net assets	**176,280**	**427,936**	**160,624**	**422,856**
Group's share (%)	50%	50%	50%	50%
Group's share of net asset	88,140	213,968	69,076	211,428
Exchange difference	-	-	11,268	-
Remeasurement of retained interest	4,655	11,302	4,295	11,302
Carrying amount	**92,795**	**225,270**	**84,639**	**222,730**

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

	31 Dec 2021 ₦'million	31 Dec 2021 $'000	31 Dec 2020 ₦'million	31 Dec 2020 $'000
General and administrative expenses	(56)	(141)	(186)	(516)
Depreciation and amortization	(193)	(483)	-	-
Other income	916	2,287	-	-
Finance income	911	2,275	1,388	3,856
Finance cost	(28)	(70)	-	-
Profit before taxation	1,550	3,868	1,202	3,340
Taxation	485	1,212	-	-
Profit for the period	2,035	5,080	1,202	3,340
Group's share (%)	50%	50%	50%	50%
Group's share of profit for the period	1,017	2,540	601	1,670
Dividends received from joint venture	-	-	-	-

21.3.1.3 Investment in joint venture

	31 Dec 2021 ₦'million	31 Dec 2021 $'000	31 Dec 2020 ₦'million	31 Dec 2020 $'000
Opening balance	84,639	222,730	49,445	161,060
Additional investment	-	-	21,595	60,000
Exchange difference	7,139	-	12,998	-
Share of profit from joint venture accounted for using the equity method	1,017	2,540	601	1,670
	92,795	**225,270**	**84,639**	**222,730**

21.3.1.4 Reconciliation of additional investment in joint venture

	31 Dec 2021 ₦'million	31 Dec 2021 $'000	31 Dec 2020 ₦'million	31 Dec 2020 $'000
Cash paid in the current period	-	-	21,595	60,000
	-	**-**	**21,595**	**60,000**

21.3.2 Investment in associate

	As at 31 Dec 2021 ₦'million	As at 31 Dec 2020 ₦'million	As at 31 Dec 2021 $'000	As at 31 Dec 2020 $'000
Investment in Elandale	-	3	-	11

Elandale Nigeria Limited is an associate acquired on the business combination. Elandale was incorporated in Nigeria on 17 January 2019. Elandale is an unquoted investment and valued based on fixed asset investment. The Group indirectly owns 40% ownership interest and voting rights in Elandale. The investment was written-off during the year because Elandale is not trading, does not have sufficient funds to repay the investment and have no discardable future income stream. The associate is deemed to be immaterial, as a result, financial information is not provided.

22. Inventories

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Tubulars, casings and wellheads	**30,878**	**28,337**	**74,957**	**74,570**

Inventory represents the value of tubulars, casings and wellheads. The inventory is carried at the lower of cost and net realisable value. Inventory charged to profit or loss and included in cost of sales during the year is ₦1.7 billion, $4.1 million (2020: ₦3.6 billion, $9.4 million). There was no write down or reversal of previously recognised write down of inventory for the year ended 31 December 2021 (2020: nil).

23. Trade and other receivables

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Trade receivables (Note 23.1)	25,923	20,662	62,929	54,375
Nigerian Petroleum Development Company (NPDC) receivables (Note 23.2)	34,571	40,681	83,924	107,053
Nigerian National Petroleum Corporation (NNPC) receivables (Note 23.3)	10,154	11,353	24,650	29,876
Underlift	20,657	7,827	50,147	20,600
Advances to suppliers	5,746	10,280	13,947	27,053
Receivables from ANOH	5,259	4,926	12,766	12,963
Other receivables (Note 23.4)	2,964	1,045	7,194	2,751
	105,274	**96,774**	255,557	**254,671**

23.1 Trade receivables

Included in trade receivables is an amount due from Geregu Power of $17.1 million, ₦7.1 billion (2020: $22.9 million, ₦8.6 billion), Sapele Power $5.9 million, ₦2.4 billion (2020: $7million, ₦2.7 billion) and Nigerian Gas Marketing Company $7.3 million, ₦3 billion (2020: $3.4 million, ₦1.3 billion) totalling $30.3 million, ₦12.5 billion (Dec 2020: $33.3 million, ₦13.6 billion) with respect to the sale of gas. Also included in trade receivables is $7.4 million, ₦3.04 billion (Dec 2020: $0, ₦0) and $28.1 million, ₦11.6 billion (Dec 2020: $19 million, ₦7 billion) due from Mercuria and Shell Western respectively for sale of crude.

Reconciliation of trade receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Balance as at 1 January	20,662	37,465	54,375	122,033
Additions during the year	234,149	66,343	584,666	184,330
Receipts for the year	(223,645)	(82,631)	(558,436)	(250,481)
Exchange difference	1,836	29	-	-
Gross carrying amount	33,002	21,206	80,605	55,882
Less: impairment allowance	(7,079)	(544)	(17,676)	(1,507)
Balance as at 31 December	**25,923**	**20,662**	**62,929**	**54,375**

Reconciliation of impairment allowance trade receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Loss allowance as at 1 January	1,195	651	3,625	2,118
Increase in loss allowance during the period	7,079	544	17,676	1,507
Exchange difference	501	-	-	-
Loss allowance as at 31 December	**8,775**	**1,195**	**21,301**	**3,625**

23.2 NPDC receivables

The outstanding cash calls due to Seplat from its JOA partner, NPDC is ₦34.6 billion (Dec 2020: ₦41 billion) $83.9 million (Dec 2020: 107 million).

Reconciliation of NPDC receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Balance as at 1 January	40,681	68,264	107,053	222,357
Additions during the year	86,732	81,861	216,567	227,446
Receipts for the year	(94,147)	(109,282)	(235,082)	(342,274)
Exchange difference	3,153	9	-	-
Gross carrying amount	39,419	40,852	88,538	107,529
Less: impairment allowance	(1,848)	(171)	(4,614)	(476)
Balance as at 31 December	**34,571**	**40,681**	**83,924**	**107,053**

Reconciliation of impairment allowance NPDC receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Loss allowance as at 1 January	619	448	7,386	6,910
Increase in loss allowance during the period	1,848	171	4,614	476
Exchange difference	2,476	-	-	-
Loss allowance as at 31 December	**4,943**	**619**	**12,000**	**7,386**

23.3 NNPC receivables

Reconciliation of NNPC receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Balance as at 1 January	11,353	354	29,876	1,152
Additions during the year	10,793	19,347	26,950	54,866
Receipts for the year	(12,778)	(8,318)	(31,906)	(24,874)
Exchange difference	894	426	-	-
Gross carrying amount	10,262	11,809	24,920	31,144
Less: impairment allowance	(108)	(456)	(270)	(1,268)
Balance as at 31 December	**10,154**	**11,353**	**24,650**	**29,876**

Reconciliation of impairment allowance NNPC receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Loss allowance as at 1 January	479	23	1,345	77
Increase in loss allowance during the period	108	456	270	1,268
Exchange difference	78	-	-	-
Loss allowance as at 31 December	**665**	**479**	**1,615**	**1,345**

23.4 Other receivables

Other receivables consist of WHT receivable, VAT receivables and other sundry receivables.

Reconciliation of other receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Balance as at 1 January	1,045	26,948	2,751	87,781
Additions during the year	21,708	12,494	54,205	34,715
Receipts for the year	(19,929)	(29,382)	(49,762)	(93,216)
Exchange difference	140	533	-	-
Gross carrying amount	2,964	10,593	7,194	29,280
Less: impairment allowance	-	(9,548)	-	(26,529)
Balance as at 31 December	**2,964**	**1,045**	**7,194**	**2,751**

Reconciliation of impairment allowance on other receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Loss allowance as at 1 January	15,303	5,755	45,319	18,790
Increase in loss allowance during the period	-	9,548	-	26,529
Exchange difference	3,365	-	-	-
Loss allowance as at 31 December	**18,668**	**15,303**	**45,319**	**45,319**

24. Contract assets

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Revenue on gas sales (Note 24.1)	**1,679**	**2,343**	**4,076**	**6,167**

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

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

24.1 Reconciliation of contract assets

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

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Balance as at 1 January	2,343	6,527	6,167	21,259
Addition during the year	44,849	29,200	111,987	91,115
Receipts for the year	(45,662)	(32,895)	(114,017)	(106,161)
Price adjustments	(24)	(13)	(60)	(46)
Exchange difference	173	(476)	-	-
Impairment	-	-	(1)	-
Balance as at 31 December	**1,679**	**2,343**	**4,076**	**6,167**

25. Derivative financial instruments

The Group uses its derivatives for economic hedging purposes and not as speculative investments. Derivatives are measured at fair value through profit or loss. They are presented as current liability to the extent they are expected to be settled within 12 months after the reporting period.

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.

	2021	2020	2021	2020
	₦'million	₦'million	$'000	$'000
Foreign currency options-crude oil options	1,543	626	3,745	1,648
	1,543	**626**	**3,745**	**1,648**

In 2021, the Group entered an economic crude oil hedge contracts with an average strike price of ₦22,141, $54/bbl (2020: ₦12,903, $34/bbl) for 3 million barrels (2020: 5 million barrels) at a cost of ₦1.8 billion, $4.3 million (2020: ₦2.9 billion, $7.65 million).

26. Cash and cash equivalents

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

	2021	2020	2021	2020
	₦'million	₦'million	$'000	$'000
Cash on hand	5,916	2,620	14,361	6,896
Short-term fixed deposits	29,040	160	70,498	422
Cash at bank	98,812	82,867	239,877	218,065
Gross cash and cash equivalent	133,768	85,647	324,736	225,383
Loss allowance	(101)	(93)	(246)	(246)
Net cash and cash equivalents	133,667	85,554	324,490	225,137

26.1 Reconciliation of impairment allowance on cash and cash equivalents

	2021	2020	2021	2020
	₦'million	₦'million	$'000	$'000
Loss allowance as at 1 January	93	23	246	79
Increase/(decrease) in loss allowance during the period	-	60	-	167
Exchange difference	8	10	-	-
Loss allowance as at 31 December	**101**	**93**	**246**	**246**

26.2 Restricted cash

	2021	2020	2021	2020
	₦'million	₦'million	$'000	$'000
Restricted cash	6,603	12,761	16,029	33,581
	6,603	**12,761**	**16,029**	**33,581**

Included in the restricted cash balance is $8 million, ₦3.3 billion and $6.2 million, ₦2.5 billion set aside in the stamping reserve account and debt service reserve account respectively for the revolving credit facility. 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).

Also included in the restricted cash balance is $0.9 million, ₦0.4 billion and $0.9 million, ₦0.4 billion for rent deposit and unclaimed dividend respectively.

These amounts are subject to legal restrictions and are therefore not available for general use by the Group.

27. Share capital

27.1 Authorised and issued share capital

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500	3,335	3,335
Issued and fully paid				
584,035,845 (2020: 581,840,856) issued shares denominated in Naira of 50 kobo per share	296	293	1,862	1,855

Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

27.2 Movement in share capital and other reserves

	Number of shares	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Total
	Shares	₦'million	₦'million	₦'million	₦'million	₦'million
Opening balance as at 1 January 2021	581,840,856	293	86,917	7,174	-	94,384
Share based payments	-	-	-	1,209	-	1,209
Vested shares	5,736,761	3	3,466	(3,469)	-	-
Shares re-purchased	(3,541,772)	-	-	-	(2,025)	(2,025)
Closing balance as at 31 December 2021	**584,035,845**	**296**	**90,383**	**4,914**	**(2,025)**	**93,568**

	Number of shares	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Total
	Shares	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 January 2021	581,840,856	1,855	511,723	27,592	-	541,170
Share based payments	-	-	-	3,020	-	3,020
Vested shares	5,736,761	7	8,415	(8,422)	-	-
Shares re-purchased	(3,541,772)	-	-	-	(4,915)	(4,915)
Closing balance as at 31 December 2021	**584,035,845**	**1,862**	**520,138**	**22,190**	**(4,915)**	**539,275**

Shares purchased for employees charge of $4.9 million relates to Share buy-back programme for Group's Long-Term Incentive Plan. The programme commenced from 1 March 2021 and are held by the Trustees under the Trust for the benefit of the Group's employee beneficiaries covered under the Trust.

27.3 Share Premium

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Share premium	**90,383**	**86,917**	**520,138**	**511,723**

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

During the year, an additional 5,736,761 shares vested with a fair value of $8.42 million. The excess of $8.41 million above the nominal value of ordinary shares have been recognised in share premium.

27.4 Employee share based payment scheme

As at 31 December 2021, the Group had awarded 73,966,540 shares (2020: 60,487,999 shares) to certain employees and senior executives in line with its share-based incentive scheme. Included in the share-based incentive schemes is one additional scheme (2021 LTIP Scheme) awarded during the reporting period. During the reporting period, 7,151,098 shares had vested out of which 1,414,337 shares were forfeited in relation to participants whose employment was terminated during the vesting period. The average forfeiture rate due to failure to meet non-market vesting condition is 13.69% while the average due to staff exit is 11.70%. The impact of applying the forfeiture rate of 25.63% on existing LTIP awards which are yet to vest will result in a reduction of share-based compensation expense for the year by $1,296,630. The number of shares that eventually vested during the year after the forfeiture and conditions above is 5,736,761 (Dec 2020: 6,519,258 shares were vested).

xxi. Description of the awards valued

The Group has made a number of share-based awards under incentive plans since its IPO in 2014: IPO-related grants to Executive and Non-Executive Directors, 2018/2020 deferred bonus awards and 2020 Long-term Incentive plan ('LTIP') awards. Shares under these incentive plans were awarded at the IPO in April 2014, 2015, 2016, 2017,2018 and 2020 conditional on the Nigerian Stock Exchange ('NSE') approving the share delivery mechanism proposed by the Group. A number of these awards have fully vested.

Seplat Deferred Bonus Award

25% of each Executive Director's 2019 bonus (paid in 2020) has been deferred into shares and would be released in 2022 subject to continued employment over the vesting period. 2020 deferred bonus is yet to be approved by the Board. No performance criteria are attached to this award. As a result, the fair value of these awards is calculated using a Black Scholes model.

Long Term Incentive Plan (LTIP) awards

Under the LTIP Plan, shares are granted to management staff of the organisation at the end of every year. The shares were granted to the employees at no cost. The shares vest (after 3 years) based on the following conditions.

- 25% vesting for median relative TSR performance rising to 100% for upper quartile performance on a straight-line basis.
- Relative TSR vesting reduced by 75% if 60% and below of operational and technical bonus metrics are achieved, with 35% reduction if 70% of operational and technical bonus metrics are achieved and no reduction for 80% or above achievement.
- the Group outperforms the median TSR performance level with the LTIP exploration and production comparator group.

The LTIP awards have been approved by the NSE.

xxii. Share based payment expenses

The expense recognised for employee services received during the year is shown in the following table:

	2021	2020	2021	2020
	₦'million	₦'million	$'000	$'000
Expense arising from equity-settled share-based payment transactions	1,209	1,856	3,020	5,157

There were no cancellations to the awards in 2021. The share awards granted to Executive Directors and confirmed employees are summarised below:

Scheme	Deemed grant date	Start of Service Period	End of service period	Vesting status	Number of awards
Global Bonus Offer	4 November 2015	9 April 2014	9 April 2015	Fully	6,472,138
Non- Executive Shares	4 November 2015	9 April 2014	9 April 2015	Fully	793,650
2014 Deferred Bonus	14 December 2015	14 December 2015	21 April 2017	Fully	212,701
2014 Long term incentive Plan	14 December 2015	14 December 2015	09 April 2017	Fully	2,173,259
2015 Long term incentive Plan	31 December 2015	14 December 2015	21 April 2018	Fully	5,287,354
2015 Deferred Bonus	21 April 2016	21 April 2016	20 April 2018	Fully	247,610
2016 Long term incentive Plan	22 December 2016	22 December 2016	21 December 2019	Fully	10,294,300
2016 Deferred Bonus	24 November 2017	24 November 2017	20 April 2019	Fully	278,191
2017 Long term incentive Plan	24 November 2017	24 November 2017	20 April 2020	Fully	7,938,589
2017 Deferred Bonus	2 May 2018	2 May 2018	31 December 2019	Fully	193,830
2018 Long term incentive Plan	2 May 2018	2 May 2018	2 May 2021	Fully	6,936,599
2018 Deferred Bonus	2 May 2019	2 May 2019	31 December 2020	Fully	341,069
2019 Long term incentive Plan	2 May 2019	2 May 2019	2 May 2022	Partially	7,648,850
2019 Deferred Bonus	30 Apr 2020	30 Apr 2020	31 Dec 2021	Fully	214,499
2020 Long term incentive Plan	30 Apr 2020	30 Apr 2020	1 May 2023	Partially	10,828,156
2020 Long term incentive Plan	2 Dec 2020	2 Dec 2020	2 Dec 2023	Partially	1,110,057
2021 Long term incentive Plan	2 November 2021	2 November 2021	2 November 2024	Partially	12,995,688
					73,966,540

xxiii. Determination of share awards outstanding

Share awards used in the calculation of diluted earnings per shares are based on the outstanding shares granted as at 31 December 2021.

Share award scheme (all awards)	2021 Number	2021 WAEP ₦	2020 Number	2020 WAEP ₦
Outstanding at 1 January	8,806,987	843	12,386,617	474
Granted during the year	1,145,053	415	4,700,028	395
Exercised during the year	(5,736,761)		(6,519,258)	-
Forfeited during the year	(1,414,337)		(1,760,400)	-
Outstanding at 31 December	2,800,942	442	8,806,987	**843**
Vested and exercisable at 31 December	-		-	

Share award scheme (all awards)	2021 Number	2021 WAEP $	2020 Number	2020 WAEP $
Outstanding at 1 January	8,806,987	2.22	12,386,617	1.54
Granted during the year	1,145,053	1.04	4,700,028	1.04
Exercised during the year	(5,736,761)		(6,519,258)	-
Forfeited during the year	(1,414,337)		(1,760,400)	-
Outstanding at 31 December	2,800,942	1.10	8,806,987	2.22
Vested and exercisable at 31 December	-	-	-	-

The following table illustrates the number and weighted average exercise prices ('WAEP') of and movements in deferred bonus scheme and long-term incentive plan during the year for each available scheme.

Deferred Bonus Scheme	2021 Number	2021 WAEP ₦	2020 Number	2020 WAEP ₦
Outstanding at 1 January	86,151	509	136,091	572
Granted during the year	128,348	415	291,129	525
Exercised during the year	(214,499)		(341,069)	-
Forfeited during the year	-		-	-
Outstanding at 31 December	-		86,151	236
Vested and exercisable at 31 December	-	-	-	-

Deferred Bonus Scheme	2021 Number	2021 WAEP $	2020 Number	2020 WAEP $
Outstanding at 1 January	86,151	0.62	136,091	1.86
Granted during the year	128,348	1.04	291,129	1.38
Exercised during the year	(214,499)		(341,069)	-
Forfeited during the year	-		-	-
Outstanding at 31 December	-		86,151	0.62
Vested and exercisable at 31 December	-		-	-

The fair value of the modified options was determined using the same models and principles as described in the table below on the inputs to the models used for the scheme.

Long term incentive Plan (LTIP)	2021 Number	2021 WAEP ₦	2020 Number	2020 WAEP ₦
Outstanding at 1 January	8,720,836	509	12,250,525	209
Granted during the year	1,016,705	415	4,408,899	390
Exercised during the year	(5,522,262)		(6,178,189)	-
Forfeited during the year	(1,414,337)		(1,760,400)	-
Outstanding at 31 December	2,800,942	442	8,720,836	509

Vested and exercisable at 31 December	-	-	-

Long term incentive Plan (LTIP)	2021 Number	2021 WAEP $	2020 Number	2020 WAEP $
Outstanding at 1 January	8,720,836	1.34	12,250,525	0.68
Granted during the year	1,016,705	1.04	4,408,899	1.03
Exercised during the year	(5,522,262)		(6,178,189)	-
Forfeited during the year	(1,414,337)		(1,760,400)	-
Outstanding at 31 December	2,800,942	1.10	8,720,836	1.34
Vested and exercisable at 31 December	-		-	-

The shares are granted to the employees at no cost. The weighted average remaining contractual life for the share awards outstanding as at 31 December 2021 range from 0.2 to 2.7 years (2020: 0.3 to 2.3 years).
The weighted average fair value of awards granted during the year range from ₦415 to ₦442.32 (2020: ₦142.8 to ₦235.98), $1.04 to $1.10 (2020: $0.32 to $0.68).

The fair value at grant date is independently determined using the Monte Carlo which takes into account, the term of the award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the award and the correlations and volatilities of peer group companies.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

xxiv. Inputs to the models

The following table lists the inputs to the models used for the share awards outstanding in the respective plans for the year ended 31 December 2021:

	2019 LTIP	2020 LTIP	2020 LTIP	2021 LTIP
Weighted average fair values at the measurement date				
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	35%	43%	43%	51.68%
Risk-free interest rate (%)	0.76%	0.44%	0.44%	0.31%
Expected life of share options	3.00	3.00	3.00	3.00
Share price at grant date ($)	1.7	0.38	0.51	0.66
Share price at grant date (₦)	521.9	135.38	193.48	264.32
Model used	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

27.5 Treasury shares

This relates to Share buy-back programme for Group's Long-Term Incentive Plan. The programme commenced from 1 March 2021 and are held by the Trustees under the Trust for the benefit of the Group's employee beneficiaries covered under the Trust.

28. Capital contribution

This represents M&P additional cash contribution to the Group. In accordance with the Shareholders' Agreement, the amount was used by the Group for working capital as was required at the commencement of operations.

	2021 ₦ million	2020 ₦ million	2020 $'000	2020 $'000
Capital contribution	5,932	5,932	40,000	40,000

29. Foreign currency translation reserve

Cumulative foreign exchange differences arising from translation of the Group's results and financial position into the presentation currency and from the translation of foreign subsidiary is recognised in foreign currency translation reserve.

30. Interest bearing loans and borrowings

30.1 Reconciliation of interest bearings loans and borrowings

Below is the reconciliation on interest bearing loans and borrowings for 2021:

	Borrowings due within 1 year	Borrowings due above 1 year	Total	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦ million	₦ million	₦ million	$'000	$'000	$'000
Balance as at 1 January 2021	35,518	229,880	265,398	93,468	604,947	698,415
Addition	268,725	-	268,725	671,000	-	671,000
Interest accrued	29,765	-	29,765	74,322	-	74,322
Interest capitalized	4,995	-	4,995	12,473	-	12,473
Principal repayment	(240,291)	-	(240,291)	(600,000)	-	(600,000)
Interest repayment	(27,728)	-	(27,728)	(69,236)	-	(69,236)
Other financing charges	(8,154)	-	(8,154)	(20,360)	-	(20,360)
Transfers	(40,451)	40,451	-	(101,006)	101,006	-
Exchange differences	2,609	20,472	23,081	-	-	-
Carrying amount as at 31 December 2021	**24,988**	**290,803**	**315,791**	**60,661**	**705,953**	**766,614**

Below is the reconciliation on interest bearing loans and borrowings 2020:

	Borrowings due within 1 year	Borrowings due above 1 year	Total	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦ million	₦ million	₦ million	$'000	$'000	$'000
Balance as at 1 January 2020	34,486	207,863	242,349	112,333	677,075	789,408
Interest accrued	17,504	-	17,504	48,634	-	48,634
Interest capitalized	5,449		5,449	15,140		15,140
Principal repayment	(35,991)	-	(35,991)	(100,000)	-	(100,000)
Interest repayment	(23,310)	-	(23,310)	(64,767)	-	(64,767)
Proceeds from loan financing	-	3,599	3,599	-	10,000	10,000
Transfers	29,559	(29,559)	-	82,128	(82,128)	-
Exchange differences	7,821	47,977	55,798	-	-	-
Carrying amount as at 31 December 2020	**35,518**	**229,880**	**265,398**	**93,468**	**604,947**	**698,415**

Other financing charges include term loan arrangement and commitment fees, 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 interest-bearing loan.

30.2 Amortised cost of borrowings

	2021	2020	2021	2020
	₦'million	₦'million	$'000	$'000
Senior loan notes	266,963	134,291	648,079	353,396
Revolving loan facilities	-	93,634	-	246,406
Reserve based lending (RBL) facility	48,828	37,473	118,535	98,613
	315,791	**265,398**	**766,614**	**698,415**

$650 million Senior notes – April 2021

In March 2021, the Group offered 7.75% senior notes with an aggregate principal of $650 million due in April 2026. The notes, which were priced on 25 March and closed on 1 April 2021, were issued by the Group in March 2021 and guaranteed by certain of its subsidiaries.

The gross proceeds of the Notes were used to redeem the existing $350 million 9.25% senior notes due in 2023, to repay in full drawings of $250 million under the existing $350 million revolving credit facility for general corporate purposes, and to pay transaction fees and expenses. The amortised cost for the senior notes as at the reporting period is $648.1 million, although the principal is $650 million.

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

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

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

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

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

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

The interest rate of the facility is variable. The interest accrued at the reporting period is $4.6 million using an effective interest rate of 8.3%. The interest paid was determined using 6-month USD LIBOR rate + 8 % on the last business day of the reporting period.

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

On 24 May 2021 Westport drew down a further $10 million increasing the debt utilized under the RBL from $100 million to $110 million. The amortized cost for this as at the reporting period is $108.8 million (Dec 2020: $98.6 million), although the principal is $110 million.

$50 million Reserved based lending (RBL) facility – July 2021

In July 2021, the Group raised a $50 million offtake line to the Reserved Based Lending Facility. The Facility has a 6-year tenor, maturing in 2027. As of the period under review, $11 million has been drawn on this facility. The amortised cost for this as at the reporting period is $9.2 million, although the principal is $11 million.

30.3 Outstanding principal exposures

The following is the analysis of the principal outstanding showing the lenders of the facility as at the year-end:

31 December 2021	Interest	Current ₦ million	Non-Current ₦ million	Total ₦ million	Current $'000	Non-Current $'000	Total $'000
Fixed interest rate							
Fixed interest rate borrowings							
Senior notes	7.75%	-	267,755	267,755	-	650,000	650,000
Variable interest rate borrowings		-			-		
The Mauritius Commercial Bank Ltd	8.00% + USD LIBOR	-	15,818	15,818	-	38,400	38,400
The Stanbic IBTC Bank Plc	8.00% + USD LIBOR	-	16,148	16,148	-	39,200	39,200
The Standard Bank of South Africa Limited	8.00% + USD LIBOR	-	9,227	9,227	-	22,400	22,400
First City Monument Bank Limited	8.00% + USD LIBOR	-	4,119	4,119	-	10,000	10,000
Shell Western Supply and Trading Limited	10.5% + USD LIBOR	-	4,531	4,531	-	11,000	11,000
Total variable interest borrowings		**-**	**317,598**	**317,598**	**-**	**771,000**	**771,000**

31 December 2020	Interest	Current ₦ million	Non-Current ₦ million	Total ₦ million	Current $'000	Non-Current $'000	Total $'000
Fixed interest rate							
Senior notes:	9.25%	-	133,000	133,000	-	350,000	350,000
Variable interest rate							
Corporate loan:							
Citibank, N.A., London Branch	6% + USD LIBOR	-	10,857	10,857	-	28,572	28,572
Nedbank Limited London	6% + USD LIBOR	-	10,857	10,857	-	28,572	28,572
Stanbic IBTC Bank Plc	6% + USD LIBOR	-	5,429	5,429	-	14,285	14,285
The Standard Bank of South Africa Limited//	6% +USD LIBOR	-	5,429	5,429	-	14,285	14,285
RMB International (Mauritius) Limited	6% + USD LIBOR	-	10,857	10,857	-	28,572	28,572
The Mauritius Commercial Bank Ltd	6% + USD LIBOR	-	10,857	10,857	-	28,572	28,572
JPMorgan Chase Bank, N.A., London Branch	6% + USD LIBOR	-	8,143	8,143	-	21,429	21,429
Standard Chartered Bank	6% + USD LIBOR	-	8,143	8,143	-	21,429	21,429
Natixis	6% + USD LIBOR	-	8,143	8,143	-	21,429	21,429
Société Générale, London Branch	6% + USD LIBOR	-	4,071	4,071	-	10,714	10,714
Zenith Bank Plc	6% + USD LIBOR	-	4,071	4,071	-	10,714	10,714
United Bank for Africa Plc	6% + USD LIBOR	-	4,071	4,071	-	10,714	10,714
First City Monument Bank Limited	6% + USD LIBOR	-	4,071	4,071	-	10,713	10,713
First Bank of Nigeria	8% + USD LIBOR	-	4,561	4,561	-	12,000	12,000
The Mauritius Commercial Bank Ltd	8% + USD LIBOR	-	13,073	13,073	-	34,400	34,400
Stanbic IBTC Bank Plc/ The Standard Bank of South Africa Limited	8% + USD LIBOR	-	20,369	20,369	-	53,600	53,600
		-	**266,002**	**266,002**	**-**	**700,000**	**700,000**

31. Lease liabilities

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
As at 1 January	2,270	2,829	5,974	9,210
Additions during the year	384	1193	960	803
Payments during the year	(1,559)	(1,858)	(3,893)	(4,334)
Interest on lease liabilities	212	106	530	295
Exchange difference	164	-	-	-
As at 31 December	**1,471**	**2,270**	**3,571**	**5,974**

In 2018, the Group entered into a lease agreement for an office building in Lagos. The non-cancellable period of the lease is 5 years commencing on 1 January 2019 and ending on 31 December 2023. However, the Group has an option of either extending the lease period on terms to be mutually agreed by parties to the lease on the expiration of the current term or purchase the property.

The Group's lease liability as at 31 December 2021 is split into current and non-current portions as follows:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Current	1,273	679	3,090	1,787
Non-current	198	1,591	481	4,187
	1,471	**2,270**	**3,571**	**5,974**

The following amount are recognised in profit or loss:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Depreciation expense of right-of-use assets	1,870	1,254	4,670	3,483
Interest expense on lease liabilities	212	106	530	295
	2,082	**1,360**	**5,200**	**3,778**

The following are the impact of the lease on cash flow:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Depreciation expense of right-of-use assets	1,870	1,254	4,670	3,483
Interest expense on lease liabilities	212	106	530	295
Net cash flows from operating activities	2,082	**1,360**	**5,200**	**3,778**
Lease payments	(1,559)	(1,858)	(3,893)	(4,334)
Net cash flows from financing activities	**(1,559)**	**(1,858)**	**(3,893)**	**(4,334)**

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 ₦1.4 billion, $3.4 million, (2020: ₦1.2 billion, $3.1 million).

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	
	2021 ₦ million	2021 $'000	2020 ₦ million	2020 $'000
Depreciation	725	1,810	651	1,810
Interest payment	(946)	(2,363)	(844)	(2,346)
	(221)	**(553)**	**(193)**	**(536)**

	Effect on net assets		Effect on net assets	
	2021 ₦ million	2021 $'000	2020 ₦ million	2020 $'000
Depreciation	10,463	27,631	11,188	29,441
Interest payment	(10,939)	(28,912)	(11,885)	(31,275)
	(476)	**(1,281)**	**(697)**	**(1,834)**

Notes to the consolidated financial statements - continued

32. Provision for decommissioning obligation

	₦ million	$'000
At 1 January 2021	61,795	162,619
Unwinding of discount due to passage of time	539	1,345
Change in estimate	(3,727)	(9,305)
Exchange difference	5,102	-
At 31 December 2021	**63,709**	**154,659**
At 1 January 2020	45,411	147,921
Unwinding of discount due to passage of time	1,046	2,905
Change in estimate	4,244	11,793
Exchange difference	11,094	-
At 31 December 2020	**61,795**	**162,619**

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis at the commencement of production. This relates to the removal of assets as well as their associated restoration costs. This obligation is recorded in the period in which the liability meets the definition of a "probable future sacrifice of economic benefits arising from a present obligation", and in which it can be reasonably measured.

The provision represents the present value of estimated future expenditure to be incurred as highlighted in the table below which is the current expectation as to when the producing facilities are expected to cease operations. Management engaged a third party to assist with an estimate of the expenditure to be incurred. The estimate for 2021 were done by Ryder Scott for all the OMLs based on current assumptions of the economic environment which management believes to be a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for necessary decommissioning works required that will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates.

	Current estimated life span of reserves	
	2021	2020
Seplat West Limited:		
OML 4	2027 - 2037	2027 - 2037
OML 38	2027 - 2034	2027 - 2034
OML 41	2037	2037
Newton Energy Limited (OPL 283)	2037 - 2044	2037 - 2044
Seplat East Onshore Ltd (OML 53)	2028 - 2054	2028 - 2054
Elcrest (OML 40)	2031	2031
Ubima (OML 17)	2032	2032

33. Employee benefit obligation

33.1 Defined contribution plan

The Group contributes to a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the Group pays fixed contributions to an approved Pension Fund Administrator ('PFA') – a separate entity. The assets of the scheme are managed by various Pension Fund Administrators patronised by employees of the Group. The Group's contributions are charged to the profit and loss account in the year to which they relate.

33.2 Defined benefit plan

xxv. Investment management strategy and policy

The Group operates a funded defined benefit pension plan in Nigeria under the regulation of National Pension Commission. The plan provides benefits to all the employees (excluding Directors holding salaried employment in the Group) who have been employed by the Group for a continuous period of five years and whose employment have been confirmed. The employee's entitlement to the accrued benefits occurs on retirement from the Group. The level of benefits provided on severance depends on members' length of service and salary at retirement age.

The overall investment philosophy of the defined benefit plan fund is to ensure safety, optimum returns and liquidity in line with the regulation and guidelines of the Pension Reform Act 2014 or guidelines that may be issued from time to time by National Pension Commission.

Plan assets are held in trust. Responsibility for supervision of the plan assets (including investment decisions and contributions schedules) lies jointly with the trustees and the pension fund managers. The trustees are made up of members of the Group's senior management appointed by the Chief Executive Officer. The Group does not have an investment strategy of matching match plan assets with the defined obligations as they fall due, however, the Group has an obligation to settle shortfalls in the plan asset upon annual actuarial valuations.

The provision for the defined benefit plan is based on an independent actuarial valuation performed by Logic Professional Services ("LPS") using the projected unit credit method. The provision is adjusted for inflation, interest rate risks, changes in salary and changes in the life expectancy for the beneficiaries.

The amount payable as at 31 December 2021 was ₦4.2 billion ($10.2 million), (2020: ₦4 billion, $10.7 million).

The following tables summarises the components of net defined benefit expense recognised in the statement of profit or loss and other comprehensive income and in the statement of financial position for the respective plans:

xxvi. Liability recognised in the financial position

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Defined benefit obligation	6,442	5,304	15,638	13,958
Fair value of plan assets	(2,261)	(1,241)	(5,489)	(3,267)
	4,181	**4,063**	**10,149**	**10,691**

xxvii. Amount recognised in profit or loss

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Current service cost	838	687	2,092	1,909
Interest cost on defined benefit obligation	421	498	1,051	1,383
	1,259	1,185	3,143	3,292
Return on plan assets	(128)	(124)	(319)	(346)
	1,131	**1,061**	**2,824**	**2,946**

The Group recognises a part of its defined benefit expenses in profit or loss and recharges the other part to its joint operations partners, this is recognised as a receivable from the partners. Below is the breakdown:

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Charged to profit or loss	439	409	1,095	1,135
Charged to receivables	692	652	1,729	1,811
Balance as at 31 December	**1,131**	**1,061**	**2,824**	**2,946**

xxviii. Re-measurement (gains)/losses in other comprehensive income

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Remeasurement losses/(gains) due to changes in financial and demographic assumptions	(953)	36	(2,380)	101
Remeasurement (gains)/losses due to experience adjustment	503	(74)	1,255	(206)

Notes to the consolidated financial statements - continued

Remeasurement gain on plan assets	103	(27)	256	(75)
	(347)	(65)	(869)	(180)
Deferred tax credit/(expense) on remeasurement losses	296	55	739	153
	(51)	(10)	(130)	(27)

The Group recognises a part of the remeasurement losses in other comprehensive income and recharges the other part to its joint operations partners. Below is the breakdown:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Recharged to receivables	(157)	(36)	(391)	(99)
Charged/(credited) to other comprehensive income	(190)	(29)	(478)	(81)
Remeasurement (losses)/gain due to changes in financial and demographic assumptions	**(347)**	**(65)**	**(869)**	**(180)**

xxix. Deferred tax (expense)/credit on re- measurement (gains)/losses

The Group recognises deferred tax (credit on a part of the remeasurement (gain)/ losses in other comprehensive income/(loss). Below is the breakdown:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Charged to other comprehensive income	133	25	333	69
Charged to receivables	163	30	406	84
Deferred tax on remeasurement losses	**296**	**55**	**739**	**153**

xxx. Changes in the present value of the defined benefit obligation are as follows:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Defined benefit obligation as at 1 January	5,304	3,595	13,958	11,707
Current service cost	838	687	2,092	1,909
Interest cost on benefit obligation	421	498	1,051	1,383
Remeasurement losses due to changes in financial and demographic assumptions	(953)	36	(2,380)	101
Remeasurement gains due to experience adjustment	503	(74)	1,255	(206)
Benefits paid by the employer	-	(77)	-	(213)
Benefits from the fund	(135)	(260)	(338)	(723)
Exchange differences	464	899	-	-
Defined benefit obligation at 31 December	6,442	**5,304**	15,638	**13,958**

xxxi. The changes in the fair value of plan assets is as follows:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Balance as at 1 January	(1,241)	(583)	(3,267)	(1,899)
Employer contribution	(1,000)	(601)	(2,497)	(1,670)
Return on plan assets	(128)	(124)	(319)	(346)
Benefits paid from fund	135	260	338	723
Remeasurement loss on plan assets	103	(27)	256	(75)
Exchange differences	(130)	(166)	-	-

Notes to the consolidated financial statements - continued

Balance as at 31 December	(2,261)	**(1,241)**	(5,489)	**(3,267)**

The net liability disclosed above relates to funded plans as follows:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Present value of funded obligations	6,442	5,304	15,638	13,958
Fair value of plan assets	(2,261)	(1,241)	(5,489)	(3,267)
Deficit of funded plans	**4,181**	**4,063**	**10,149**	**10,691**

The fair value of the plan asset of the Group at the end of the reporting period was determined using the market values of the comprising assets as shown below:

			2021			2021
	Quoted ₦ million	Not quoted ₦ million	Total ₦ million	Quoted $'000	Not quoted $'000	Total $'000
Equity Instrument	73	-	73	177	-	177
Treasury bills and money market	994	-	994	2,412	-	2,412
Bonds	440	-	440	1,068	-	1,068
Cash at bank	-	589	589	-	1,431	1,431
Payables	-	(5)	(5)	-	(12)	(12)
Receivables	-	-	-	-	9	9
Total plan asset as at 31 December	**1,507**	**584**	**2,091**	**3,657**	**1,428**	**5,085**

			2020			2020
	Quoted ₦ million	Not quoted ₦ million	Total ₦ million	Quoted $'000	Not quoted $'000	Total $'000
Equity Instrument	19	-	19	50	-	50
Treasury bills and Money market	637	-	637	1,679	-	1,679
Bonds	564	-	564	1,486	-	1,486
Cash at bank	-	25	25	-	66	66
Payables	-	(4)	(4)	-	(14)	(14)
Total plan asset as at 31 December	1,220	21	1,241	3,215	52	3,267

xxxii. The principal assumptions used in determining defined benefit obligations for the Group's plans are shown below:

	2021 %	2020 %
Discount rate	13.5	8
Average future pay increase	12	8
Average future rate of inflation	12	12

a. Mortality in service

	Number of deaths in year out of 10,000 lives	
Sample age	2021	2020
25	1	3
30	29	36
35	60	64
40	99	97
45	90	90

Withdrawal from service

Age band	Rates 2021	2020
Less than or equal to 30	1.0%	1.0%
31 - 39	1.5%	1.5%
40 - 44	1.5%	1.5%
45 - 55	1.0%	1.0%
56 - 60	0.0%	0.0%

A quantitative sensitivity analysis for significant assumption is as shown below:

Assumptions	Base	Discount Rate 1% increase ₦ million	1% decrease ₦ million	Salary increases 1% increase ₦ million	1% decrease ₦ million	Mortality 1% increase ₦ million	1% decrease ₦ million
Sensitivity Level: Impact on the net defined benefit obligation							
31 December 2021	6,442	(603)	698	733	(642)	3	(4)
31 December 2020	5,304	(578)	682	702	(605)	(249)	223

Assumptions	Base	Discount Rate 1% increase $'000	1% decrease $'000	Salary increases 1% increase $'000	1% decrease $'000	Mortality 1% increase $'000	1% decrease $'000
Sensitivity Level: Impact on the net defined benefit obligation							
31 December 2021	16,086	(1,506)	1,743	1,830	(1,603)	7	(10)
31 December 2020	13,958	(219)	259	267	(230)	(95)	85

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The methods and assumptions used in preparing the sensitivity analysis did not change compared to prior period.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

The expected maturity analysis of the undiscounted defined benefit plan obligation is as follows:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Within the next 12 months (next annual reporting period)	368	89	919	234
Between 2 and 5 years	2,015	1,458	5,031	3,842
Between 6 and 10 years	8,400	4,763	20,975	12,551
Beyond 10 years	143,328	55,285	357,891	145,678
	154,111	61,595	384,816	162,305

The weighted average liability duration for the Plan is 13.96 years (2020: 13.67 years). The longest weighted duration for Nigerian Government bond as at 31 December 2021 was about 7.11 years (2020: 10.92 years) with a gross redemption yield of about 13.28% (2020: 7.42%).

o) Risk exposure

Through its defined benefit pension plans, the Group is exposed to several risks. The most significant of which are detailed below:

p) Liquidity risk

The plan liabilities are not fully funded and as a result, there is a risk that the Group may not have the required cash flow to fund future defined benefit obligations as they fall due.

q) Inflation risk
This is the risk of an unexpected significant rise/fall of market interest rates. A rise leads to a fall in long term asset values and a rise in liability values.

r) Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

s) Asset volatility
The Group holds a significant proportion of its plan assets in equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

Details of the Actuary is shown below:

Name of signer	Name of firm	FRC number	Services rendered
Ganiu Shefiu	Logic Professional Services	FRC/2017/NAS/0000001754	Actuary valuation services

34. Trade and other payables

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Trade payable	49,607	51,351	120,426	135,134
Accruals and other payables	67,630	56,816	164,175	149,521
NDDC levy	5,283	4,780	12,826	12,578
Royalties payable	14,100	10,500	34,228	27,632
Overlift payable	14,584	7,021	35,403	18,475
	151,204	**130,468**	**367,058**	**343,340**

Included in accruals and other payables are field accruals of $83.5 million, ₦ 34.4 billion (2020: $109 million, ₦41 billion) and other vendor payables of $15.6 million, ₦ 6.4 billion (Dec 2020: $49 million, ₦ 19 billion). Royalties payable include accruals in respect of crude oil and gas production for which payment is outstanding at the end of the period.

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

35. Contract liabilities

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
	-	3,599	-	9,470

35.1 Reconciliation of contract liabilities

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Opening balance	3,599	5,005	9,470	16,301
Recognised as revenue during the year	(3,599)	(1,406)	(9,470)	(6,831)
Exchange difference	-	-	-	-
	-	**3,599**	**-**	**9,470**

Contract liabilities represents take or pay volumes contracted with Azura for 2021 which is yet to be 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 respective 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 from contracts with customers.

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

Basic
Basic EPS/(LPS) is calculated on the Group's profit after taxation attributable to the parent entity, which is based on the weighted average number of issued and fully paid ordinary shares at the end of the year.

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

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Profit/(loss) attributable to Equity holders of the parent	56,786	(26,906)	141,784	(74,747)
Loss attributable to Non-controlling interests	(9,855)	(3,806)	(24,608)	(10,575)
Profit/(loss) for the year	**46,931**	**(30,712)**	**117,176**	**(85,322)**
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	581,646	579,638	581,646	579,638
Outstanding share-based payments (shares)	2,801	8,807	2,801	8,807
Weighted average number of ordinary shares adjusted for the effect of dilution	**584,447**	**588,445**	**584,447**	**588,445**
Basic (loss)/earnings per share for the period	₦	₦	$	$
Basic earnings/(loss) per share	97.63	(46.42)	0.24	(0.13)
Diluted earnings/(loss) per share	97.16	(45.72)	0.24	(0.13)
Profit/(loss) used in determining basic/diluted earnings per share	**56,786**	**(26,906)**	**141,784**	**(74,747)**

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

37. Dividends paid and proposed
As at 31 December 2021, the final proposed dividend for the Group is ₦10.3, $0.025 (2020: ₦19, $0.05) per share.

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Cash dividends on ordinary shares declared and paid:				
Dividend for 2021: ₦50 ($0.13) per share 584,035,845 shares in issue (2020: ₦37.32 ($0.10) per share, 581,840,856 shares in issue)	29,377	20,998	73,354	58,342
Proposed dividend on ordinary shares:				
Final proposed dividend for the year 2021: ₦10.3 ($0.025) (2020: ₦19 ($0.05) per share	6,016	11,082	14,601	29,163

During the year, ₦12 billion, $29.4 million of dividend was paid at ₦20.51, $0.05 per share as final dividend for 2020 as at 30 May 2021; ₦5.9 billion, $14 million was paid at ₦10.25, $0.025 per share for 2021 Q1 as at 30 June 2021; ₦6.2 billion, $15.03 million of dividend was paid at ₦10.27 ($0.025) per share as at 30 September 2021 and the remaining dividend ₦6.2 billion, $15 million was paid at ₦10.29 ($0.025) per share as at 30 November 2021. Final Naira dividend payments will be based on the Naira/Dollar rates on the date for determining the exchange rate. The payment subject to shareholders' approval at the 2021 Annual General Meeting. The tax effect of dividend paid during the year was $6.9 million (₦2.7 billion).

38. Related party relationships and transactions
The parent Company (Seplat Energy Plc) is owned 6.43% either directly or by entities controlled by A.B.C Orjiako (SPDCL(BVI)) and members of his family and 8.20% either directly or by entities controlled by Austin Avuru (Professional Support Limited and Platform Petroleum Limited). The remaining shares in the parent Company are widely held.

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

i. Shareholders of the parent company

Shebah Petroleum Development Company Limited SPDCL ('BVI'): The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The company provided consulting services to Seplat. Services provided to the Group during the period amounted to $1.1 million, ₦0.45 billion (2020: $900 thousand, ₦342 million). Payables amounted to $101.8 thousand, ₦41.9 million in the current period.

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

Cardinal Drilling Services Limited (formerly Caroil Drilling Nigeria Limited): The Company is owned by common shareholders with the parent Company. The company provides drilling rigs and drilling services to Seplat. Transactions with this related party amounted to nil (2020: $5.7 million, ₦2.1 billion). Payables amounted to nil in the current period (Payables in 2020: $591 thousand, ₦225 million).

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

Abbeycourt Trading Company Limited: The Chairman of Seplat is a director and shareholder. The Company provides diesel supplies to Seplat in respect of Seplat's rig operations. This amounted to $222 thousand, ₦88.9 million during the period (2020: $296 thousand, ₦106 million). Receivables amounted to $6, ₦2,649 (2020: $15,273, ₦5.8 million).

Stage leasing (Ndosumili Ventures Limited): A subsidiary of Platform Petroleum Limited. The company provides transportation services to Seplat. This amounted to $278 thousand, ₦111.3 million (2020: $714 thousand, ₦257 million). Payables amounted to $3.2 thousand, ₦1.3 million in the current period (2020: $23.6 thousand, ₦8.9 million).

39. Information relating to employees

39.1 Key management compensation

Key management includes executive and members of the leadership team. The compensation paid or payable to key management for employee services is shown below:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Salaries and other short-term employee benefits	1,560	1,074	3,895	2,984
Post-employment benefits	179	105	447	291
Share based payment expenses	483	971	1,207	2,699
	2,222	**2,150**	**5,549**	**5,974**

39.2 Chairman and Directors' emoluments

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Chairman (Non-executive)	403	395	1,007	1,098
Chief Executive Officer	475	679	1,186	1,886
Executive Directors	727	750	1,815	2,083
Non-Executive Directors	1,346	862	3,361	2,395
Total	**2,951**	**2,686**	**7,369**	**7,462**

39.3 Highest paid Director

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Highest paid Director	475	484	1,186	1,346

Emoluments are inclusive of income taxes.

39.4 Number of Directors

The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2021 Number	2020 Number
Zero - ₦19,896,500	-	-
₦19,896,501 - ₦115,705,800	-	-
₦115,705,801 - ₦157,947,600	-	-
Above ₦157,947,600	3	4
	3	**4**

	2021 Number	2020 Number
Zero - $65,000	-	-
$65,001 - $378,000	-	-
$378,001 - $516,000	-	-
Above $516,000	3	4
	3	**4**

39.5 Employees

The number of employees (other than the Directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over ₦1,989,650 ($6,500), received remuneration (excluding pension contributions) in the following ranges:

	2021 Number	2020 Number
₦1,989,650 - ₦4,897,600	16	9
₦4,897,601- ₦9,795,200	134	146
₦9,795,201 - ₦14,692,800	180	182
Above ₦14,692,800	202	191
	532	**528**

	2021 Number	2020 Number
$6,500 - $16,000	16	9
$16,001 - $32,000	134	146
$32,001 - $48,000	180	182
Above $48,000	202	191
	532	528

39.6 Number of persons employed during the year

The average number of persons (excluding Directors) in employment during the year was as follows:

	2021 Number	2020 Number
Senior management	31	30
Managers	136	111
Senior staff	245	227
Junior staff	120	160
	532	**528**

39.7 Employee cost

Seplat's staff costs (excluding pension contribution) in respect of the above employees amounted to the following:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Salaries & wages	13,021	9,055	32,512	25,159
	13,021	**9,055**	**32,512**	**25,159**

40. Commitments and contingencies

40.1 Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the year ended 31 December 2021 is ₦7.9 billion, $19.2 million (2020: ₦23.2million, $61,194). The contingent liability for the year is determined based on possible occurrences, though unlikely to occur. No provision has been made for this potential liability in these financial statements. Management and the Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

Under the OML 40 Joint Operating Agreement ('JOA'), the Group is responsible for its share of expenditures incurred on OML 40 in respect of its participating interest, on the basis that the operator's estimated expenditures are reasonably incurred based on the approved work program and budget. From time to time, management disputes such expenditures on the basis that they do not meet these criteria, and when this occurs management accrues at the period end for its best estimate of the amounts payable to the operator. Consequently, the amounts recognised as accruals as of 31 December 2021 reflect management's best estimate of amounts that have been incurred in accordance with the JOA and that will ultimately be paid to settle its obligations in this regard.

However, management recognize there are a range of possible outcomes, which may be higher or lower than the management's estimate of accrued expenditure. It is estimated that around $10,810,495 (2020: $8,383,356) of possible expenditure currently remains under dispute.

The movement from the prior year is driven majorly by a non-JOA compliant and unbudgeted expenditure on overheads from the operator's parent company over and above the JOA stipulated 2.5% of actual capital expenditure. Management considers the merits for these cost items to remain rejected to be very high, but in recognition of possible range of outcomes has included them in the contingent liability estimates.

41. Events after the reporting period

On 25th February 2022, the Group announced an agreement to acquire the entire share capital of Mobil Producing Nigeria Unlimited (“MPNU”) from Exxon Mobil Corporation, Delaware subject to Ministerial consent and other regulatory approvals. The consideration would be $1.283 million plus $300 million contingent consideration, subject to lockbox, working capital and other adjustments.

The acquisition will be financed through a combination of existing cash resources and credit facilities of the Group, a new $550 million senior term loan facility and $275 million junior offtake facility from Nigerian and International banks.

Statement of value added

For the year ended 31 December 2021

	2021		2020		2021		2020s	
	₦ million	%	₦ million	%	$'000	%	$'000	%
Revenue from contracts with customers	293,631		190,922		733,188		530,467	
Other income (net)	8,056		30,184		20,118		83,864	
Finance income	126		601		314		1,671	
Cost of goods and other services:								
Local	(74,697)		(102,472)		(186,526)		(284,712)	
Foreign	(49,798)		(68,315)		(124,350)		(189,808)	
Valued added	177,318	100%	50,920	100%	442,744	100%	141,482	100%

Applied as follows:

	2021		2020		2021		2020	
	₦ million	%	₦ million	%	$'000	%	$'000	%
To employees:								
- as salaries and labour related expenses	17,268	10%	13,324	26%	43,116	10%	37,017	26%
To external providers of capital:								
- as interest	30,516	17%	18,656	37%	76,197	17%	51,834	37%
To Government:								
- as Group taxes	15,061	8%	4,919	10%	37,606	8%	13,668	10%
Retained for the Group's future:								
- For asset replacement, depreciation, depletion & amortization	58,506	33%	47,812	94%	146,086	33%	132,840	94%
Deferred tax (charges)/credit	9,036	5%	(3,079)	(6%)	22,563	5%	(8,555)	(6%)
Profit/(loss) for the year	46,931	27%	(30,712)	(60%)	117,176	27%	(85,322)	(60%)
Valued added	177,318	100%	50,920	100%	442,744	100%	141,482	100%

The value added represents the additional wealth which the Group has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for the creation of future wealth.

Five-year financial summary

As at 31 December 2021

	2021	2020	2019	2018	2017
	₦ million	₦ million	₦ million	₦ million	₦ million
Revenue from contracts with customers	293,631	190,922	214,157	228,391	138,281
Profit/(loss) before tax	71,028	(28,872)	93,955	80,615	13,454
Income tax (expense)/credit	(24,097)	(1,840)	(8,939)	(35,748)	67,657
Profit/(loss) for the year	**46,931**	**(30,712)**	**85,016**	**44,867**	**81,111**

	2021	2020	2019	2018	2017
	₦ million	₦ million	₦ million	₦ million	₦ million
Capital employed:					
Issued share capital	296	293	289	286	283
Share premium	90,383	86,917	84,045	82,080	82,080
Share based payment reserve	4,914	7,174	8,194	7,298	4,332
Treasury shares	(2,025)	-	-	-	-
Capital contribution	5,932	5,932	5,932	5,932	5,932
Retained earnings	239,429	211,790	259,690	192,723	166,149
Foreign currency translation reserve	385,348	331,289	202,910	203,153	200,870
Non-controlling interest	(20,913)	(11,058)	(7,252)	-	-
Total equity	**703,364**	**632,337**	**553,808**	**491,472**	**459,646**
Represented by:					
Non-current assets	1,324,724	1,083,683	717,664	502,512	539,672
Current assets	278,812	227,154	286,569	264,159	259,881
Non-current liabilities	(702,070)	(499,349)	(258,903)	(184,808)	(131,925)
Current liabilities	(198,102)	(179,151)	(191,522)	(90,391)	(207,982)
Net assets	**703,364**	**632,337**	**553,808**	**491,472**	**459,646**

	2021	2020	2019	2018	2017

Five-year financial summary - continued
As at 31 December 2021

	$'000	$'000	$'000	$'000	$'000
Revenue from contracts with customers	733,188	530,467	697,777	746,140	452,179
Profit/(loss) before tax	177,345	(80,209)	306,133	263,364	43,997
Income tax (expense)/credit	(60,169)	(5,113)	(29,125)	(116,788)	221,233
Profit/(loss) for the year	**117,176**	**(85,322)**	**277,008**	**146,576**	**265,230**

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Capital employed:					
Issued share capital	1,862	1,855	1,845	1,834	1,826
Share premium	520,138	511,723	503,742	497,457	497,457
Share based payment reserve	22,190	27,592	30,426	27,499	17,809
Treasury shares	(4,915)	-	-	-	-
Capital contribution	40,000	40,000	40,000	40,000	40,000
Retained earnings	1,185,082	1,116,079	1,249,156	1,030,954	944,108
Foreign currency translation reserve	1,933	992	2,391	3,141	1,897
Non-controlling interest	(58,804)	(34,196)	(23,621)	-	-
Total equity	**1,707,486**	**1,664,045**	**1,803,939**	**1,600,885**	**1,503,097**
Represented by:					
Non-current assets	3,215,899	2,851,803	2,337,670	1,639,843	1,764,789
Current assets	676,835	597,770	933,440	860,455	849,841
Non-current liabilities	(1,704,343)	(1,314,076)	(843,322)	(601,976)	(431,407)
Current liabilities	(480,905)	(471,452)	(623,849)	(294,437)	(680,126)
Net assets	**1,707,486**	**1,664,045**	**1,803,939**	**1,600,885**	**1,503,097**

42. Estimated quantities of proved plus probable reserves

	Oil & NGLs MMbbls	Natural Gas Bscf	Oil Equivalent MMboe
At 31 December 2020	240.51	1,501.42	499.37
Revisions of previous estimates	(9.80)	(82.60)	(24.04)
Discoveries and extensions	-	-	-
Production	(11.47)	(39.38)	(18.25)
At 31 December 2021	219.25	1,379.44	457.07

Reserves are those quantities of crude oil, natural gas and natural gas liquid that, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions.

Elcrest holds a 45% participating interest in OML40. Eland holds a 45% interest in Elcrest although has control until such point as Westport loan is fully repaid.

As additional information becomes available or conditions change, estimates are revised.

43. Capitalised costs related to oil producing activities

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Capitalised costs:				
Unproved properties	24,901	22,367	60,450	58,865
Proved properties	977,281	849,103	2,372,447	2,234,483
Total capitalised costs	1,002,182	871,470	2,432,897	2,293,348
Accumulated depreciation	(341,437)	(261,995)	(828,872)	(689,460)
Net capitalised costs	**660,745**	**609,475**	**1,604,025**	**1,603,888**

Capitalised costs include the cost of equipment and facilities for oil producing activities. Unproved properties include capitalised costs for oil leaseholds under exploration, and uncompleted exploratory well costs, including exploratory wells under evaluation. Proved properties include capitalised costs for oil leaseholds holding proved reserves, development wells and related equipment and facilities (including uncompleted development well costs) and support equipment.

44. Concessions

The original, expired and unexpired terms of concessions granted to the Group as at 31 December 2021 are:

		Original	Term in years expired	Unexpired
Seplat West Limited	OML 4, 38 & 41	38	21	17
Newton	OML 56	16	11	5
Seplat East Swamp	OML 53	30	23	7
Seplat Swamp	OML 55	30	23	7
Elcrest	OML 40	18.8	2	16.8
Elcrest	OML 17	20	2	18

Supplementary financial information (unaudited) - continued
For the year ended 31 December 2021

45. Results of operations for oil producing activities

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Revenue from contracts with customers	247,651	150,422	618,377	417,941
Other income - net	8,056	30,184	20,118	83,864
Production and administrative expenses	(167,313)	(133,684)	(417,789)	(391,989)
Impairment reversals/(losses)	13,626	(51,856)	34,024	(144,080)
Depreciation & amortization	(54,762)	(52,766)	(136,738)	(126,044)
Profit/(loss) before taxation	47,258	**(57,700)**	117,992	**(160,308)**
Taxation	(21,007)	1,229	(52,453)	3,415
Profit/(loss) for the year	**26,251**	**(56,471)**	**65,539**	**(156,893)**

46. Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

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

	Basis	31 December 2021 N/$	31 December 2020 N/$
Property, plant & equipment - opening balances	Historical rate	Historical	Historical
Property, plant & equipment - additions	Average rate	400.48	359.91
Property, plant & equipment - closing balances	Closing rate	411.93	380
Current assets	Closing rate	411.93	380
Current liabilities	Closing rate	411.93	380
Equity	Historical rate	Historical	Historical
Income and Expenses:	Overall Average rate	400.48	359.91

Company Accounts

For the year ended 31 December 2021

(Expressed in Nigerian Naira and US Dollars)

Separate financial statements
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Notes	31 Dec 2021 ₦ million	31 Dec 2020 ₦ million	31 Dec 2021 $'000	31 Dec 2020 $'000
Other loss	7	(4)	(2,383)	(10)	(6,621)
General and administrative expenses	8	(7,307)	(5,054)	(18,234)	(14,046)
Impairment losses on financial assets	9	(372)	-	(930)	-
Operating loss		(7,683)	(7,437)	(19,174)	(20,667)
Finance income	10	131	277	327	770
Loss before taxation		(7,552)	(7,160)	(18,847)	(19,897)
Income tax expense	11	-	-	-	-
Loss for the year		(7,552)	(7,160)	(18,847)	(19,897)
Other comprehensive income/(loss):					
Items that may be reclassified to profit or loss:					
Foreign currency translation difference		197,801	(5,319)	-	-
Other comprehensive income/(loss) for the year		197,801	(5,319)	-	-
Total comprehensive income/(loss) for the year		**190,249**	**(12,479)**	**(18,847)**	**(19,897)**
Basic loss per share ₦/ ($)	23	(12.98)	(12.35)	(0.03)	(0.03)
Diluted loss per share ₦/ ($)	23	(12.92)	(12.17)	(0.03)	(0.03)

Notes 1 to 28 on pages 7 to 38 are an integral part of these financial statements.

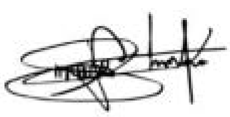
Separate Statement of financial position

For the year ended 31 December 2021

	Notes	31 Dec 2021 ₦ million	31 Dec 2020 ₦ million	31 Dec 2021 $'000	31 Dec 2020 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	274	304	664	799
Investment in subsidiaries	15	796,254	593,425	1,932,983	1,932,983
Investment in Joint ventures	16	86,512	79,806	210,016	210,016
Total non-current assets		**883,040**	**673,535**	**2,143,663**	**2,143,798**
Current assets					
Trade and other receivables	17	520,040	501	1,262,448	1,320
Prepayments	14	54	2	131	5
Cash and cash equivalents	18	75,450	61,950	183,162	163,024
Restricted cash	18.1	3,307	10,671	8,028	28,081
Total current assets		**598,851**	**73,124**	**1,453,769**	**192,430**
Total assets		**1,481,891**	**746,659**	**3,597,432**	**2,336,228**
EQUITY AND LIABILITIES					
Equity					
Issued share capital	19	296	293	1,862	1,855
Share premium	19	90,383	86,917	520,138	511,723
Share based payment reserve	19	4,914	7,174	22,190	27,592
Treasury shares	19	(2,025)	-	(4,915)	-
Capital contribution	20	5,932	5,932	40,000	40,000
Retained earnings		217,347	254,070	1,134,272	1,225,958
Foreign currency translation reserve	21	389,017	191,216	-	-
Total shareholders' equity		**705,864**	**545,602**	**1,713,547**	**1,807,128**
Current liabilities					
Trade and other payables	22	776,027	201,057	1,883,885	529,100
Total liabilities		**776,027**	**201,057**	**1,883,885**	**529,100**
Total shareholders' equity and liabilities		**1,481,891**	**746,659**	**3,597,432**	**2,336,228**

Notes 1 to 28 on pages 7 to 38 are an integral part of these financial statements.

The financial statements of Seplat Energy Plc for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 28 February 2022 and were signed on its behalf by:



A. B. C. Orjiako

FRC/2013/IODN/00000003161

Chairman

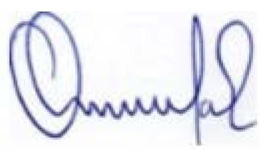
28 February 2022

R.T Brown

FRC/2014/ANAN/00000017939

Chief Executive Officer

28 February 2022



E. Onwuka

FRC/2020/003/00000020861

Chief Financial Officer

28 February 2022

Separate financial statements
Statement of changes in equity
For the year ended 31 December 2021

	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Capital contribution	Retained earnings	Foreign currency translation reserve	Total Equity
	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million	₦ million
At 1 January 2020	289	84,045	8,194	-	5,932	282,228	196,535	577,223
Loss for the year	-	-	-	-	-	(7,160)	-	(7,160)
Other comprehensive loss	-	-	-	-	-	-	(5,319)	(5,319)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(7,160)**	**(5,319)**	**(12,479)**
Transactions with owners in their capacity as owners:								
Dividends paid	-	-	-	-	-	(20,998)	-	(20,998)
Share based payments (Note 19)	-	-	1,856	-	-	-	-	1,856
Vested shares (Note 19)	4	2,872	(2,876)	-	-	-	-	-
Total	4	2,872	(1,020)	-	-	(20,998)	-	(19,142)
At 31 December 2020	**293**	**86,917**	**7,174**	**-**	**5,932**	**254,070**	**191,216**	**545,602**
At 1 January 2021	**293**	**86,917**	**7,174**	-	**5,932**	**254,070**	**191,216**	**545,602**
Loss for the year	-	-	-	-	-	(7,552)	-	(7,552)
Other comprehensive income	-	-	-	-	-	-	197,801	197,801
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**(7,552)**	**197,801**	**190,249**
Transactions with owners in their capacity as owners:				-				
Unclaimed dividend forfeited	-	-	-	-	-	206	-	206
Dividend paid	-	-	-	-	-	(29,377)	-	(29,377)
Share based payments (Note 19)	-	-	1,209	-	-	-	-	1,209
Vested shares (Note 19)	3	3,466	(3,469)	-	-	-	-	-
Shares re-purchased (Note 19)	-	-	-	(2,025)	-	-	-	(2,025)
Total	3	3,466	(2,260)	(2,025)	-	(29,171)	-	(29,987)
At 31 December 2021	**296**	**90,383**	**4,914**	**(2,025)**	**5,932**	**217,347**	**389,017**	**705,864**

Notes 1 to 28 on pages 7 to 38 are an integral part of these financial statements

Separate financial statements
Statement of changes in equity- Continued
For the year ended 31 December 2021

	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Capital contribution	Retained earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2020	1,845	503,742	30,426	-	40,000	1,304,197	1,880,210
Loss for the year	-	-	-	-	-	(19,897)	(19,897)
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	(19,897)	(19,897)
Transactions with owners in their capacity as owners:							
Dividends paid	-	-	-	-	-	(58,342)	(58,342)
Share based payments (Note 19)	-	-	5,157	-	-	-	5,157
Vested shares (Note 19)	10	7,981	(7,991)	-	-	-	-
Total	10	7,981	(2,834)	-	-	(58,342)	(53,185)
At 31 December 2020	**1,855**	**511,723**	**27,592**	**-**	**40,000**	**1,225,958**	**1,807,128**
At 1 January 2021	**1,855**	**511,723**	**27,592**	-	**40,000**	**1,225,958**	**1,807,128**
Loss for the year	-	-	-	-	-	(18,847)	(18,847)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	(18,847)	(18,847)
Transactions with owners in their capacity as owners:							
Unclaimed dividend forfeited	-	-	-	-	-	515	515
Dividend paid	-	-	-	-	-	(73,354)	(73,354)
Share based payments (Note 19)	-	-	3,020	-	-	-	3,020
Vested shares (Note 19)	7	8,415	(8,422)	-	-	-	-
Shares re-purchased (Note 19)	-	-	-	(4,915)	-	-	(4,915)
Total	7	8,415	(5,402)	(4,915)	-	(72,839)	(74,734)
At 31 December 2021	**1,862**	**520,138**	**22,190**	**(4,915)**	**40,000**	**1,134,272**	**1,713,547**

Notes 1 to 27 on pages 7 to 38 are an integral part of these financial statements.

Separate financial statements
Statement of cash flows
For the year ended 31 December 2021

	Notes	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
		₦ million	₦ million	$'000	$'000
Cash flows from operating activities					
Cash generated from operations	12	40,570	99,361	98,175	276,065
Net cash inflows from operating activities		40,570	99,361	98,175	276,065
Cash flows from investing activities					
Cash transferred as additional investment in subsidiary		-	(77,583)	-	(252,713)
Payment for acquisition of other property, plant and equipment	13	(34)	(289)	(85)	(802)
Payment for investment in joint venture		-	(21,595)	-	(60,000)
Interest received	10	131	277	327	770
Net cash inflows/(outflows) from investing activities		97	(99,190)	242	(312,745)
Cash flows from financing activities					
Shares purchased for employees*	19	(2,025)	-	(4,915)	-
Increase in investment in subsidiary		-	(10)	-	(33)
Dividends paid	24	(29,377)	(20,998)	(73,354)	(58,342)
Net cash outflows from financing activities		(31,402)	(21,008)	(78,269)	(58,375)
Net increase/(decrease) in cash and cash equivalents		9,265	(20,837)	20,148	(95,055)
Cash and cash equivalents at beginning of the year		61,950	81,263	163,024	264,700
Effects of exchange rate changes on cash and cash equivalents		4,235	1,524	(10)	(6,621)
Cash and cash equivalents at end of the year		**75,450**	**61,950**	**183,162**	**163,024**

Restricted cash balance of $8 million, ₦3.3 billion was set aside in the stamping reserve account for the revolving credit facility.

*Shares purchased for employees of $4.9 million, ₦2.0 billion represent shares purchased in the open market for employees of the Company.

Notes 1 to 28 on pages 7 to 38 are an integral part of these financial statements.

Statement of value added

For the year ended 31 December 2021

1. Corporate information and business

Seplat Energy Plc (formerly called Seplat Petroleum Development Company Plc, hereafter referred to as 'Seplat' or the 'Company') 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.

The Company's registered address is: 16a Temple Road (Olu Holloway), Ikoyi, Lagos, Nigeria.

The Company acquired, pursuant to an agreement for assignment dated 31 January 2010 between the Company, Shell Petroleum Development Company, 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 ₦104 billion ($340 million) paid at the completion of the acquisition on 31 July 2010 and a contingent payment of ₦10 billion ($33 million) payable 30 days after the second anniversary, 31 July 2012, if the average price per barrel of Brent Crude oil over the period from acquisition up to 31 July 2012 exceeds ₦24,560 ($80) per barrel. ₦110 billion ($358.6 million) was allocated to the producing assets including ₦5.7 billion ($18.6 million) as the fair value of the contingent consideration as calculated on acquisition date. The contingent consideration of ₦10 billion ($33 million) was paid on 22 October 2012.

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

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

2. Significant changes in the current accounting period

The following significant changes occurred during the reporting year ended 31 December 2021:

- On 20 May 2021, following a special resolution by the Board in view of the Company's strategy of transitioning into an energy Company promoting renewable energy, sustainability, and new energy, the name of the Company was changed from Seplat Petroleum Development Company Plc to Seplat Energy Plc under the Companies and Allied Matters Act 2020.
- During the year, the Company offered 7.75% senior notes with an aggregate principal of $650 million due in April 2026. The notes, which were priced on 25 March and closed on 1 April 2021, were issued by the Company in March 2021 and guaranteed by certain of its subsidiaries. The senior notes have been novated to Seplat West Limited.

3. Summary of significant accounting policies

3.1 Introduction to summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These accounting policies have been applied to all the years presented, unless otherwise stated.

3.2 Basis of preparation

The financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared under the going concern assumption and historical cost convention, except for contingent liability and consideration, and defined benefit plans – plan assets measured at fair value. 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.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

3.3 New and amended standards adopted by the Company

The following standards and amendments became effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

a) Amendments to IFRS 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the financial statements of the Company.

3.4 Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Details of these new standards and interpretations are set out below:

a) IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)

• A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

b) Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms

of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on its current practice.

c) Reference to the Conceptual Framework- Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

d) Property, Plant and Equipment: Proceeds before intended Use- Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

e) Onerous Contracts- Costs of Fulfilling a Contract- Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. This amendment is not applicable to the company.

f) IFRS 9 Financial Instruments- Fees in the ’10 Per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

g) Definition of Accounting Estimates- Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

h) Definition of Accounting Policies- Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company’s accounting policy disclosures.

3.5 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’), which is the US dollar. The financial statements are presented in Nigerian Naira and the US Dollars.

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

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.

3.6 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 company accounts for Interest in the joint venture at cost.

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the entity, the expenditure is capitalised. Inspection costs associated with major maintenance programs are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are capitalised as incurred as long as these costs increase the efficiency of the unit or extend the useful life of the asset. All other maintenance costs are expensed as incurred.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset is available for use. The depreciation rate for each class is as follows:

Plant and machinery	20%
Motor vehicles	25%-30%
Office furniture and IT equipment	10%-33.33%
Building	4%
Land	-
Intangible assets	5%
Leasehold improvements	Over the unexpired portion of the lease

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Gains or losses on disposal of property, plant and equipment are determined as the difference between disposal proceeds and carrying amount of the disposed assets. These gains or losses are included in profit or loss.

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. These costs may arise from; specific borrowings used for the purpose of financing the construction of a qualifying asset, and those that arise from general borrowings that would have been avoided if the expenditure on the qualifying asset had not been made. The general borrowing costs attributable to an asset's construction is calculated by reference to the weighted average cost of general borrowings that are outstanding during the period.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.9 Finance income and costs

Finance income

Finance income is recognised in the statement of profit or loss as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the amortised cost of the financial instrument. The determination of finance income considers all contractual terms of the financial instrument as well as any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

Finance cost

Finance costs includes borrowing costs, interest expense calculated using the effective interest rate method, finance charges in respect of lease liabilities, the unwinding of the effect of discounting provisions, and the amortisation of discounts and premiums on debt instruments that are liabilities.

3.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently. Other non–financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

If any such indication of impairment exists or when annual impairment testing for an asset group is required, the entity makes an estimate of its recoverable amount. Such indicators include changes in the Company's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

The recoverable amount is the higher of an asset's fair value less costs of disposal ('FVLCD') and value in use ('VIU'). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the asset is tested as part of a larger cash generating unit to which it belongs. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

3.11 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.12 Financial instruments

IFRS 9 provides guidance on the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

i) Classification and measurement

Financial assets

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement are dependent on the Company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

All the Company's financial assets as at 31 December 2021 satisfy the conditions for classification at amortised cost under IFRS 9 except for derivatives which are reclassified at fair value through profit or loss.

The Company's financial assets include intercompany receivables, other receivables, cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income/cost.

Financial liabilities

Financial liabilities of the Company are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs, except for derivatives which are classified and subsequently recognised at fair value through profit or loss.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Company's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Company's financial liabilities include trade and other payables.

j) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) in Nigeria and crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

k) Significant increase in credit risk and default definition

The Company assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Company identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the

Company determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

l) Write off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity and;
- where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2021 was nil, (2020: nil, nil). The Company seeks to recover amounts it its legally owed in full but which have been partially written off due to no reasonable expectation of full recovery.

m) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as finance income/cost.

Financial liabilities

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

n) Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost)-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

o) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position. Offsetting can be applied when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

p) Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Company establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measure the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in the income statement on initial recognition of the instrument. In other cases, the difference is not recognised in the income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

3.13 Share capital

On issue of ordinary shares any consideration received net of any directly attributable transaction costs is included in equity. Issued share capital has been translated at the exchange rate prevailing at the date of the transaction and is not retranslated subsequent to initial recognition.

3.14 Earnings per share and dividends

Basic EPS

Basic earnings per share is calculated on the Company's profit or loss after taxation and based on the weighted average of issued and fully paid ordinary shares at the end of the year.

Diluted EPS

Diluted EPS is calculated by dividing the profit or loss after taxation by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (after adjusting for outstanding share options arising from the share-based payment scheme) into ordinary shares.

Dividend

Dividends on ordinary shares are recognised as a liability in the period in which they are approved.

3.15 Post-employment benefits

Defined contribution scheme

The Company contributes to a defined contribution scheme for its employees in compliance with the provisions of the Pension Reform Act 2014. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Company. The Company's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. The Company operates a defined contribution plan and it is accounted for based on IAS 19 Employee benefits.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

3.16 Provisions

Provisions are recognised when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of economic resources will be required to settle the obligation as a whole; and (iii) the amount can be reliably estimated. Provisions are not recognised for future operating losses.

In measuring the provision:

- risks and uncertainties are taken into account;
- the provisions are discounted (where the effects of the time value of money is considered to be material) using a pre-tax rate that is reflective of current market assessments of the time value of money and the risk specific to the liability;
- when discounting is used, the increase of the provision over time is recognised as interest expense;
- future events such as changes in law and technology, are taken into account where there is subjective audit evidence that they will occur; and
- gains from expected disposal of assets are not taken into account, even if the expected disposal is closely linked to the event giving rise to the provision.
- Decommissioning

Liabilities for decommissioning costs are recognised as a result of the constructive obligation of past practice in the oil and gas industry, when it is probable that an outflow of economic resources will be required to settle the liability and a reliable estimate can be made. The estimated costs, based on current requirements, technology and price levels, prevailing at the reporting date, are computed based on the latest assumptions as to the scope and method of abandonment.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost. The corresponding amount is capitalised as part of the oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the estimated cost of the restoration and abandonment cost is capitalised, while the charge arising from the accretion of the discount applied to the expected expenditure is treated as a component of finance costs.

If the change in estimate results in an increase in the decommissioning provision and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas assets net of decommissioning provisions exceed the recoverable value, that portion of the increase is charged directly to expense

3.17 Income taxation

i. Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

iii. Uncertainty over income tax treatments

The Company examines where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. It considers each uncertain tax treatment separately, depending on which approach better predicts the resolution of the uncertainty. The factors it considers include:

- how it prepares and supports the tax treatment; and
- the approach that it expects the tax authority to take during an examination.

If the Company concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it determines the accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, it reflects the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate).

The Company measures the impact of the uncertainty using methods that best predicts the resolution of the uncertainty. The Company uses the most likely method where there are two possible outcomes, and the expected value method when there are a range of possible outcomes.

The Company assumes that the tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. As a result, it does not consider detection risk in the recognition and measurement of uncertain tax treatments. The Company applies consistent judgements and estimates on current and deferred taxes. Changes in tax laws or the presence of new tax information by the tax authority is treated as a change in estimate in line with IAS 8 - Accounting policies, changes in accounting estimates and errors.

Judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements. New information might include actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment. The absence of any comment from the tax authority is unlikely to be, in isolation, a change in circumstances or new information that would lead to a change in estimate.

3.18 Share based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

i. Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense together with a corresponding increase in equity (share-based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date and for fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of diluted earnings per share.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Company's historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i. Share-based payment reserve

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share award or appreciation right, volatility and dividend yield and making assumptions about them. The Company measures the fair value of equity-settled transactions with employees at the grant date. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19.4.

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

ii. Useful life of other property, plant and equipment

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

5. Financial risk management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks such as market risk (foreign exchange risk), credit risk and liquidity risk. The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company'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, credit risk and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in US dollars.	Cash flow forecasting Sensitivity analysis	Match and settle foreign denominated cash inflows with foreign denominated cash outflows.
Credit risk	Intercompany receivables, cash and cash equivalents.	Aging analysis Credit ratings	Diversification of bank deposits and credit limits.
Liquidity risk	Trade and other payables	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

5.1.1 Foreign exchange risk

The Company has transactional currency exposures that arise from sales or purchases in currencies other than the respective functional currency. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US dollar.

The Company holds the majority of its bank balances equivalents in US dollar. However, the Company does maintain deposits in Naira in order to fund ongoing general and administrative activities and other expenditure incurred in this currency. Other monetary assets and liabilities which give rise to foreign exchange risk include trade and other receivables, trade and other payables.

The following table demonstrates the carrying value of monetary assets and liabilities (denominated in Naira) exposed to foreign exchange risks at the reporting date:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Financial assets				
Cash and cash equivalents	63,146	6,453	153,294	16,982
Trade and other receivables	415	10	1,009	27
	63,561	**6,463**	**154,303**	**17,009**
Financial liabilities				
Trade and other payables	(96)	(60)	(234)	(157)
Net exposure to foreign exchange risk	**63,465**	**6,403**	**154,069**	**16,852**

The following table demonstrates the carrying value of monetary assets and liabilities exposed to foreign exchange risks for pound exposures at the reporting date.

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000

Financial assets				
Cash and cash equivalents	270	228	656	599

Sensitivity to foreign exchange risk is based on the Company's net exposure to foreign exchange risk due to Naira and pound denominated balances. If the Naira strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000
+5%	(3,022)	-	(7,337)	-
-5%	3,340	-	8,109	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+5%	(305)	-	(802)	-
-5%	337	-	887	-

If the Pound strengthens or weakens by the following thresholds, the impact is as shown in the table below:

Increase/decrease in foreign exchange risk	Effect on profit before tax 2021 ₦ million	Effect on other components of equity before tax 2021 ₦ million	Effect on profit before tax 2021 $'000	Effect on other components of equity before tax 2021 $'000
+5%	(13)	-	(31)	-
-5%	14	-	35	-

Increase/decrease in foreign exchange risk	Effect on profit before tax 2020 ₦ million	Effect on other components of equity before tax 2020 ₦ million	Effect on profit before tax 2020 $'000	Effect on other components of equity before tax 2020 $'000
+5%	11	-	29	-
-5%	(12)	-	(32)	-

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 Company. Credit risk arises from cash and intercompany receivables.

a) Risk management

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

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Trade and other receivables (Gross)	520,423	501	1,263,378	1,320

Cash and cash equivalent (Gross)	75,450	72,621	183,162	191,105
Gross amount	**595,873**	**73,122**	**1,446,540**	**192,425**
Impairment of receivables	(383)	-	(930)	-
Net amount	**595,490**	**73,122**	**1,445,610**	**192,425**

b) Impairment of financial assets

The Company has two types of financial assets that are subject to IFRS 9's expected credit loss model. The impairment of receivables is disclosed in the table below.

- Cash and cash equivalents
- Intercompany receivables

Reconciliation of impairment on financial assets;

	Notes	₦'million	$'000
As at 1 January 2021		-	-
Increase in provision for Intercompany receivables		372	930
Exchange difference		11	-
As at 31 December 2021		**383**	**930**

The parameters used to determine impairment for intercompany receivables are shown below. For all receivables presented in the table, the respective 12-month Probability of Default (PD) equate the Lifetime PD for stage 2 as the maximum contractual period over which the Company is exposed to credit risk arising from the receivables is less than 12 months.

	Intercompany receivables	Short-term fixed deposits
Probability of Default (PD)	The 12-month PD and lifetime PD for stage 1 and stage 2 is 0.34%. The PD for stage 3 is 100%.	The PD for base case, downturn and upturn is 11.77%, 12.75% and 10.88% respectively for stage 1 and stage 2. The PD for stage 3 is 100%.
Loss Given Default (LGD)	The 12-month LGD and lifetime LGD were determined using Management's estimate of expected cash recoveries.	The 12-month LGD and lifetime LGD were determined using the average recovery rate for Moody's senior unsecured corporate bonds for emerging economies.
Exposure at default (EAD)	The EAD is the maximum exposure of the receivable to credit risk.	The EAD is the maximum exposure of the short-term fixed deposits to credit risk.
Macroeconomic indicators	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used.	The historical gross domestic product (GDP) growth rate in Nigeria and crude oil price were used.
Probability weightings	43%, 26% and 31% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	78%, 12% and 10% of historical GDP growth rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.

The Company considers both quantitative and qualitative indicators in classifying its receivables into the relevant stages for impairment calculation.

Impairment of financial assets are recognised in three stages on an individual or collective basis as shown below:

- Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).
- Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as the increase in political risk concerns or other micro-economic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.
- Stage 3: This stage includes financial assets that have been assessed as being in default (i.e. receivables that are more than 90 days past due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

i. Cash and cash equivalent

Short term fixed deposits

The Company applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for cash and cash equivalents. The ECL was calculated as the probability weighted estimate of the credit losses expected to occur over the contractual period of the facility after considering macroeconomic indicators. Based on this assessment, they identified the expected credit loss to be nil as at 31 December 2021.

ii. Other cash and cash equivalents

The company assessed the other cash and cash equivalents to determine their expected credit losses. Based on this assessment, they identified the expected credit loss to be nil as at 31 December 2021 (2020: nil). The assets are assessed to be in stage 1.

Credit quality of cash and cash equivalents (including restricted cash)

The credit quality of the Company's cash and cash equivalents is assessed based on external credit ratings (Fitch national long-term ratings) as shown below:

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Non-rated	-	130	-	343
BBB-	24,802	211	60,210	554
A	47	-	113	-
A+	46,241	63,995	112,255	168,408
AA-	4,053	-	9,839	-
AA+	-	5,226	-	13,751
AAA-	3,614	-	8,773	-
AAA	-	3,059	-	8,049
Net cash and cash equivalents	**78,757**	**72,621**	**191,190**	**191,105**

iii. Intercompany receivables

31 December 2021

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	519,017	-	-	519,017
Loss allowance	(383)	-	-	(383)
Net Exposure at Default (EAD)	**518,634**	-	-	**518,634**

31 December 2020

	Stage 1 12-month ECL ₦'million	Stage 2 Lifetime ECL ₦'million	Stage 3 Lifetime ECL ₦'million	Total ₦'million
Gross Exposure at Default (EAD)	313	-	-	313
Loss allowance	-	-	-	-
Net Exposure at Default (EAD)	**313**	**-**	**-**	**313**

31 December 2021

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	1,259,963	-	-	1,259,963
Loss allowance	(930)	-	-	(930)
Net Exposure at Default (EAD)	**1,259,033**	-	-	**1,259,033**

31 December 2020

	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Gross Exposure at Default (EAD)	824	-	-	824
Loss allowance	-	-	-	-
Net Exposure at Default (EAD)	**824**	**-**	**-**	**824**

c) Maximum exposure to credit risk – financial instruments subject to impairment

The Company estimated the expected credit loss on Intercompany receivables and fixed deposits by applying the general model. The gross carrying amount of financial assets represents the Company's maximum exposure to credit risks on these assets.

All financial assets impaired using the General model (Intercompany and Fixed deposits) are graded under the standard monitoring credit grade (rated B under Standard and Poor's unmodified ratings) and are classified under Stage 1.

d) Roll forward movement in loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslation for assets dominated in foreign currencies and other movements; and
  Financial assets derecognised during the period and write-off of receivables and allowances related to assets.

e) Estimation uncertainty in measuring impairment loss

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

i) Expected cashflow recoverable

The table below demonstrates the sensitivity of the Company's profit before tax to a 20% change in the expected cashflows from financial assets, with all other variables held constant:

	Effect on profit before tax 2021	Effect on other components of profit before tax 2021	Effect on profit before tax 2021	Effect on other components of profit before tax 2021

	₦ million	₦ million	$'000	$'000
Increase/decrease in estimated cash flows				
+20%	(77)	-	(186)	-
-20%	77	-	186	-

ii) Significant unobservable inputs

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

	Effect on profit before tax 2021	Effect on other components of equity before tax 2021	Effect on profit before tax 2021	Effect on other components of equity before tax 2021
	₦ million	₦ million	$'000	$'000
Increase/decrease in loss given default				
+10%	(37)	-	(89)	-
-10%	37	-	89	-

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

	Effect on profit before tax 2021	Effect on other components of equity before tax 2021	Effect on profit before tax 2021	Effect on other components of equity before tax 2021
	₦ million	₦ million	$'000	$'000
Increase/decrease in probability of default				
+10%	(12)	-	(29)	-
-10%	12	-	29	-

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

	Effect on profit before tax 2021	Effect on other components of equity before tax 2021	Effect on profit before tax 2021	Effect on other components of equity before tax 2021
	₦ million	₦ million	$'000	$'000
Increase/decrease in forward looking macroeconomic indicators				
+10%	(28)	-	(67)	-
-10%	26	-	63	-

5.1.3 Liquidity risk

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

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

The following table details the Company'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 Company can be required to pay.

The table below represents the trade and other payable for 2021.

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2021						
Trade and other payables		776,027	-	-	-	776,027
Total		**776,027**	**-**	**-**	**-**	**776,027**

	Effective interest rate	Less than 1 year	1 - 2 year	2 - 3 years	3 - 5 years	Total
	%	$'000	$'000	$'000	$'000	$'000
31 December 2021						
Trade and other payables		1,883,885	-	-	-	1,883,885
Total		**1,883,885**	**-**	**-**	**-**	**1,883,885**

5.1.4 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	
	2021	2020	2021	2020
	₦ million	₦ million	₦ million	₦ million
Financial assets at amortised cost				
Trade and other receivables	520,040	501	520,040	501
Cash and cash equivalents	75,450	61,950	75,450	61,950
	595,490	**62,451**	**595,490**	**62,451**
Financial liabilities at amortised cost				
Trade and other payables	776,027	201,057	776,027	201,057
	776,027	**201,057**	**776,027**	**201,057**

	Carrying amount		Fair value	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Financial assets at amortised cost				
Trade and other receivables	1,262,448	1,320	1,262,448	1,320
Cash and cash equivalents	183,162	163,024	183,162	163,024
	1,445,610	**164,344**	**1,445,610**	**164,344**
Financial liabilities at amortised cost				
Trade and other payables	1,883,885	529,100	1,883,885	529,100
	1,883,885	**529,100**	**1,883,885**	**529,100**

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

5.1.5 Fair Value Hierarchy

As at the reporting period, the Company 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 the year.

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

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

The carrying amounts of the financial instruments are the same as their fair values.

5.2 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain optimal capital structure and reduce cost of capital. Consistent with others in the industry, the Company monitors capital based on the following gearing ratio, net debt divided by total capital. Net debt is calculated as trade and other payables less cash and cash equivalents.

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Trade and other payables	776,027	201,057	1,883,885	529,100
Less: cash and cash equivalents	(75,450)	(61,950)	(183,162)	(163,024)
Net debt	700,577	139,107	1,700,723	366,076
Total equity	705,864	545,602	1,713,547	1,807,128
Total capital	1,406,441	684,709	3,414,270	2,173,204
Net debt (net debt/total capital) ratio	**50%**	**20%**	**50%**	**17%**

Capital includes share capital, share premium, capital contribution and all other equity reserves.

6. Segment reporting

The Company have no operating or reportable segment.

7. Other loss

	2021 ₦ million	2020 ₦'million	2021 $'000	2020 $'000
Exchange loss	(4)	(2,383)	(10)	(6,621)
	(4)	**(2,383)**	**(10)**	**(6,621)**

8. General and administrative expenses

	2021 ₦ million	2020 ₦'million	2021 $'000	2020 $'000
Depreciation (Note 13)	88	1	220	3
Professional and consulting fees	1,733	630	4,326	1,751
Directors' emoluments (non-executive)	`1,844	1,201	4,604	3,337
Employee benefits (Note 8.1)	1,209	1,856	3,020	5,157
Flights and other travel costs	421	75	1,046	211
Other general expenses	2,012	1,291	5,018	3,587
	7,307	**5,054**	**18,234**	**14,046**

Directors' emoluments have been split between executive and non-executive directors. Included in the non-executive directors' emoluments are amount paid to four new non-executive directors. Other general expenses relate to costs such as office maintenance costs, telecommunication costs, logistics costs and others. Professional and consulting increase is as a result of strategy related consultancy services and legal fees.

8.1 Salaries and employee related costs include the following:

	2021 ₦ million	2020 ₦'million	2021 $'000	2020 $'000
Share-based payment expenses (Note 19.4)	1,209	1,856	3,020	5,157
	1,209	**1,856**	**3,020**	**5,157**

9. Impairment of losses on financial assets

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Impairment losses on financial assets	372	-	930	-
Total impairment loss allowance	**372**	**-**	**930**	**-**

10. Finance income

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Finance income				
Interest income	131	277	327	770
Finance income	**131**	**277**	**327**	**770**

Finance income represents interest on short-term fixed deposits.

11. Taxation

Deferred tax assets have not been recognised in respect of the following items because of the uncertainty around the availability of future taxable profits against which the Company can use the benefits therefrom.

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Unutilised capital allowance	29	-	70	1
Unrealised foreign exchange	684	634	1,661	1,668
Share based payment	1,010	588	2,453	1,547
Tax losses	2,827	925	6,862	2,434
Impairment loss of intercompany receivables	115	-	279	-
Unrecognised deferred tax asset	**4,665**	**2,147**	**11,325**	**5,650**

12. Computation of cash generated from operations

	Notes	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Loss before tax		(7,552)	(7,160)	(18,847)	(19,897)
Adjusted for:					
Depreciation	8	88	1	220	3
Interest income	10	(131)	(277)	(327)	(770)
Impairment of financial asset	9	372	-	930	-
Unrealised foreign exchange loss	7	4	2,383	10	6,621
Share based payment expenses	8	1,209	1,856	3,020	5,157
Changes in working capital: (excluding the effects of exchange differences)					
Trade and other receivables		(519,705)	172,668	(1,261,543)	479,749
Prepayments		(52)	(2)	(126)	(5)
Trade and other payables		558,077	(62,412)	1,354,785	(173,410)
Restricted cash		8,260	(7,696)	20,053	(21,383)

Net cash from operating activities	**40,570**	**99,361**	**98,175**	**276,065**

13. Property, plant and equipment

Cost	Plant & machinery ₦ million	Motor vehicle ₦ million	Office Furniture & IT equipment ₦ million	Leasehold improvements ₦ million	Land ₦ million	Buildings ₦ million	Total ₦ million
At 1 January 2021	16	289	-	-	-	-	305
Additions	-	34	-	-	-	-	**34**
Exchange difference	1	26	-	-	-	-	27
At 31 December 2021	17	349	-	-	-	-	366
Depreciation							
At 1 January 2021	1	-	-	-	-	-	1
Charge for the year	3	85	-	-	-	-	88
Exchange difference	1	2	-	-	-	-	3
At 31 December 2021	5	87	-	-	-	-	92
NBV							
At 31 December 2021	**12**	**262**	-	-	-	-	**274**
Cost							
At 1 January 2020	1,518	2,979	5,725	1,200	21	1,194	12,637
Addition	15	274	-	-	-	-	289
Transfer to Seplat West Ltd	(1,518)	(2,979)	(5,725)	(1,200)	(21)	(1,194)	(12,637)
Exchange differences	1	15	-	-	-	-	16
At 31 December 2020	16	289	-	-	-	-	305
Depreciation							
At 1 January 2020	1,391	2,187	4,562	895	-	20	9,055
Transfer to Seplat West Ltd	(1,391)	(2,187)	(4,562)	(895)	-	(20)	(9,055)
Charge for the year	1	-	-	-	-	-	1
Balance as at 31 December 2020	1	-	-	-	-	-	1
Net Book Value							
Balance as at 31 December 2020	**15**	**289**	**-**	**-**	**-**	**-**	**304**

Cost	Plant & machinery $'000	Motor vehicle $'000	Office Furniture & IT equipment $'000	Leasehold improvements $'000	Land	Buildings $'000	Total $'000
At 1 January 2021	41	761	-	-	-	-	802
Additions	-	85	-	-	-	-	85
At 31 December 2021	41	846	-	-	-	-	887
Depreciation							
At 1 January 2021	3	-	-	-	-	-	3
Charge for the year	8	212	-	-	-	-	220
At 31 December 2021	11	212	-	-	-	-	223
NBV							
At 31 December 2021	**30**	**634**	**-**	**-**	**-**	**-**	**664**

Cost							
At 1 January 2020	4,945	9,704	18,647	3,908	68	3,890	41,162
Addition	41	761	-	-	-	-	802
Transfer to Seplat West Ltd	(4,945)	(9,704)	(18,647)	(3,908)	(68)	(3,890)	(41,162)
At 31 December 2020	41	761	-	-	-	-	802
Depreciation							
At 1 January 2020	4,532	7,124	14,858	2,916	-	66	29,496
Charge for the year	3	-	-	-	-	-	3
Transfer to Seplat West Ltd	(4,532)	(7,124)	(14,858)	(2,916)	-	(66)	(29,496)
At 31 December 2020	3	-	-	-	-	-	3
NBV							
At 31 December 2020	**38**	**761**	**-**	**-**	**-**	**-**	**799**

14. Prepayments

	2021	2020	2021	2020
Current	₦ million	₦ million	$'000	$'000
Short term prepayments	54	2	131	5
	54	2	131	5

14.1 Short term prepayments

Included in short term prepayment are prepaid service charge expenses for health insurance and motor insurance premium.

15. Investment in subsidiaries

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Newton Energy Limited	391	290	950	950
Seplat Petroleum Development Company UK Limited	21	15	50	50
Seplat East Onshore Limited	13	10	32	32
Seplat East Swamp Company Limited	13	10	32	32
Seplat Gas Company Limited	13	10	32	32
Eland Oil and Gas Limited	200,891	149,719	487,683	487,683
Seplat West Limited	594,912	443,371	1,444,204	1,444,204
	796,254	**593,425**	**1,932,983**	**1,932,983**

15.1 Interest in other entities

Name of entity	Country of incorporation & place of business	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
		Percentage of ownership interest		Carrying amount			
		%	%	₦'million	₦'million	$'000	$'000
Newton Energy Limited	Nigeria	99.9	99.9	391	290	950	950
Seplat Energy UK Limited	United Kingdom	100	100	21	15	50	50
Seplat East Onshore Limited	Nigeria	99.9	99.9	13	10	32	32
Seplat East Swamp Company Limited	Nigeria	99.9	99.9	13	10	32	32

Seplat Gas Company Limited	Nigeria	99.9	99.9	13	10	32	32
Eland Oil and Gas Limited	United Kingdom	100	100	200,891	149,719	487,683	487,683
Seplat West Limited	Nigeria	99.9	99.9	594,912	443,371	1,444,204	1,444,204

15.2 Reconciliation of investment in subsidiary

	2021	2021
	₦ million	$'000
At 1 January 2021	593,425	1,932,983
Exchange difference	202,829	-
At 31 December 2021	796,254	1,932,983

	2020	2020
	₦ million	$'000
At 1 January 2020	150,054	488,779
Increase in Investment	10	33
Capital contribution	443,361	1,444,171
At 31 December 2020	593,425	1,932,983

16. Investment in Joint ventures

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	₦ million	₦ million	$'000	$'000
Cost	86,512	79,806	210,016	210,016

16.1 Reconciliation of investment in joint venture

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	₦ million	₦ million	$'000	$'000
As 1 January	79,806	**46,055**	210,016	**150,016**
Additional investment in joint venture (AGPC)	-	21,595	-	60,000
Exchange difference	6,706	12,156	-	-
At 31 December	**86,512**	**79,806**	**210,016**	210,016

Name of entity	Country of incorporation and place of business	Percentage of ownership interest		Carrying amount			
		As at 31 Dec 2021	As at 31 Dec 2020	As at 31Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
		%	%	₦'million	₦'million	$'000	$'000
ANOH Gas Processing Company Limited	Nigeria	50	50	**86,512**	**79,806**	**210,016**	**210,016**

17. Trade and other receivables

	2021	2020	2021	2020
	₦ million	₦ million	$'000	$'000
Intercompany receivables	518,634	313	1,259,033	824
Receivables from Joint Venture (Anoh)	974	178	2,365	469

Other receivables	432	10	1,050	27
	520,040	**501**	**1,262,448**	**1,320**

17.1 Reconciliation of intercompany receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Balance as at 1 January	313	311,903	824	1,015,971
Additions during the year	546,838	297	1,365,457	824
Receipts for the year	(42,578)	(153,135)	(106,318)	(425,478)
Transfer to Seplat West Ltd	-	(181,281)	-	(590,493)
Exchange difference	14,444	22,529	-	-
Gross carrying amount	519,017	313	1,259,963	824
Less: impairment allowance	(383)	-	(930)	-
Balance as at 31 December	**518,634**	**313**	**1,259,033**	**824**

Reconciliation of impairment allowance on intercompany receivables

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Loss allowance as at 1 January	-	-	-	-
Increase in loss allowance during the period	372	-	930	-
Exchange difference	11	-	-	-
Loss allowance as at 31 December	**383**	-	**930**	-

18. Cash and cash equivalents

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

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Cash on hand		-		-
Short term fixed deposits	29,041	151	70,499	397
Cash at bank	46,409	61,799	112,663	162,627
Gross cash and cash equivalent	75,450	61,950	183,162	163,024
Loss allowance	-	-	-	-
Net Cash and cash equivalents	**75,450**	**61,950**	**183,162**	**163,024**

18.1 Restricted cash

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Restricted cash	3,307	10,671	8,028	28,081
	3,307	**10,671**	**8,028**	**28,081**

Included in restricted cash, is a balance of $8 million (N3.3 billion) set aside in the Stamping Reserve account for the revolving credit facility (RCF). The amount is to be used for the settlement of all fees and costs payable for the purposes of stamping and registering the Security Documents at the stamp duties office and at the Corporate Affairs Commission (CAC).

19. Share capital

19.1 Authorised and issued share capital

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000

Authorised ordinary share capital				
1,000,000,000 ordinary shares denominated in Naira of 50 kobo per share	500	500	3,335	3,335
Issued and fully paid				
584,035,845 (2020: 581,840,856) issued shares denominated in Naira of 50 kobo per share	296	293	1,862	1,855

Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Company's share capital.

19.2 Movement in share capital and other reserves

	Number of shares	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Total
	Shares	₦'million	₦'million	₦'million	₦'million	₦'million
Opening balance as at 1 January 2021	581,840,856	293	86,917	7,174	-	94,384
Share based payments	-	-	-	1,209	-	1,209
Vested shares	5,736,761	3	3,466	(3,469)	-	-
Shares re-purchased	(3,541,772)	-	-	-	(2,025)	(2,025)
Closing balance as at 31 December 2021	**584,035,845**	**296**	**90,383**	**4,914**	**(2,025)**	**93,568**

	Number of shares	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Total
	Shares	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 January 2021	581,840,856	1,855	511,723	27,592	-	541,170
Share based payments	-	-	-	3,020	-	3,020
Vested shares	5,736,761	7	8,415	(8,422)	-	-
Shares re-purchased	(3,541,772)	-	-	-	(4,915)	(4,915)
Closing balance as at 31 December 2021	**584,035,845**	**1,862**	**520,138**	**22,190**	**(4,915)**	**539,275**

Shares purchased for employees charge of $4.9 million relates to Share buy-back programme for Company's Long-Term Incentive Plan. The programme commenced from 1 March 2021 and are held by the Trustees under the Trust for the benefit of the Company's employee beneficiaries covered under the Trust.

19.3 Share Premium

	2020	2020	2020	2020
	₦ million	₦ million	$'000	$'000
Share premium	**90,383**	**86,917**	**520,138**	**511,723**

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

During the year, an additional 5,736,761 shares vested with a fair value of $8.42 million. The excess of $8.41 million above the nominal value of ordinary shares have been recognised in share premium.

19.4 Employee share-based payment scheme

As at 31 December 2021, the company had awarded 73,966,540 shares (2020: 60,487,999 shares) to certain employees and senior executives in line with its share-based incentive scheme. Included in the share-based incentive schemes is one additional scheme (2021 LTIP Scheme) awarded during the reporting period. During the reporting period, 7,151,098 shares had vested out of which 1,414,337 shares were forfeited in relation to participants whose employment was terminated during the vesting period. The average forfeiture rate due to failure to meet non-market vesting condition is 13.69% while the average due to staff exit is 11.70%. The impact of applying the forfeiture rate of 25.63% on existing LTIP awards which are yet to vest will result in a reduction of share-based compensation expense for the year by $1,296,630. The number of shares that eventually vested during the year after the forfeiture and conditions above is 5,736,761 (Dec 2020: 6,519,258 shares were vested.

iv. Description of the awards valued

The Company has made a number of share-based awards under incentive plans since its IPO in 2014: IPO-related grants to Executive and Non-Executive Directors, 2018/2020 deferred bonus awards and 2020 Long-term Incentive plan ('LTIP') awards. Shares under these incentive plans were awarded at the IPO in April 2014, 2015, 2016, 2017,2018 and 2020 conditional on the Nigerian Stock Exchange ('NSE') approving the share delivery mechanism proposed by the Company. A number of these awards have fully vested.

Seplat Deferred Bonus Award

25% of each Executive Director's 2019 bonus (paid in 2020) has been deferred into shares and would be released in 2022 subject to continued employment over the vesting period. 2020 deferred bonus is yet to be approved by the Board. No performance criteria are attached to this award. As a result, the fair value of these awards is calculated using a Black Scholes model.

Long Term Incentive Plan (LTIP) awards

Under the LTIP Plan, shares are granted to management staff of the organisation at the end of every year. The shares were granted to the employees at no cost. The shares vest (after 3 years) based on the following conditions.

- 25% vesting for median relative TSR performance rising to 100% for upper quartile performance on a straight-line basis.
- Relative TSR vesting reduced by 75% if 60% and below of operational and technical bonus metrics are achieved, with 35% reduction if 70% of operational and technical bonus metrics are achieved and no reduction for 80% or above achievement.
- If the Company outperforms the median TSR performance level with the LTIP exploration and production comparator group.

The LTIP awards have been approved by the NSE.

v. Share based payment expenses

The expense recognised for employee services received during the year is shown in the following table:

	2021 ₦'million	2020 ₦'million	2021 $'000	2020 $'000
Expense arising from equity-settled share-based payment transactions	1,209	1,856	3,020	5,157

There were no cancellations to the awards in 2021. The share awards granted to Executive Directors and confirmed employees are summarised below:

Scheme	Deemed grant date	Start of Service Period	End of service period	Vesting status	Number of awards
Global Bonus Offer	4 November 2015	9 April 2014	9 April 2015	Fully	6,472,138
Non- Executive Shares	4 November 2015	9 April 2014	9 April 2015	Fully	793,650
2014 Deferred Bonus	14 December 2015	14 December 2015	21 April 2017	Fully	212,701
2014 Long term incentive Plan	14 December 2015	14 December 2015	09 April 2017	Fully	2,173,259
2015 Long term incentive Plan	31 December 2015	14 December 2015	21 April 2018	Fully	5,287,354
2015 Deferred Bonus	21 April 2016	21 April 2016	20 April 2018	Fully	247,610
2016 Long term incentive Plan	22 December 2016	22 December 2016	21 December 2019	Fully	10,294,300
2016 Deferred Bonus	24 November 2017	24 November 2017	20 April 2019	Fully	278,191
2017 Long term incentive Plan	24 November 2017	24 November 2017	20 April 2020	Fully	7,938,589
2017 Deferred Bonus	2 May 2018	2 May 2018	31 December 2019	Fully	193,830
2018 Long term incentive Plan	2 May 2018	2 May 2018	2 May 2021	Fully	6,936,599
2018 Deferred Bonus	2 May 2019	2 May 2019	31 December 2020	Fully	341,069
2019 Long term incentive Plan	2 May 2019	2 May 2019	2 May 2022	Partially	7,648,850
2019 Deferred Bonus	30 Apr 2020	30 Apr 2020	31 Dec 2021	Fully	214,499
2020 Long term incentive Plan	30 Apr 2020	30 Apr 2020	1 May 2023	Partially	10,828,156
2020 Long term incentive Plan	2 Dec 2020	2 Dec 2020	2 Dec 2023	Partially	1,110,057
2021 Long term incentive Plan	2 November 2021	2 November 2021	2 November 2024	Partially	12,995,688
					73,966,540

vi. Determination of Share awards outstanding

Share awards used in the calculation of diluted earnings per shares are based on the outstanding shares as at 31 December 2021.

Statement of value added - continued

For the year ended 31 December 2019

Share award scheme (all awards)	2021 Number	2021 WAEP ₦	2020 Number	2020 WAEP ₦
Outstanding at 1 January	8,806,987	843	12,386,617	474
Granted during the year	1,145,053	415	4,700,028	395
Exercise during the year	(5,736,761)		(6,519,258)	-
Forfeited during the year	(1,414,337)		(1,760,400)	-
Outstanding at 31 December	2,800,942	442	8,806,987	**843**
Vested and exercisable at 31 December				

Share award scheme (all awards)	2021 Number	2021 WAEP $	2020 Number	2020 WAEP $
Outstanding at 1 January	8,806,987	2.22	12,386,617	1.54
Granted during the year	1,145,053	1.04	4,700,028	1.04
Exercised during the year	(5,736,761)		(6,519,258)	-
Forfeited during the year	(1,414,337)		(1,760,400)	-
Outstanding at 31 December	2,800,942	1.10	8,806,987	2.22
Vested and exercisable at 31 December			-	-

The following table illustrates the number and weighted average exercise prices ('WAEP') of and movements in deferred bonus scheme and long-term incentive plan during the year for each available scheme.

Deferred Bonus Scheme	2021 Number	2021 WAEP ₦	2020 Number	2020 WAEP ₦
Outstanding at 1 January	86,151	509	136,091	572
Granted during the year	128,348	415	291,129	525
Exercised during the year	(214,499)	-	(341,069)	-
Forfeited during the year	-	-	-	-
Outstanding at 31 December	-		86,151	236
Vested and exercisable at 31 December			-	-

Deferred Bonus Scheme	2021 Number	2021 WAEP $	2020 Number	2020 WAEP $
Outstanding at 1 January	86,151	0.62	136,091	1.86
Granted during the year	128,348	1.04	291,129	1.38
Exercised during the year	(214,499)	-	(341,069)	-
Forfeited during the year	-	-	-	-
Outstanding at 31 December	-		86,151	0.62
Vested and exercisable at 31 December			-	

The fair value of the modified options was determined using the same models and principles as described in the table below on the inputs to the models used for the scheme.

Long term incentive Plan (LTIP)	2021 Number	2021 WAEP ₦	2020 Number	2020 WAEP ₦
Outstanding at 1 January	8,720,836	509	12,250,525	209
Granted during the year	1,016,705	415	4,700,028	390
Exercised during the year	(5,522,262)		(6,178,189)	-
Forfeited during the year	(1,414,337)		(1,760,400)	-
Outstanding at 31 December	2,800,942	442	8,720,836	509
Vested and exercisable at 31 December				

Long term incentive Plan (LTIP)	2021 Number	2021 WAEP $	2020 Number	2020 WAEP $
Outstanding at 1 January	8,720,836	1.34	12,250,525	0.68
Granted during the year	1,016,705	1.04	4,700,028	1.03
Exercised during the year	(5,522,262)		(6,178,189)	-
Forfeited during the year	(1,414,337)		(1,760,400)	-
Outstanding at 31 December	2,800,942	1.10	8,720,836	1.34
Vested and exercisable at 31 December				

The shares are granted to the employees at no cost. The weighted average remaining contractual life for the share awards outstanding as at 31 December 2021 range from 0.2 to 2.7 years (2020: 0.3 to 3 years).

The weighted average fair value of awards granted during the year range from ₦415 to ₦442.32 (2020: ₦142.8 to ₦235.98), $1.04 to $1.10 (2020: $0.32 to $0.68).

The fair value at grant date is independently determined using the Monte Carlo Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer companies.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

vii. Inputs to the models

The following table lists the inputs to the models used for the share awards outstanding in the respective plans for the year ended 31 December 2021:

	2019 LTIP	2019 Deferred Bonus	2020 LTIP	2021
Weighted average fair values at the measurement date				
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	35%	43%	43%	51.68%
Risk-free interest rate (%)	0.76%	0.44%	0.44%	0.31%
Expected life of share options	3.00	3.00	3.00	3.00
Share price at grant date ($)	1.7	0.38	0.51	0.66
Share price at grant date (₦)	521.9	135.38	193.48	264.32
Model used	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

19.5 Treasury shares

This relates to Share buy-back programme for Company's Long-Term Incentive Plan. The programme commenced from 1 March 2021 and are held by the Trustees under the Trust for the benefit of the Company's employee beneficiaries covered under the Trust.

20. Capital contribution

In accordance with the Shareholders' Agreement, the amount was used by the Company for working capital as was required at the commencement of operations.

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000

Statement of value added - continued

For the year ended 31 December 2019

Capital contribution	5,932	5,932	40,000	40,000

21. Foreign currency translation reserve

Cumulative exchange difference arising from translation of the Company's results and financial position into the presentation currency and from translation of foreign subsidiary is taken to foreign currency translation reserve through other comprehensive income.

22. Trade and other payables

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Trade payable	-	177	-	466
Accruals and other payables	756	939	1,838	2,474
Intercompany payable	775,271	199,941	1,882,047	526,160
	776,027	**201,057**	**1,883,885**	**529,100**

23. Loss per share (LPS)

Basic

Basic LPS is calculated on the Company's profit after taxation attributable to the company and based on weighted average number of issued and fully paid ordinary shares at the end of the year.

Diluted

Diluted LPS is calculated by dividing the profit after taxation attributable to the company by the weighted average number of ordinary shares outstanding during the year 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.

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Loss for the year	(7,552)	(7,160)	(18,847)	(19,897)
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	581,646	579,638	581,646	579,638
Outstanding share-based payment (shares)	2,801	8,807	2,801	8,807
Weighted average number of ordinary shares adjusted for the effect of dilution	584,447	588,445	584,447	588,445
	₦	₦	$	$
Basic loss per share	(12.98)	(12.35)	(0.03)	(0.03)
Diluted loss per share	(12.92)	(12.17)	(0.03)	(0.03)

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

24. Dividends paid and proposed

As at 31 December 2021, the final proposed dividend for the Company is ₦10.3, $0.025, (2020: ₦19, $0.05) per share.

	2021 ₦ million	2020 ₦ million	2021 $'000	2020 $'000
Cash dividends on ordinary shares declared and paid:				
Dividend for 2021: ₦50 ($0.13) per share 584,035,845 shares in issue (2020: ₦37.32 ($0.10) per share, 581,840,856 shares in issue)	29,377	20,998	73,354	58,342
Proposed dividend on ordinary shares:				
Final proposed dividend for the year 2021: ₦10.3 ($0.025) (2020: ₦19 ($0.05) per share	6,016	11,082	14,601	29,163

During the year, ₦12 billion, $29.4 million of dividend was paid at ₦20.51, $0.05 per share as final dividend for 2020 as at 30 May 2021; ₦5.9 billion, $14 million was paid at ₦10.25, $0.025 per share for 2021 Q1 as at 30 June 2021; ₦6.2 billion, $15.03 million of dividend was paid at ₦10.27 ($0.025) per share as at 30 September 2021 and the remaining dividend ₦6.2 billion, $15 million was paid at ₦10.29 ($0.025) per share as at 30 November 2021. Final Naira dividend payments will be based on the Naira/Dollar rates on the date for determining the exchange rate. The payment subject to shareholders' approval at the 2021 Annual General Meeting. The tax effect of dividend paid during the year was $6.9 million (₦2.7 billion).

25. Related party relationships and transactions

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

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

1. Shareholders of the parent company

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

The Chairman of Seplat is a director and shareholder of SPDCL (BVI). The company provided consulting services to Seplat. Services provided to the Company during the period amounted to $1.1 million, ₦0.45 billion (2020: $900 thousand, ₦342 million). Payables amounted to $101.8 thousand, ₦41.9 million in the current period.

26. Information relating to employees

26.1 Number of directors

The number of Directors (excluding the Chairman) whose emoluments fell within the following ranges was:

	2021 Number	2020 Number
Zero - ₦19,896,500	-	-
₦19,896,501 - ₦115,705,800	-	-
₦115,705,801 - ₦157,947,600	-	-
Above ₦157,947,600	3	4
	3	4

	2021 Number	2020 Number
Zero - $65,000	-	-
$65,001 - $378,000	-	-
$378,001 - $516,000	-	-
Above $516,000	3	4
	3	4

26.2 Employees

The number of employees (other than the Directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over ₦2,603,120 ($6,500), received remuneration (excluding pension contributions) in the following ranges:

	2021 Number	2020 Number
₦1,989,650 - ₦4,897,600	16	9
₦4,897,601- ₦9,795,200	118	121
₦9,795,201 - ₦14,692,800	140	156
Above ₦14,692,800	201	172
	475	458

	2021 Number	2020 Number
$6,500 - $16,000	16	9

$16,001 - $32,000	118	121
$32,001 - $48,000	140	156
Above $48,000	201	172
	475	458

26.3 Number of persons employed during the year

The average number of persons (excluding Directors) in employment during the year was as follows:

	2021 Number	2020 Number
Senior management	30	27
Managers	128	101
Senior staff	237	209
Junior staff	80	121
	475	458

27. Commitments and contingencies

27.1 Contingent liabilities

The Company is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the year ended 31 December 2021 is ₦7.9 billion, $19.2 million (2020: ₦23.2million, $61,194). The contingent liability for the year is determined based on possible occurrences, though unlikely to occur. No provision has been made for this potential liability in these financial statements. Management and the Company's solicitors are of the opinion that the Company will suffer no loss from these claims.

28. Events after the reporting period

On 25th February 2022, the Company announced an agreement to acquire the entire share capital of Mobil Producing Nigeria Unlimited ("MPNU") from Exxon Mobil Corporation, Delaware subject to Ministerial Consent and other regulatory approvals. The consideration would be $1.283 million plus $300 million contingent consideration, subject to lockbox, working capital and other adjustments.

The acquisition will be financed through a combination of existing cash resources and credit facilities of the Company, a new $550 million senior term loan facility and $275 million junior offtake facility from Nigerian and International banks.

	2021 ₦ million	%	2020 ₦ million	%	2021 $'000	%	2020 $'000	%
Other loss	(4)		(2,383)		(10)		(6,621)	
Finance income	131		277		327		770	
Cost of goods and other services:								
Local	(6,382)		(1,918)		(15,924)		(5,332)	
Foreign	-		(1,279)		-		(3,554)	
Valued added	**(6,225)**	**100%**	**(5,303)**	**100%**	**(15,607)**	**100%**	**(14,737)**	**100%**

Applied as follows:

	2021 ₦ million	%	2020 ₦ million	%	2021 $'000	%	2020 $'000	%
To employees:								
- as salaries and labour related expenses	1,209	(19%)	1,856	(35%)	3,020	(19%)	5,157	(35%)

Statement of value added - continued

For the year ended 31 December 2019

Retained for the Company's future: - For asset replacement, depreciation, depletion & amortisation	88	(1%)	1	-	220	(1%)	3	-
Loss for the year	(7,552)	120%	(7,160)	135%	(18,847)	120%	(19,897)	135%
Valued added	**(6,255)**	**100%**	**(5,303)**	**100%**	**(15,607)**	**100%**	**(14,737)**	**100%**

The value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, shareholders, government and that retained for the creation of future wealth.

Supplementary financial information (unaudited)

For the year ended 31 December 2021

	2021 ₦ million	2020 ₦ million	2019 ₦ million	2018 ₦ million	2017 ₦ million
Revenue from contracts with customers	-	-	200,733	217,174	127,655
(Loss)/profit before taxation	(7,552)	(7,160)	79,613	85,429	28,759
Income tax (expense)/credit	-	-	(13,484)	(35,748)	67,657
(Loss)/profit for the year	(7,552)	(7,160)	66,129	49,681	96,416

	2021 ₦ million	2020 ₦ million	2019 ₦ million	2018 ₦ million	2017 ₦ million
Capital employed:					
Issued share capital	296	293	289	286	283
Share premium	90,383	86,917	84,045	82,080	82,080
Share based payment reserve	4,914	7,174	8,194	7,298	4,332
Treasury shares	(2,025)	-	-	-	-
Capital contribution	5,932	5,932	5,932	5,932	5,932
Retained earnings	217,347	254,070	282,228	234,148	194,526
Foreign translation reserve	389,017	191,216	196,535	196,552	203,072
Total equity	**705,864**	**545,602**	**577,223**	**526,296**	**490,225**
Represented by:					
Non-current assets	883,040	673,535	518,366	328,870	359,097
Current assets	598,551	73,124	539,423	514,131	474,837
Non-current liabilities	-	-	(233,715)	(173,276)	(125,880)
Current liabilities	(776,027)	(201,057)	(246,851)	(143,429)	(217,829)
Net assets	**705,864**	**545,602**	**577,223**	**526,296**	**490,225**

Supplementary financial information (unaudited) - continued

For the year ended 31 December 2021

	2021	2020	2019	2018	2017
	$'000	$'000	$'000	$'000	$'000
Revenue from contracts with customers	-	-	654,037	709,493	417,428
(Loss)/profit before taxation	(18,847)	(19,897)	259,411	279,093	94,056
Income tax (expense)/credit	-	-	(43,934)	(116,788)	221,233
(Loss)/profit for the year	(18,847)	(19,897)	215,477	162,305	315,289

	2021	2020	2019	2018	2017
	$'000	$'000	$'000	$'000	$'000
Capital employed:					
Issued share capital	1,862	1,855	1,845	1,834	1,826
Share premium	520,138	511,723	503,742	497,457	497,457
Share based payment reserve	22,190	27,592	30,426	27,499	17,809
Treasury shares	(4,915)				
Capital contribution	40,000	40,000	40,000	40,000	40,000
Retained earnings	1,134,272	1,225,958	1,304,197	1,147,526	1,045,985
Total equity	**1,713,547**	**1,807,128**	**1,880,210**	**1,714,316**	**1,603,077**
Represented by:					
Non-current assets	2,143,663	2,143,798	1,688,491	1,071,233	1,174,286
Current assets	1,453,769	192,430	1,757,082	1,674,694	1,552,758
Non-current liabilities	-	-	(761,285)	(564,416)	(411,642)
Current liabilities	(1,883,885)	(529,100)	(804,078)	(467,195)	(712,325)
Net assets	**1,713,547**	**1,807,128**	**1,880,210**	**1,714,316**	**1,603,077**

29. Exchange rates used in translating the accounts to Naira

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

	Basis	31 December 2021	31 December 2020
		N/$	N/$
Property, plant & equipment - opening balances	Historical rate	Historical	Historical
Property, plant & equipment - additions	Average rate	400.48	359.91
Property, plant & equipment - closing balances	Closing rate	411.93	380
Current assets	Closing rate	411.93	380
Current liabilities	Closing rate	411.93	380
Equity	Historical rate	Historical	Historical
Income and Expenses:	Overall Average rate	400.48	359.91