



Unaudited results for the six months ended 30 June 2023

28 July 2023

Reliable energy,
limitless potential

Lagos and London, 28 July 2023: Seplat Energy PLC (“Seplat Energy” or “the Company”), a leading Nigerian independent energy company listed on both the Nigerian Exchange and the London Stock Exchange, announces its unaudited results for the six months ended 30 June 2023.

Summary

Our operating performance in 6M 2023 was solid, we achieved a 2% increase in production, helped by reduced losses on our Western Asset, which is benefitting from the availability of the Amukpe-Escravos Pipeline and increased output from OML40. Revenue remained strong, while operating profits in the period were impacted by lower oil prices and other items, most notably the non-cash impact of the devaluation of the Nigerian Naira.

Financial highlights

- Revenues up 3.8% to \$547.0 million (including overlift of \$59.4m), on improved production, offset by lower oil price
- Cash generation of \$259.1 million, funding capex of \$88.8 million and improved shareholder returns
- Balance sheet remains strong, \$381.0 million cash at bank, despite impact of the devaluation of the Naira on USD cash balances, net debt now at \$380.0 million (\$128 million MPNU cash deposit not included)
- Further \$3.3 million received as part of the Ubima disposal, total proceeds up to \$21.9 million
- Unit production opex of \$9.6/boe
- Average oil price \$79.54/bbl (6M 2022: \$107.35/bbl); average gas price \$2.87/Mscf (6M 2022: \$2.76/Mscf)
- Q2 2023 dividend declared of US 3 cents per share, in line with higher core annual dividend of US 12 cents

Operational highlights

- Working interest production increased by 1.8% to 50,805 boepd, in the middle of our 45-55 kboepd guidance
- Amukpe-Escravos Pipeline (AEP) continued to provide alternative evacuation resulting in lower downtime overall
- Completed five new wells, boosting liquids production at OML 40
- Island section of grouting operations on OB3 pipeline complete. ANOH gas plant mechanical completion and partner operated key project milestones expected by end 2023
- Achieved more than 4.2 million hours without Lost Time Injury (LTI) at Seplat-operated assets
- Carbon intensity figure of 26.3 kg/boe. Sapele Power gas offtake expected to commence in 2H23, this is expected to reduce emissions by approximately 40%

Corporate updates

- Extended the Share Sale and Purchase Agreement (SSPA) for the acquisition of ExxonMobil's share capital of Mobil Producing Nigeria Unlimited (MPNU) to preserve the transaction, pending the resolution of certain legal proceedings and receipt of applicable regulatory approvals; we continue to work with all parties to achieve a successful outcome
- Full-year production guidance retained at 45-55 kboepd
- Capex guidance range at \$160 - \$190 million (previously \$160 m) to support the Group's objectives for the year
- Following our previously announced Board succession plan (25 April 2023), we are pleased to announce that Eleanor Adaralegbe, currently VP Finance, has been appointed CFO-designate and will succeed Emeka Onwuka as CFO in 2024

Roger Brown, Chief Executive Officer, said:

“Seplat Energy’s continuing strong performance puts us on track for an excellent year that will support the increased quarterly dividends we announced in April, and our balance sheet remains strong despite the impact of the recent Naira devaluation. We are benefitting greatly from use of the new Amukpe-Escravos Pipeline, which has supported our robust cash generation this year, and remain focused on improving operations, reducing costs where possible and further derisking the business. We continue to strengthen our Company in the knowledge that our efforts to improve governance and sustainability are widely supported by Nigerian and international investors.

The distraction of frivolous legal actions is receding, and we are focused on developing our assets and launching our joint venture ANOH Gas Processing Plant, which will significantly boost our cash generation in the coming years. We expect that this will enable us to fund additional investment in Nigeria’s energy infrastructure and return higher dividends to shareholders.

We remain confident that our proposed and transformational acquisition of MPNU will be approved, enabling us to scale into a significant energy supplier with diverse and productive assets that have potential to generate substantial benefits for Nigeria. We wholly align and support the recent government efforts to make Nigeria a more attractive place to invest and continue to focus on delivering affordable and reliable energy for Nigeria’s young, entrepreneurial and rapidly growing population.”

Summary of performance

	\$ million			₦ billion	
	6M 2023	6m 2022	% Change	6M 2023	6M 2022
Revenue *	547.0	527.0	3.8%	278.3	219.2
Gross profit	276.3	274.3	0.7%	140.6	114.1
EBITDA **	235.8	342.7	(31.2%)	120.0	142.6
Operating profit (loss)	118.4	245.3	(51.7%)	60.2	102.0
Profit (loss) before tax	85.4	209.9	(59.3%)	43.5	87.3
Cash generated from operations	259.1	330.1	(21.5%)	131.8	137.3
Working interest production (boepd)	50,805	49,924	1.8%		
Volumes lifted (MMbbls) ***	6.1	4.4	38.6%		
Average realised oil price (\$/bbl.)	\$79.54	\$107.35	(25.9%)		
Average realised gas price (\$/Mscf)	\$2.87	\$2.76	4.0%		
LTIF	0.0	0.0			
CO2 emissions intensity from operated assets, kg/boe	26.3	24.6	6.9%		

* 6M 2023 revenue includes an overlift of \$59.4m

** Adjusted for non-cash items

*** Volumes lifted in 6M 2023 includes 845 kbbl of overlift

Responsibility for publication

This announcement has been authorised for publication on behalf of Seplat Energy by Emeka Onwuka, Chief Financial Officer, Seplat Energy PLC.

Signed:



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 because of new information, future events or otherwise, except to the extent legally required.

Investor call

At 09:00 GMT / 09:00 WAT on Friday 28 July 2023, 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) 09:00am (Lagos) Friday 28 July 2023
Webcast Live Event/Archive Link	https://secure.emincote.com/client/seplat/seplat017
Conference call and pre-register Link:	https://secure.emincote.com/client/seplat/seplat017/vip_connect

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.

Enquiries:

Seplat Energy Plc	
Emeka Onwuka, Chief Financial Officer	+234 1 277 0400
Eleanor Adaralegbe, Vice President, Finance	
James Thompson, Head of Investor Relations	
Ayeesha Aliyu, Investor Relations	
Chioma Afe, Director, External Affairs & Sustainability	
FTI Consulting	
Ben Brewerton / Christopher Laing	+44 203 727 1000 seplatenergy@fticonsulting.com
Citigroup Global Markets Limited	
Tom Reid / Luke Spells / Peter Catterall	+44 207 986 4000
Investec Bank plc	
Chris Sim / Charles Craven	+44 207 597 4000

About Seplat Energy

Seplat Energy PLC (Seplat) is Nigeria's leading indigenous energy company. Listed on the Nigerian Exchange Limited (NGX: SEPLAT) and the Main Market of the London Stock Exchange (LSE: SEPL), we are pursuing a Nigeria-focused growth strategy in oil and gas, as well as developing a Power & New Energy business to lead Nigeria's energy transition.

Seplat's energy portfolio consists of seven oil and gas blocks in the prolific Niger Delta region of Nigeria, which we operate with partners including the Nigerian Government and other oil producers. We also have a revenue interest in OML 55. We operate a 465MMscfd gas processing plant at Oben, in OML4, and are building the 300MMscfd ANOH Gas Processing Plant in OML53 and a new 85MMscfd gas processing plant at Sapele in OML41, to augment our position as a leading supplier of gas to the domestic power generation market. <https://www.seplatenergy.com/>

Operating review

Update on developments in Nigeria

Following the 2023 general elections, President Bola Ahmed Adekunle Tinubu assumed office as Nigeria's new President. Since taking office, President Tinubu has introduced several pro-market reforms, including removing the controversial fuel subsidy and unifying multiple exchange rate windows. These reforms have been well received by the capital market, as they are crucial to restoring investor confidence in Nigeria's economy. The unified exchange rate system promotes transparency and market-driven exchange rates, fostering macroeconomic stability and growth.

The recent foreign exchange (FX) reforms have positively impacted FX liquidity. Notably, data from FMDQ Group indicates that the average turnover at the Investors & Exporters (I&E) window, which now includes all FX windows, has increased by 41% since the announcement of these policies. However, the devaluation of the Naira has implications for our business, leading to currency losses on naira cash balances and receivables and resulting in gains on payables balances (further details in the financial review section).

Overall, we view these changes as beneficial for both the country and Seplat operations.

OPEC Quota

During the period, the 35th Ministerial Meeting of OPEC+ took place, during which the crude oil market dynamics were assessed. Some members, led by Saudi Arabia, agreed to extend production cuts into 3Q2023. These measures played a significant role in stabilising the market and reducing price volatility in recent months.

Apart from the voluntary production cuts, revisions were made to the production baselines for 2024 and 2025. Nigeria's production quota was adjusted downward due to ongoing challenges in meeting production targets. In 2024, Nigeria's production baseline will decrease by 0.36mbpd, leading to a production quota of 1.38mbpd (excluding condensates).

Currently, the Seplat JV share of the OPEC quota stands at approximately 48 kbopd for the Western Assets and 11 kbopd for the Eastern Assets. Given the decrease in Nigeria's crude oil production quota, it is possible that Seplat Energy may also face a reduction in its production quota. However, the Company does not anticipate any significant impact on its business due to the presence of a reasonable head room.

Upstream business performance

Working interest production for the six months ended 30 June 2023

During the first half of 2023, the total working interest production increased by 1.8% to 50,805 boepd (6M 2022: 49,924 boepd); the oil & gas mix was 59% and 41% respectively. Average production in the first six months of 2023 sits just above the mid-point of our 2023 guidance of 45,000-55,000 boepd, which remains unchanged.

	Seplat %	6M 2023			6M 2022		
		Liquids bopd	Gas MMscfd	Total boepd	Liquids bopd	Gas MMscfd	Total boepd
OMLs 4, 38 & 41	45%	16,533	119.4	37,118	17,386	117.7	37,681
OML 40	45%	10,803	-	10,803	8,688	-	8,688
OML 53	40%	1,164	-	1,164	2,139	-	2,139
OPL 283	40%	1,721	-	1,721	1,416	-	1,416
Total		30,221	119.4	50,805	29,629	117.7	49,924

Liquid production volumes as measured at the LACT (Lease Automatic Custody Transfer) unit for OMLs 4, 38 and 41; OML 40 and OPL 283 flow station.

Gas conversion factor of 5.8 boe per scf.

Volumes stated are subject to reconciliation and may differ from sales volumes within the period.

Total liquids production increased by 1.8% compared to the same period in 2022. The production for the period was 5.5 MMbbls compared to 5.4 MMbbls in 2022. The higher production during the period, was supported by the improved availability of the Forcados Oil Terminal, which achieved an uptime of 80% and the availability of the Amukpe-Escravos Pipeline (AEP). Average daily gas production was up 1.4% to 119.4 MMscfd (6M 2022: 117.7 MMscfd).

At OMLs 4, 38, & 41, working interest liquids production fell 4.9% to 16,533 bopd (6M 2022: 17,386 bopd) due to higher unscheduled deferment and delays to the on-stream timing of new wells, which were planned to arrest the natural decline on the assets. The AEP continued to provide an alternative evacuation solution, helping to de-risk our Western Asset production and we now evacuate crude via this route and the Trans Forcados Pipeline (TFP).

Our operations at OML 40 contributed the most significant growth in the period. Working interest production from the asset grew by 24.3% to 10,803 bopd in 6M 2023 (6M 2022: 8,688 bopd). The strong growth in OML 40 volumes was because of higher production uptime and delivery of new wells as planned.

At the smaller Eastern operations in OML 53, daily working interest production fell 45.6% to 1,164 bopd in 6M 2023, with evacuation of these volumes to the nearby Waltersmith Refinery. The ongoing production issues are primarily due to evacuation challenges caused by the unavailability of key delivery lines. Both the Antan-Ebocha delivery line, which supports the Jisike operations, and the Trans Niger Pipeline (TNP), utilised for Ohaji operations, remain unavailable.

We are actively working towards resolving these third-party evacuation issues and are in final discussions with the Edo Refinery regarding an alternative evacuation option. The plan entails supplying approximately 1,000 bopd of JV crude from Ohaji to the Edo Refinery. By exploring alternative evacuation options, we aim to mitigate the challenges faced in the Eastern operations and maintain a consistent production flow.

We remain committed to resolving evacuation issues and optimising production from our Eastern operations while actively exploring alternative solutions to ensure efficient crude evacuation in the future.

Drilling and other Capital Projects

During the period, five wells in our drilling program were delivered: Opuama-17, Sibiri-2, Gbetiokun 4 workover, Gbetiokun-10, and Assa North-05. In the first quarter of the year, Opuama-17, was completed and is producing at a gross rate of c. 3,000 bopd. Sibiri-2 well has been drilled to TD, with the target reservoirs completed; we are currently awaiting regulatory approval to commence production from the well. GB-10 well has been drilled and completed ahead of the target date and is expected to add c.1,300 bopd to production upon completion of flowline installation and well head construction. Lastly, GB-4 W/O will add c. 2,200 bopd to production.

However, while completed wells have been supportive, overall, our drilling program is moderately behind plan. Drilling of the Orogho-8 and Ovhor-21 wells, due for completion in 1Q and 2Q respectively are ongoing. A combination of downhole challenges has been exacerbated by mechanical issues on the contracted rigs. We now expect completion of both wells in 3Q23. Given slower than planned progress year to date, we have initiated a drilling recovery program and an accelerated contracting plan in alignment with the Joint Venture partners and are confident of delivering the planned number of wells for the year.

Drilling activities in ASSN-06 are ongoing and expected to complete by the end of July.

Midstream Gas business performance

During the period, the average working interest gas volumes reached 119.4 million standard cubic feet per day (MMscfd), showing improvement compared to 117.7 MMscfd in the first half of 2022. This increase can be attributed to enhanced well performance and the availability of condensate evacuation routes.

We have successfully entered into a new Gas Sales Agreement (GSA) with a bulk gas supplier for a volume of 50 MMscfd. Once all the necessary Conditions Precedent are met by the new customer, we will commence gas supply under this agreement. The execution of additional GSAs is part of our strategy to optimise the capacity of the Oben gas plant. We are also actively working on securing third-party gas to feed both the Oben and Sapele gas plants.

The execution of the plan for separating the midstream business from the upstream operations has progressed according to schedule. We have completed the internal transfer of midstream assets to Seplat Midstream Company (SMC). Additionally, we have issued notices to our joint venture partners and relevant regulators to inform them of these developments. We will continue to keep the market updated on the progress of this separation process.

ANOH Gas Processing Plant

As of the latest update, the IJV (AGPC) has achieved significant progress in installing all necessary equipment for the mechanical completion of the gas plant, reaching a completion level of over 93%. The gas plant is still expected to achieve mechanical completion later this year. Safety has been a priority, and AGPC recently reached a milestone of 9 million man-hours without any lost time injury on the project.

The government partner, NGIC, is responsible for delivering the pipelines required to transport the gas from ANOH to the demand centres, including the 23km spur line and the Obiafu-Obrikom-Oben (OB3) pipeline.

Noteworthy progress has been made with completion of grouting operations for the critical Island Section of the OB3 pipeline that had faced challenges due to the collapsing of the HDD wall in a section of the river crossing. The drilling and pipe installation crew has returned to the site, and preparations are underway to resume tunnelling operations after the completion of grouting. The target completion for both ends' tunnelling, equipment demobilisation, and tie-ins is set for Q3 2023. The project was at 97% completion before the suspension of work.

Regarding the Spur Line project, all line pipes required for all 23.3km spur line sections are now in country and have been delivered to the project site. The first phase of the spur line (5.5km length) has been completed, with another 4.5km currently in progress. Our government partner has confirmed the revised completion date of Q3 2023.

In terms of upstream development, the drilling of the third well has been completed, and work on the fourth well is ongoing, with expected completion before the end of Q3 2023. Additionally, work on surface facilities required to deliver wet gas to the AGPC plant is in progress and expected to be completed by the upstream unit operator, SPDC, in Q4 2023.

Once completed, ANOH will provide two income streams for Seplat Energy: wet gas sales from OML 53 to the plant and dividends from the joint venture ANOH Gas Processing Company, which will operate the plant.

New Energy Business

Strategic growth investment opportunities are being pursued for the New Energy Business, with a particular focus on entry into off-grid power generation. Such projects will increase the reliability, lower the cost and reduce the carbon intensity of existing electricity consumption. We continue to work through technical and commercial due diligence to evaluate these investment opportunities.

HSE Performance

During the period, the Company achieved over 4.2 million hours without any Lost Time Injury (LTI) on its operated assets, which reflects the Company's strong focus on safety and the dedication of its workforce to maintaining a secure work environment. In addition to the safety record, no major human injuries were reported during this period. This accomplishment highlights the effectiveness of the safety measures and procedures implemented by the Company. However, there was one Tier 2 Process Safety Loss of Primary Containment (LOPC) incident and efforts are being made to continuously strengthen the robust safety framework in place and prevent such incidents from occurring in the future. The Company has embarked on a journey to obtain ISO 45001 and 14001 certifications. These certifications are internationally recognised standards for occupational health and safety management systems and environmental management systems, respectively. By pursuing these certifications, the Company aims to ensure the highest standards of safety and environmental performance.

Seplat Energy places a strong emphasis on safety and environmental responsibility. As part of its commitment to biodiversity and sustainability, the company is collaborating with the National Conservation Foundation (NCF) to promote and support initiatives that protect and preserve the environment.

Reducing carbon intensity is crucial for the Company, and the flares-out roadmap, which includes measures to minimise greenhouse gas emissions and improve overall energy efficiency, is being implemented to eliminate routine flares by Q4 2024.

The carbon intensity recorded for the period was 26.3 kg/boe, higher than the 24.6 kg/boe recorded in 6M 2022. Currently, flare volumes make up around 80% of the total emissions. Flare volumes in 6M 2023 were modestly higher (0.5% increase), principally at our Sapele operations; the recorded flare volumes were 4.40 bcf, compared to 4.38 bcf in the same period of 2022. An encouraging development is the completion of the 72-hour reliability run test of the Sapele Accelerated AG compressor, which will process c.26 MMscfd of otherwise flared gas. With the resumption of unprocessed gas offtake by Sapele Power, expected in the second half of the year, we anticipate a material reduction of around 40% in absolute emissions.

Proposed acquisition of MPNU

On 24 May 2023, we announced that we have extended with Mobil Development Nigeria Inc. and Mobil Exploration Nigeria Inc. (ExxonMobil) the Share Sale and Purchase Agreement (SSPA) for the acquisition of ExxonMobil's share capital of Mobil Producing Nigeria Unlimited (MPNU) to preserve the transaction pending the resolution of certain legal proceedings and receipt of applicable regulatory approvals.

The Board remains confident that the transaction will be approved, and all associated legal issues will be resolved. We continue to work with all parties to achieve a successful outcome and have been encouraged by recent developments. We will provide further updates as appropriate.

Shareholder Actions

Seplat Energy is pleased that the Company's Chief Executive Officer ("CEO"), Mr. Roger Brown has resumed his position as the CEO of Seplat Energy and can validly enter and stay in Nigeria. This followed the Ministry of Interior ("Ministry") and the Nigeria Immigration Service ("NIS") restoration of his Working Permit, Combined Expatriate Residence Permit and Aliens Card ("CERPAC") and other Visas for the entry or stay in Nigeria ("Immigration Documents") of the Company's CEO.

The Company had previously announced that the Immigration Documents were withdrawn by the Ministry, following baseless and false allegations of racism, unfair prejudice, discrimination and improper immigration status made by certain individuals parading as "concerned workers and stakeholders of Seplat Energy Plc". The Company cooperated fully with the verification checks conducted by the Immigration Authorities, which resulted in the restored immigration status of Roger Brown.

The Company had also previously announced the striking out by the Federal High Court sitting in Lagos, of the Petition commenced on 8th March 2023 by Moses Igbrude and others in Suit No. FHC/L/CP/402/2023. The Court ordered the Petitioners to pay NGN1 million in costs. This followed the filing of a Notice of Discontinuance by the Petitioners.

Similarly, the Federal High Court in Abuja had struck out the criminal charge brought by the Nigeria Immigration Service against the Company and some of its Officers. The Court fully discharged all named defendants. The charge had earlier been withdrawn by the Nigerian Immigration Service on the 20th April 2023 and was in relation to the immigration status of Mr. Roger Brown and the withdrawal of his immigration visa by the Ministry of Interior.

The Court of Appeal also suspended the ex parte Interim Orders granted by the Federal High Court (Abuja) in Suit No. FHC/ABJ/CS/626/2023 - Juliet Gbaka & two others v. Seplat Energy Plc & thirteen others. The matter comes up on 3rd October 2023 at the Federal High Court and 31st October 2023 at the Court of Appeal.

Seplat Energy remains confident that the courts will appropriately address the outstanding frivolous litigations brought by minority shareholders holding less than 0.005% combined of the Company's issued shares.

Seplat, as a responsible corporate citizen, will continue to engage all its stakeholders in accordance with applicable law and established corporate governance best practices.

Outlook

Group production performance has improved in 2023, thanks to greater uptime on OML40 and reduced losses on our Western Asset. We maintain our 2023 guidance range at 45,000-55,000 boepd, which we are confident of meeting, given year to date production and the expected benefit of new well stock as it becomes available in the latter part of the year. We stress that our guidance does not include any expected contribution from MPNU or ANOH projects.

Our capital expenditure guidance for 2023 is adjusted to a range of \$160-190 million. Our commitment to meeting the planned drilling targets remains steadfast, and we have a drilling plan in place to meet these targets in 2H 2023.

Financial review

Revenue

Oil prices have experienced a steady downward trend since the highs of 2022, primarily due to mounting concerns about the global economy and its potential impact on crude oil demand. Consequently, the average realised oil price for the first six months of 2023 declined by 25.9% to \$79.54/bbl compared to the \$107.35/bbl achieved during the same period in 2022.

Despite these challenging market conditions, oil and gas sales revenue in the first half of 2023 reached \$547.0 million, a 3.8% increase compared to the \$527.0 million generated in the first half of 2022. This growth can be attributed to the positive effect of overlifts realised during the period. However, upon adjusting for the overlift amounting to \$59.4 million, revenue stood at \$487.6 million, reflecting the impact of the lower oil price during the period despite the higher production.

Crude oil revenue was up 3.0% in 6M 2023 compared to the same period in the previous year, \$483.3 million in 6M 2023 (as opposed to \$469.2 million in 6M 2022) for the abovementioned reasons. The total volume of crude lifted during the period amounted to 6.1 million barrels, a 38.6% increase from the 4.4 million barrels lifted in the first half of 2022. Upon adjustment for the previously highlighted overlifts of \$59.4 million (equivalent to 845 kbbbl), crude oil revenue for the period stood at \$423.9 million. A reconciliation loss of 3.3% was recorded for the period.

Similarly, gas revenue experienced a 10.2% increase, reaching \$63.7 million in 6M 2023 (compared to \$57.8 million in 6M 2022). This growth is attributed to increased realised gas prices and a rise in sales volume. The average realised gas price rose by 4.4% to \$2.87/Mscf, while gas production saw a moderate 1.4% increase to 21.6 Bscf during the same period (compared to 21.3 Bscf in 6M 2022). The average realised gas price improvement reflects the impact of upward gas price revisions implemented in the period.

Gross profit

In the first half of 2023, gross profit showed marginal growth, increasing by 0.7% to reach \$276.3 million, compared to \$274.3 million in 2022. Non-production costs primarily included \$94.1 million in royalties and \$81.3 million in depreciation, depletion, and amortisation (DD&A), contrasting with \$108.8 million in royalties and \$70.4 million in DD&A in the previous year. The decrease in royalties was because of the lower oil prices realised during the period, while the higher DD&A costs reflect the increased production levels.

Direct operating costs, which encompass expenses related to crude-handling charges (CHC), barging/trucking, operations and maintenance, amounted to \$88.7 million in 6M 2023, marking a 31.2% increase from the \$67.6 million incurred in 6M 2022. This rise in direct operating costs is attributed to higher costs on additional alternative evacuation routes secured by Seplat to minimise outages and Third-party infrastructure downtime. On a cost/boe basis overall costs are fair and remain comparable with prior period.

Considering the cost per barrel equivalent basis, production operating expenses (opex) were \$9.6/boe in 6M 2023, compared to \$8.1/boe in 6M 2022.

Operating profit

During the period under review, our operating profit was \$118.4 million, showing a significant decrease of 51.7% compared to the \$245.3 million achieved in 6M 2022. This decline in operating profit was attributed to a combination of lower oil prices and foreign exchange (FX) losses due to changes in exchange rates. On June 14, 2023, the Central Bank of Nigeria (CBN) implemented a major operational change in the foreign exchange (FX) market to unify the multiple exchange rate windows. This change involved consolidating all FX segments into the Investors and Exporters (I&E) window, which became the sole approved and recognized window for setting the FX rate, following the adoption of “willing buyer, willing seller” model.

Because of these new CBN guidelines, there was a significant adjustment in the exchange rate between the Nigerian Naira (NGN) and the US Dollar (USD). The closing rate for June 2023 was adjusted to NGN753.01/US\$, representing a notable difference from the May 2023 rate of NGN461.28/US\$. The revaluation of financial assets arising from this exchange rate resulted in a net (non-cash) loss of \$33.8 million.

Overall, there is no adverse effect on the company and summarised in the table below are expected future impacts of Naira devaluations.

Component	Impact NGN	Impact USD	Notes
Gas revenue	Increase	Unchanged	Gas sales are priced in dollars but invoiced in Naira at the prevailing I&E rate. The same applies for crude sold to the Waltersmith refinery
G&A/Opex	Unchanged	Reduce	Devaluation would lead to a reduction in Naira denominated costs when expressed in Dollars
Cash balances	Unchanged	Minimal	Naira revenue to closely match Naira expenses with percentage of Naira balances in cash maintained at reasonable levels
Trade receivables	Unchanged	Reduce	Exchange loss on Naira receivables
Other Naira financial assets	Unchanged	Reduce	Exchange loss in US\$ on the valuation and settlement of Naira-denominated financial assets
Naira liabilities	Unchanged	Reduce	Exchange gains in US\$ upon revaluing or settling our Naira-based liabilities

The Company acknowledges the importance of effectively managing the impacts of foreign exchange (FX) fluctuations. It recognizes that navigating the changing currency dynamics is crucial to its financial stability and overall success. Seplat will continue to utilise its Naira revenue (which will also increase in quantum in line with new exchange rates since gas and some oil (OML53) contract values are Dollar denominated although settled in Naira) to fund local currency transactions and constantly manage our holding Naira which usually doesn't exceed 20% of total cash holding. By proactively monitoring this, the Company aims to mitigate potential risks arising from currency volatility. This strategic approach will allow the Company to safeguard its financial position, optimize its operations, and maintain resilience in the face of currency uncertainties.

General and administrative expenses (G&A) amounted to \$65.8 million, 42.0% higher than the G&A costs of \$46.4 million incurred in 6M 2022. This increase in G&A costs was mainly due to professional fees associated with the litigation costs in response to the unprecedented and intense period of minority shareholder actions through the Courts and some costs associated with the MPNU transaction. Excluding these exceptional items, G&A costs would have closed relatively flat compared to the previous year. Nevertheless, Seplat remains committed to reducing G&A expenses and has established cost champions to identify cost pressure points and we are implementing measures to control expenditure in those areas.

After adjusting for non-cash items such as impairment, fair value, and exchange losses, the adjusted EBITDA for the period was \$235.8 million (6M 2022: \$342.7 million), resulting in a margin of 43.1% (6M 2022: 65.0%).

Taxation

The income tax expense of \$2.8 million includes a current tax charge of \$31.5 million and a deferred tax credit of \$28.7 million. The deferred tax credit recorded during the period was due to change in applicable tax rate on our Elcrest assets which impacted deferred tax asset balance brought forward from prior years. The effective tax rate for the period was 3% (6M 2022: 60%).

Effective tax rate analysis	Income tax expense			Tax rate	
	Current	Deferred	Total	ETR (Effective Tax Rate)	Current Tax rate
Profit before tax (\$'million)					
85.4	31.5	(28.7)	2.8	3.3%	36.9%

Net result

Profit before tax declined by 59.3%, amounting to \$85.4 million, compared to \$209.9 million in 6M 2022. However, the profit decline was mitigated due to lower taxation in the current period, resulting in a closing profit of \$82.6 million, as opposed to \$83.3 million in 6M 2022.

The profit attributable to equity holders of the parent company, representing shareholders, was \$43.5 million in 6M 2023, which resulted in basic earnings per share of \$0.07 for the period (6M 2022: \$0.14/share).

Cash flows from operating activities

During the period, the Company generated \$259.1 million in cash from its operations, a decrease from the \$330.1 million generated in 6M 2022 because of lower oil prices.

Net cash flows from operating activities amounted to \$209.4 million in 6M 2023, compared to \$284.3 million in 6M 2022. This figure considers tax payments of \$47.0 million and a hedging premium of \$2.7 million during the current period, while in the previous year, tax payments were \$41.1 million, and the hedging premium paid was \$4.7 million.

The Company received \$172 million in the first half of 2023 towards settling cash calls. This progress led to the reduction of the net NEPL receivable balance, which now stands at \$89 million.

Cash flows from investing activities

In the first half of 2023, the total net cash outflow from investing activities was \$81.4 million, which decreased from the \$200.4 million recorded in 6M 2022.

The capital expenditure during the period was \$87.2 million, including \$62.1 million invested in drilling activities and \$25.1 million invested in engineering projects.

The Company received \$3.3 million from All Grace Energy regarding the divestment from the Ubima field. This payment brought the total amount received to \$21.9 million out of the total settlement sum of \$55.0 million.

Cash flows from financing activities

Net cash outflows from financing activities were \$111.3 million, which increased from the \$64.2 million recorded in 6M 2022.

These outflows included \$32.9 million for interest on loans and borrowings, reflecting the cost of servicing the Company's debt obligations. Additionally, a commitment fee of \$2.4 million was incurred on our credit facilities.

The loan repayments of \$11.0 million during the period represent the first principal repayment of the Eland Senior RBL Facility.

During the period, shareholders were paid dividends amounting to \$61.8 million (6M 2022: \$28.2 million paid).

Liquidity

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

Net debt reconciliation 30 June 2023	\$ million*	Coupon	Maturity
Senior notes*	673.0	7.75%	April 2026
Westport RBL*	78.5	SOFR rate+8%	March 2026
Off-take facility*	9.5	SOFR rate+10.5%	April 2027
Total borrowings	761.0		
Cash and cash equivalents (exclusive of restricted cash)	380.7		
Net debt	380.3		

* Including amortised interest

Seplat Energy ended the first quarter with gross debt of \$761.0 million (with maturities in 2026 and 2027) and cash at bank of \$380.7 million, leaving net debt at \$380.3 million. The restricted cash balance of \$24.9 million includes \$8.0 million and \$15.2 million set aside in the stamping reserve and debt service reserve accounts for the revolving credit facility.

As the Company continuously reviews its funding and maturity profile, it continues to monitor the market in ensuring that it is well positioned for any refinancing and or buy back opportunities for the current debt facilities – including potentially the US\$650 million 7.75% 144A/Reg S bond maturing in 2026.

Dividend

The board has approved a Q2 2023 dividend of US3.0 cents per share (subject to appropriate WHT) to be paid to shareholders whose names appear in the Register of Members as at the close of business on 17 August 2023. This takes dividend payments to US6.0 cents per share for the 2023 financial year to date, in line with the Company's dividend policy.

Hedging

Seplat's hedging policy aims to guarantee appropriate levels of cash flow assurance in times of oil price weakness and volatility. For Q3 2023, 1.0mmbbls are protected at \$50/bbl. (at a cost of \$0.82/bbl) and 0.5mmbbls are protected at \$55/bbl (at a cost of \$0.51/bbl). For Q4 2023, 1.5mmbbls are protected at \$55/bbl. (at a cost of \$0.73/bbl).

Oil put options	Q3 2023	Q3 2023	Q4 2023
Volume hedged (MMbbls)	1.0	0.5	1.5
Price hedged (\$/bbl.)	50	55	55

Additional barrels are expected to be hedged for the first quarter of 2024, in line with the approach to target hedging two quarters in advance. The Board and management team 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.

Petroleum Industry Act (PIA) Implementation Status

Since submitting the conditional application to convert all our assets to the PIA regime in February 2023, our multi-disciplinary team has been diligently preparing the Company for full compliance with the various aspects of the PIA. Meanwhile, the regulator is finalising the guidelines for the conversion and has shared concession contracts with converting companies to enable a thorough review and understanding of the contractual terms and obligations that will be applicable under the new PIA regime. Therefore, the Long-stop date has been extended to September 30, 2023. Our internal review process is still underway, aiming to enable a final decision on converting our assets to the PIA regime.

Share dealing policy

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

Free float

The Company's free float on 30 June 2023 was 29%.

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-21	31-Dec-22		28-July-23	
	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
Roger Brown	3,224,702	4,296,462	0.73%	4,379,645	0.74%
Samson Ezugworie	n/a	n/a	0.00%	0	0.00%
Bello Rabi	n/a	20,000	0.00%	20,000	0.00%
Emeka Onwuka	0	0	0.00%	26,864	0.00%
Oliver De Langavant	0	0	0.00%	0	0.00%
Charles Okeahalam	495,238	699,990	0.12%	699,990	0.12%
Basil Omiyi	495,238	495,238	0.08%	495,238	0.08%
Nathalie Delapalme	0	0	0.00%	0	0.00%
Emma Fitzgerald	0	0	0.00%	0	0.00%
Kazeem Raimi	n/a	n/a	n/a	0	0.00%
Bashirat Odunewu	n/a	n/a	n/a	0	0.00%
Ernest Ebi	n/a	n/a	n/a	50,000	0.01%
Koosum Kaylan	n/a	n/a	n/a	0	0.00%
Total	4,215,178	5,511,690	0.93%	5,671,737	0.95%

Substantial interest in shares

On 28 July 2023, the following shareholders held more than 5.0% of the issued share capital of the Company:

Shareholder	Number of holdings	%
M&P Group	120,400,000	20.46
Petrolin Group	81,015,319	13.77
Sustainable Capital	54,526,060	9.27
Professional Support Limited	47,929,438	8.15
Allan Gray Investment Management	44,191,518	7.51

Principal risks and uncertainties

The Board of Directors is responsible for setting the overall risk management strategy of the Company and the determination of what level of risk is acceptable for Seplat Energy to bear. The principal risks and uncertainties facing Seplat Energy at the year-end are detailed in the risk management section of the 2022 Annual Report and Accounts. The Board has identified the principal risks for the remainder of 2023 to be:

1. Climate related risks
2. Niger Delta stability/ extended production shut-in due to third -party infrastructure downtime and geopolitical risk
3. Low oil price environment
4. Geo-political risk
5. Infectious disease outbreak
6. JV receivable and future cash call funding
7. Liquidity risk

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- a) The condensed set of financial statements have been prepared in accordance with IAS 34 'Interim Financial Report';
- b) The interim management report includes a fair review of the information required by UK DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) The interim management report includes a fair review of the information required by UK DTR 4.2.8R disclosure of related parties' transactions and changes therein.

The Directors of Seplat Energy Plc are as listed in the Group's 2022 Annual Report and Accounts. A list of current Directors is included on the company website: www.seplatenergy.com.

By order of the Board,



B. Omiyi

FRC/2016/IODN/00000014093

Chairman

28 July 2023



R.T. Brown

FRC/2014/PRO/DIR/003/00000017939

Chief Executive Officer

28 July 2023



E. Onwuka

FRC/2020/PRO/ICAN/006/00000020861

Chief Financial Officer

28 July 2023

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE MEMBERS OF SEPLAT ENERGY PLC

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Seplat Energy Plc, ("the Company") and its subsidiaries (together "the Group"), as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim financial reporting'.



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

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



28 July 2023

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

Unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 (Naira)

28 July 2023

Reliable energy,
limitless potential

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

For the half year ended 30 June 2023

		Half year ended 30 June 2023 Unaudited	Half Year ended 30 June 2022 Unaudited	3 Months ended 30 June 2023 Unaudited	3 Months ended 30 June 2022 Unaudited
	Notes	₦ million	₦ million	₦ million	₦ million
Revenue from contracts with customers	7	278,334	219,203	126,343	118,585
Cost of sales	8	(137,749)	(105,096)	(76,810)	(53,311)
Gross profit		140,585	114,107	49,533	65,274
Other (loss)/income	9	(46,222)	15,586	(12,348)	11,876
General and administrative expenses	10	(33,508)	(19,280)	(24,084)	(11,367)
Impairment reversal/(loss) on financial assets	11.1	457	(2,652)	45	(2,143)
Impairment loss on non-financial assets	11.2	-	(3,532)	-	(3,532)
Fair value loss	12	(1,101)	(2,209)	(578)	(570)
Operating profit		60,211	102,020	12,568	59,538
Finance income	13	2,043	109	1,293	96
Finance cost	13	(18,828)	(14,893)	(9,971)	(7,162)
Finance cost-net		(16,785)	(14,784)	(8,678)	(7,066)
Share of profit from joint venture accounted for using the equity method		24	57	36	109
Profit before taxation		43,450	87,293	3,926	52,581
Income tax (expense)/credit	14	(1,419)	(51,848)	11,681	(25,426)
Profit for the period		42,031	35,445	15,607	27,155
Attributable to:					
Equity holders of the parent		22,128	33,984	(4,577)	27,116
Non-controlling interests		19,903	1,461	20,184	39
		42,031	35,445	15,607	27,155
Earnings per share for the period					
Basic earnings/(loss) per share ₦	26	37.60	58.19	(7.78)	46.43
Diluted earnings/(loss) per share ₦	26	37.60	57.91	(7.78)	46.21

Interim consolidated statement of profit or loss and other comprehensive income

For the half year ended 30 June 2023

	Half year ended 30 June 2023 Unaudited	Half Year ended 30 June 2022 Unaudited	3 Months ended 30 June 2023 Unaudited	3 Months ended 30 June 2022 Unaudited
Notes	₦ million	₦ million	₦ million	₦ million
Profit for the period	42,031	35,445	15,607	27,155
Other comprehensive income:				
Items that may be reclassified to profit or loss (net of tax):				
Foreign currency translation difference	543,931	4,913	519,461	(2,461)
Total comprehensive income for the period (net of tax)	585,962	40,358	535,068	24,694
Attributable to:				
Equity holders of the parent	566,059	38,897	514,884	24,655
Non-controlling interests	19,903	1,461	20,184	39
	585,962	40,358	535,068	24,694

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

Interim condensed consolidated statement of financial position

As at 30 June 2023

		30 June 2023 Unaudited	31 Dec 2022 Audited
	Notes	₦ million	₦ million
Assets			
Non-current assets			
Oil & gas properties	15	1,256,877	741,339
Other property, plant and equipment		20,998	12,419
Right-of-use assets		2,493	1,974
Intangible assets	16	91,379	55,630
Other assets		76,589	45,478
Investments accounted for using equity accounting	17	167,130	99,219
Prepayments		36,362	25,703
Deferred tax assets	14	402,933	205,107
Total non-current assets		2,054,761	1,186,869
Current assets			
Inventories		42,153	24,774
Trade and other receivables	18	268,984	174,127
Prepayments		2,943	556
Derivative financial instruments	20	-	481
Contract assets	19	6,790	3,313
Restricted cash	21.2	18,715	10,706
Cash and cash equivalents	21	286,669	180,786
Total current assets		626,254	394,743
Total assets		2,681,015	1,581,612
Equity and Liabilities			
Equity			
Issued share capital	22	311	297
Share premium	22	92,470	91,317
Share based payment reserve	22	5,839	5,936
Treasury shares		(2,025)	(2,025)
Capital contribution		5,932	5,932
Retained earnings		232,075	241,386
Foreign currency translation reserve		990,945	447,014
Non-controlling interest		16,940	(2,963)
Total shareholders' equity		1,342,487	786,894
Non-current liabilities			
Interest bearing loans and borrowings	23	512,556	311,149
Provision for decommissioning obligations		148,784	86,670
Deferred tax liabilities	14	249,187	126,664
Defined benefit plan		8,314	2,878
Total non-current liabilities		918,841	527,361
Current liabilities			
Interest bearing loans and borrowings	23	60,521	33,232
Lease Liabilities		1,201	1,800
Derivative financial instruments	20	1,174	1,435
Trade and other payables	24	333,419	205,622
Current tax liabilities		23,372	25,268
Total current liabilities		419,687	267,357
Total liabilities		1,338,528	794,718
Total shareholders' equity and liabilities		2,681,015	1,581,612

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

Unaudited interim condensed consolidated financial statements

For the half year ended 30 June 2023

The financial statements of Seplat Energy Plc and its subsidiaries (the Group) for the half year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 28 July 2023 and were signed on its behalf by:



B. Omiyi

FRC/2016/IODN/00000014093

Chairman

28 July 2023



R.T. Brown

FRC/2014/PRO/DIR/003/00000017939

Chief Executive Officer

28 July 2023



E. Onwuka

FRC/2020/PRO/ICAN/006/00000020861

Chief Financial Officer

28 July 2023

Interim condensed consolidated statement of changes in equity

For the half year ended 30 June 2023

	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 2022	296	90,383	4,914	(2,025)	5,932	239,429	385,348	(20,913)	703,364
Profit for the period	-	-	-	-	-	33,984	-	1,461	35,445
Other comprehensive income	-	-	-	-	-	-	4,913	-	4,913
Total comprehensive income for the period	-	-	-	-	-	33,984	4,913	1,461	40,358
Transactions with owners in their capacity as owners:									
Dividend	-	-	-	-	-	(11,729)	-	-	(11,729)
Share based payments (Note 22)	-	-	510	-	-	-	-	-	510
Total	-	-	510	-	-	(11,729)	-	-	(11,219)
At 30 June 2022 (unaudited)	296	90,383	5,424	(2,025)	5,932	261,684	390,261	(19,452)	732,503
At 1 January 2023	297	91,317	5,936	(2,025)	5,932	241,386	447,014	(2,963)	786,894
Profit for the period	-	-	-	-	-	22,128	-	19,903	42,031
Other comprehensive income	-	-	-	-	-	-	543,931	-	543,931
Total comprehensive income for the period	-	-	-	-	-	22,128	543,931	19,903	585,962
Transactions with owners in their capacity as owners:									
Dividend paid	-	-	-	-	-	(31,439)	-	-	(31,439)
Share based payments (Note 22)	-	-	1,070	-	-	-	-	-	1,070
Vested shares (Note 22)	14	1,153	(1,167)	-	-	-	-	-	-
Total	14	1,153	(97)	-	-	(31,439)	-	-	(30,369)
At 30 June 2023 (unaudited)	311	92,470	5,839	(2,025)	5,932	232,075	990,945	16,940	1,342,487

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

Interim condensed consolidated statement of cash flows

For the half year ended 30 June 2023

		Half year ended 30 June 2023 Unaudited	Half Year ended 30 June 2022 Unaudited
	Notes	₦ million	₦ million
Cash flows from operating activities			
Cash generated from operations	25	131,828	137,284
Tax paid		(23,918)	(17,093)
Hedge premium paid		(1,394)	(1,944)
Net cash inflows from operating activities		106,516	118,247
Cash flows from investing activities			
Payment for acquisition of oil and gas properties	15	(44,367)	(29,390)
Payment for acquisition of other property, plant and equipment		(792)	(245)
Deposit for investment		-	(58,307)
Proceeds from disposal of oil and gas properties		1,691	-
Proceeds from disposal of other property plant and equipment		-	2
Receipts from other assets*		-	4,509
Interest received	13	2,043	109
Net cash outflows from investing activities		(41,425)	(83,322)
Cash flows from financing activities			
Repayment of loans & borrowings		(5,597)	-
Dividend paid		(31,439)	(11,729)
Interest paid on lease liability	13	(77)	(61)
lease payments- principal portion		(1,577)	(126)
Payments for other financing charges**		(1,197)	(3,912)
Interest paid on loans and borrowings		(16,745)	(10,871)
Net cash outflows from financing activities		(56,632)	(26,699)
Net increase in cash and cash equivalents		8,459	8,226
Cash and cash equivalents at beginning of the period		180,786	133,667
Effects of exchange rate changes on cash and cash equivalents		97,424	3,583
Cash and cash equivalents at end of the period	21	286,669	145,476

*Receipt from other assets relates to proceeds from financial interest from OML 55.

**Other financing charges of ₦1.2 billion relate to commitment fees and other transaction costs incurred on interest bearing loans and borrowings (\$350 million Revolving Credit Facility, \$110 million Reserved Based Lending Facility and \$50 million Junior Facility).

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

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

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 27 March 2013, the Group incorporated a subsidiary, MSP Energy Limited. The Company was incorporated for oil and gas exploration and production.

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 northeastern 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 & 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 & 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 Nigeria 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 & Gas (Nigeria) Limited (45%) and Starcrest Nigeria Energy Limited (55%). It has been consolidated because Eland is deemed to have power over the

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

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.

On 7 February 2022, the Group incorporated a subsidiary, Seplat Energy Offshore Limited. The Company was incorporated for oil and gas exploration and production.

On 5 July 2022, the Group incorporated a subsidiary, Turnkey Drilling Services Limited. The Company was incorporated for the purpose of drilling chemicals, material supply, directional drilling, drilling support services and exploration services.

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
Wester Ord Oil & Gas Limited	16 July 2014	Jersey	100%	Holding Company	Indirect
Destination Natural Resources Limited*	-	Dubai	70%	Dormant	Indirect
Seplat Energy Offshore Limited	7 February 2022	Nigeria	100%	Oil and Gas exploration and production	Direct
MSP Energy Limited	27 March 2013	Nigeria	100%	Oil and Gas exploration and production	Direct
Turnkey Drilling Services Limited	5 July 2022	Nigeria	100%	Drilling services	Direct

*Destination Natural Resources Limited was liquidated on 6 April 2020.

2. Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 30 June 2023:

- On 23 March 2023, Seplat Energy Plc announced the termination with immediate effect of the Consultancy Agreement between the Company's wholly owned subsidiary and its co-founder, Dr. A.B.C Orjiako, acting through Amaze 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 consolidated financial statements. These accounting policies have been applied to all the periods presented, unless otherwise stated. The Consolidated financial statements are for the Group consisting of Seplat Energy Plc and its subsidiaries.

3.2 Basis of preparation

The consolidated financial statements of the Group for the half year ended 30 June 2023 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 and historical cost convention, except for financial instruments measured at fair value on initial recognition, derivative financial instruments, and defined benefit plans – plan assets measured at fair value. The financial statements are presented in Nigerian Naira, and all values are rounded to the nearest million (₦million), except when otherwise indicated.

Nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for at least twelve months from the date of these financial statements. The accounting policies adopted are consistent with those of the previous financial year end, except for the adoption of new and amended standard which are set out below.

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 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

a) IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts 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 based on a 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

The amendments had no impact on the Group's interim condensed consolidated financial statements.

b) Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statement.

c) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 had no impact on the Group's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current - Effective for annual periods beginning on or after 1 January 2024
- IFRS 16 amended for lease liability measurement in sale and leaseback – Effective date for annual periods beginning on or after January 2024.

3.5 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2023. This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2022.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

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.

a) Transactions and balances

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

b) Group companies

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

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

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

4. Significant accounting judgements estimates and assumptions

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:

a) 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.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

b) 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.

c) 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.

d) 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 ₦28 billion (2022: ₦22 billion). See Note 31 for the applicable translation rates.

e) 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.

f) 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 receive and consume 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;

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

b) The combined effect of both the following:

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

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

Transactions with Joint Operating arrangement (JOA) partners

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

Exploration and evaluation assets

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

Segment reporting

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

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief financial officer, the 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:

a) 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

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

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.

b) 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.

c) Share-based payment reserve

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

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

d) 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.

e) 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.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

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

f) 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.

g) 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.

h) 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.

i) Intangible assets

The contract based intangible assets (license) were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line bases over their estimated useful lives which is also the economic life of the asset. The fair value of contract based intangible assets is estimated using the multi period excess earnings method. This requires a forecast of revenue and all cost projections throughout the useful life of the intangible assets. A contributory asset charge that reflects the return on assets is also determined and applied to the revenue but subtracted from the operating cash flows to derive the pre-tax cash flow. The post-tax cashflows are then obtained by deducting out the tax using the effective tax rate.

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

5. Financial risk management

5.1 Financial risk factors

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

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions	Cash flow forecasting	Match and settle foreign denominated cash inflows

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

5.1.1 Credit risk

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

a) 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 expired in December 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 National Petroleum Corporation Exploration Limited (NEPL) 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.

b) Estimation uncertainty in measuring impairment loss

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

i. Significant unobservable inputs

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

	Effect on profit before tax 30 June 2023	Effect on other components of equity before tax 30 June 2023
	₦ million	₦ million
Increase/decrease in loss given default		
+10%	(146)	-
-10%	152	-

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

	Effect on profit before tax 31 Dec 2022	Effect on other components of equity before tax 31 Dec 2022
	₦ million	₦ million
Increase/decrease in loss given default		
+10%	(383)	-
-10%	383	-

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

	Effect on profit before tax 30 June 2023	Effect on other components of equity before tax 30 June 2023
	₦ million	₦ million
Increase/decrease in probability of default		
+10%	(110)	-
-10%	124	-

	Effect on profit before tax 31 Dec 2022	Effect on other components of equity before tax 31 Dec 2022
	₦ million	₦ million
Increase/decrease in probability of default		
+10%	(361)	-
-10%	361	-

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 31 March 2023	Effect on other components of equity before tax 31 March 2023
	₦ million	₦ million
Increase/decrease in forward looking macroeconomic indicators		
+10%	(110)	-
-10%	124	-

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

	Effect on profit before tax 31 Dec 2022	Effect on other components of equity before tax 31 Dec 2022
	₦ million	₦ million
Increase/decrease in forward looking macroeconomic indicators		
+10%	(107)	-
-10%	107	-

5.1.2 Liquidity risk

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

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

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

	Effective interest rate	Less than 1 year	1 – 2 year	2 – 3 years	3 – 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
30 June 2023						
Non – derivatives						
Fixed interest rate borrowings						
Senior notes	7.75%	19,230	38,565	38,460	508,739	604,993
Variable interest rate borrowings						
The Mauritius Commercial Bank Ltd	8.00% + LIBOR	11,252	12,203	8,679	-	32,135
The Stanbic IBTC Bank Plc	8.00% + LIBOR	11,487	12,457	8,860	-	32,804
The Standard Bank of South Africa Limited	8.00% + LIBOR	6,564	7,118	5,062	-	18,745
First City Monument Bank Limited	8.00% + LIBOR	2,931	3,178	2,260	-	8,368
Shell Western Supply and Trading Limited	10.5% + LIBOR	1,324	1,319	1,319	9,602	13,565
Total variable interest borrowings		33,559	36,275	26,181	9,602	105,616

Other non – derivatives

Trade and other payables*	333,419	-	-	-	333,419
Lease liability	1,200	-	-	-	1,200
	334,619	-	-	-	334,619
Total	387,408	74,839	64,641	518,341	1,045,229

	Effective interest rate	Less than 1 year	1 – 2 year	2 – 3 years	3 – 5 years	Total
	%	₦ million	₦ million	₦ million	₦ million	₦ million
31 December 2022						
Non – derivatives						
Fixed interest rate borrowings						
Senior notes	7.75%	11,575	22,837	22,900	324,921	382,233
Variable interest rate borrowings						
Citibank, N.A., London Branch	8.00% + LIBOR	5,446	7,523	6,777	1,823	21,569
Nedbank Limited London	8.00% + LIBOR	5,560	7,679	6,918	1,860	22,017
Stanbic IBTC Bank Plc	8.00% + LIBOR	3,177	4,389	3,953	1,063	12,582
The Standard Bank of South Africa Limited	8.00% + LIBOR	1,418	1,959	1,765	475	5,617
RMB International (Mauritius) Limited	10.5% + LIBOR	1,206	1,134	1,058	4,082	7,481
Total variable interest borrowings		16,808	22,684	20,471	9,303	69,266
Other non – derivatives						
Trade and other payables*		205,622	-	-	-	205,622
Lease liability		1,800	(30)	30	-	1,800
		207,422	(30)	30	-	207,422
Total		235,805	45,490	43,401	334,224	658,920

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

5.1.3 Fair value measurements

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

	Carrying amount		Fair value	
	30 June 2023	31 Dec 2022	30 June 2023	31 Dec 2022
	₦ million	₦ million	₦ million	₦ million
Financial assets at amortised cost				
Trade and other receivables	150,900	102,085	150,900	102,085

Contract assets	6,790	3,313	6,790	3,313
Cash and cash equivalents	286,669	180,786	286,669	180,786
	444,359	286,184	444,359	286,184

Financial liabilities at amortised cost

Interest bearing loans and borrowings	573,077	344,381	550,883	331,384
Trade and other payables*	242,519	178,128	242,519	178,128
	815,596	522,509	793,402	509,512

Financial liabilities at fair value

Derivative financial instruments (Note 20)	(1,174)	(1,435)	(1,174)	(1,435)
	(1,174)	(1,435)	(1,174)	(1,435)

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.

5.1.4 Fair Value Hierarchy

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

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

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

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.

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 six months ended 30 June 2023, revenue from the gas segment of the business constituted 12% (2022: 11%) 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

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

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

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	N'million	N'million	N'million	N'million
Oil	49,052	23,079	30,151	20,679
Gas	(7,021)	12,366	(14,544)	6,476
Total profit for the period	42,031	35,445	15,607	27,155

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
Oil	N'million	N'million	N'million	N'million
Revenue from contract with customers				
Crude oil sales (Note 7)	245,906	195,160	109,110	105,205
Operating profit before depreciation, amortization and impairment	108,917	118,910	55,612	69,859
Depreciation, amortization and impairment	(41,350)	(34,101)	(24,732)	(18,929)
Operating profit	67,567	84,809	30,880	50,930
Finance income (Note 13)	2,043	109	1,293	96
Finance costs (Note 13)	(18,828)	(14,893)	(9,971)	(7,162)
Profit before taxation	50,782	70,025	22,202	43,864
Income tax (expenses)/credit (Note 14)	(1,730)	(46,946)	7,949	(23,185)
Profit for the period	49,052	23,079	30,151	20,679

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
Gas	N'million	N'million	N'million	N'million
Revenue from contract with customers				
Gas sales (Note 7)	32,428	24,043	17,233	13,380
Operating (loss)/profit before depreciation, amortisation and impairment	(6,706)	17,742	(17,955)	8,874
Depreciation, amortisation and impairment	(650)	(531)	(357)	(266)
Operating (loss)/profit	(7,356)	17,211	(18,312)	8,608
Share of profit from joint venture accounted for using equity accounting	24	57	36	109
(Loss)/profit before taxation	(7,332)	17,268	(18,276)	8,717
Income tax credit/(expenses) - Note 14	311	(4,902)	3,732	(2,241)
(Loss)/profit for the period	(7,021)	(12,366)	(14,544)	6,476

During the reporting period, impairment losses recognised in the oil segment relate to trade receivables (Pillar, Pan Ocean, Oghareki and Summit) NEPL, NNPC and other receivables. Impairment losses recognised in the gas segment relates to Geregu Power, Sapele Power and NGMC. 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.

	Half year ended 30 June 2023	Half year ended 30 June 2023	Half year ended 30 June 2023	Half year ended 30 June 2022	Half year ended 30 June 2022	Half year ended 30 June 2022
	Oil	Gas	Total	Oil	Gas	Total
	N'million	N'million	N'million	N'million	N'million	N'million
Geographical markets						
The Bahamas	77,537	-	77,537	24,165	-	24,165
Nigeria	23,150	32,428	55,578	19,776	24,043	43,819
Italy	2,272	-	2,272	775	-	775
Switzerland	78,747	-	78,747	145,557	-	145,557
Barbados	7,217	-	7,217	4,887	-	4,887
England	56,983	-	56,983	-	-	-
Revenue from contracts with customers	245,906	32,428	278,334	195,160	24,043	219,203

Timing of revenue recognition

At a point in time	245,906	-	245,906	195,160	-	195,160
Over time	-	32,428	32,428	-	24,043	24,043
Revenue from contracts with customers	245,906	32,428	278,334	195,160	24,043	219,203

	3 Months ended 30 June 2023	3 Months ended 30 June 2023	3 Months ended 30 June 2023	3 Months ended 30 June 2022	3 Months ended 30 June 2022	3 Months ended 30 June 2022
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million

Geographical markets

The Bahamas	44,746	-	44,746	14,143	-	14,143
Nigeria	11,709	17,233	28,942	11,891	13,380	25,271
Italy	2,272	-	2,272	775	-	775
Switzerland	41,116	-	41,116	75,993	-	75,993
Barbados	3,832	-	3,832	2,403	-	2,403
England	5,435	-	5,435	-	-	-
Revenue from contracts with customers	109,110	17,233	126,343	105,205	13,380	118,585

Timing of revenue recognition

At a point in time	109,110	-	109,110	105,205	-	105,205
Over time	-	17,233	17,233	-	13,380	13,380
Revenue from contracts with customers	109,110	17,233	126,343	105,205	13,380	118,585

The Group's transactions with its major customer, Mercuria, constitutes more than 30% (₦78.7 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 (₦32.4 billion) accounted for the total revenue from the gas segment.

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

	Half year ended 30 June 2023	Half year ended 30 June 2023	Half year ended 30 June 2023	Half year ended 30 June 2022	Half year ended 30 June 2022	Half year ended 30 June 2022
	Oil	Gas	Total	Oil	Gas	Total
	₦'million	₦'million	₦'million	₦'million	₦'million	₦'million
Impairment gain/(losses) recognised during the period	1,089	(632)	457	(243)	(2,409)	(2,652)
	1,089	(632)	457	(243)	(2,409)	(2,652)

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

	3 Months ended 2023	3 Months ended 2023	3 Months ended 2023	3 Months ended 2022	3 Months ended 2022	3 Months ended 2022
	Oil	Gas	Total	Oil	Gas	Total
	N'million	N'million	N'million	N'million	N'million	N'million
Impairment gain/(losses) recognised during the period	739	(694)	45	(161)	(1,982)	(2,143)
	739	(694)	45	(161)	(1,982)	(2,143)

6.1.3 Impairment losses on non-financial assets by reportable segments

	Half year ended 30 June 2023	Half year ended 30 June 2023	Half year ended 30 June 2023	Half year ended 30 June 2022	Half year ended 30 June 2022	Half year ended 30 June 2022
	Oil	Gas	Total	Oil	Gas	Total
	N'million	N'million	N'million	N'million	N'million	N'million
Impairment losses recognised during the period	-	-	-	(3,532)	-	(3,532)
	-	-	-	(3,532)	-	(3,532)

	3 Months ended 2023	3 Months ended 2023	3 Months ended 2023	3 Months ended 2022	3 Months ended 2022	3 Months ended 2022
	Oil	Gas	Total	Oil	Gas	Total
	N'million	N'million	N'million	N'million	N'million	N'million
Impairment losses recognised during the period	-	-	-	(3,532)	-	(3,532)
	-	-	-	(3,532)	-	(3,532)

6.2 Segment assets

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

	Oil	Gas	Total
	N'million	N'million	N'million
Total segment assets			
30 June 2023	2,215,548	465,467	2,681,015
31 December 2022	1,279,802	301,810	1,581,612

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

6.3 Segment liabilities

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

	Oil ₦'million	Gas ₦'million	Total ₦'million
Total segment liabilities			
30 June 2023	1,043,730	294,798	1,338,528
31 December 2022	654,939	139,779	794,718

7. Revenue from contracts with customers

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Crude oil sales	245,906	195,160	109,110	105,205
Gas sales	32,428	24,043	17,233	13,380
	278,334	219,203	126,343	118,585

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

8. Cost of sales

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Royalties	47,896	45,242	26,110	24,359
Depletion, depreciation and amortisation	41,349	29,296	24,732	15,213
Crude handling fees	17,139	8,462	9,250	3,092
Nigeria Export Supervision Scheme (NESS) fee	286	204	140	114
Barging and trucking	3,508	2,589	1,920	1,359
Niger Delta Development Commission Levy	3,088	2,246	1,482	1,053
Operational & maintenance expenses	24,483	17,057	13,176	8,121
	137,749	105,096	76,810	53,311

Operational & maintenance expenses relates mainly to maintenance costs, warehouse operations expenses, security expenses, community expenses, clean-up costs, direct staff costs, fuel supplies and catering services. Also included in operational and maintenance expenses is gas flare penalty of ₦1.7 billion (2022: ₦1.3 billion).

Barging and trucking costs relates to costs on the OML 40 Gbetiokun field.

Crude handling fees increased due to higher production volumes and costs for additional alternative evacuation routes on AEPP secured by Seplat to minimise outages and Third-party infrastructure downtime.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

9. Other (loss)/income

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦million	₦ million	₦million
(Overlift)/Underlift	(30,209)	17,759	4,395	12,093
(Loss)/gain on foreign exchange	(17,209)	2,456	(17,443)	4,973
Loss on disposal of oil and gas asset	-	(5,437)	-	(5,437)
Tariffs	1,122	329	658	143
Others	74	479	42	104
	(46,222)	15,586	(12,348)	11,876

Overlifts/Underlifts are surplus/shortfalls of crude lifted above/below the share of production. It may exist when the crude oil lifted by the Group during the period is more/less than its ownership share of production. The surplus/shortfall is initially measured at the market price of oil at the date of lifting and recognised as other loss/income. At each reporting period, the surplus/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 loss/income. Loss/gain on foreign exchange is principally due to the translation of Naira, Pounds and Euro denominated monetary assets and liabilities.

Tariffs which are a form of crude handling fee, relate to income generated from the use of the Group's pipeline. Others represents other income, joint venture billing interest and joint venture billing finance fees.

10. General and administrative expenses

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦million	₦ million	₦million
Depreciation	864	879	548	444
Depreciation of right-of-use assets	1,083	925	581	515
Auditor's remuneration	197	143	84	143
Professional and consulting fees	14,127	2,418	13,113	1,446
Directors' emoluments (executive)	814	305	333	(14)
Directors' emoluments (non-executive)	1,188	1,088	579	527
Employee benefits	11,661	8,610	6,184	4,178
Share-based benefits	1,070	510	474	510
Flights and other travel costs	1,565	2,496	978	1,794
Rentals and other general expenses	939	1,906	1,210	1,824
	33,508	19,280	24,084	11,367

Professional and consulting fees increase in 2023 was mainly due to professional fees associated with the litigation costs in response to the unprecedented and intense period of minority shareholder actions through the Courts and some costs associated with the MPNU transaction.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

Employee benefits is higher than prior year due to cost-of-living adjustments. Executive director's emoluments include accruals on bonus in current period but were not included in prior period. overall costs on executive remain flat when compared with prior period.

Rentals and other general expenses relate to accruals for rental & other general administrative costs.

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

Entity	Service	PwC office	Fees (₦'000)	Year
Seplat Energy Plc	Remuneration committee advice	PwC UK	162,806	2023
Seplat Energy Plc	Tax return advisory	PwC UK	16,214	2023

11. Impairment reversal/(loss) on assets

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Impairment reversal/(loss) on financial assets-net (Note 11.1)	457	(2,652)	45	(2,143)
Impairment losses on non-financial assets-net (Note 11.2)	-	(3,532)	-	(3,532)
	457	(6,184)	45	(5,675)

11.1 Impairment reversal/(losses) on financial assets

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Impairment (losses)/reversal on:				
NNPC receivables	(40)	-	(4)	-
NEPL receivables	428	-	42	-
Trade receivables (Geregu Power, Sapele Power and NGMC)	69	(2,357)	7	(1,932)
Other trade receivables	-	(295)	-	(211)
	457	(2,652)	45	(2,143)

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

11.2 Impairment losses on non-financial assets-net

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Impairment losses on non-financial assets-net	-	(3,532)	-	(3,532)
	-	(3,532)	-	(3,532)

During the period, the Group recognized no impairment loss on non-financial assets (June 2022: ₦3.5 million) for long outstanding line pipes.

12. Fair value loss

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Realised fair value loss on crude oil hedges	(1,394)	(1,944)	(843)	(1,201)
Unrealised fair value gain/(loss) on crude oil hedges	293	(265)	265	631
	(1,101)	(2,209)	(578)	(570)

Fair value loss on derivatives represents changes in the fair value of hedging receivables charged to profit or loss.

13. Finance income/(cost)

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Finance income				
Interest income	2,043	109	1,293	96
Finance cost				
Interest on bank loans	(16,843)	(14,345)	(8,188)	(6,877)
Interest on lease liabilities	(77)	(61)	(37)	(41)
Unwinding of discount on provision for decommissioning	(1,908)	(487)	(1,746)	(244)
	(18,828)	(14,893)	(9,971)	(7,162)
Finance (cost) – net	(16,785)	(14,784)	(8,678)	(7,066)

Finance income represents interest on short-term fixed deposits.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

14. Taxation

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 annual tax rate used for the half year ended 30 June 2023 is 85% for crude oil activities and 30% for gas activities.

The effective tax rate for the period was 3% (2022: 60%).

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

Income tax expense

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Current tax:				
Current tax expense on profit for the year	13,165	12,480	2,200	6,133
Education tax	2,743	2,492	936	1,386
NASENI Levy	132	168	42	168
Police Levy	2	3	1	3
Total current tax	16,042	15,143	3,179	7,690
Deferred tax:				
Deferred tax (credit)/expense in profit or loss (Note 14.1)	(14,623)	36,705	(14,860)	17,736
Total tax expense/(credit) in profit or loss	1,419	51,848	(11,681)	25,426
Effective tax rate	3%	60%	(30%)	50%

14.1 Deferred tax

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

	Balance as at 1 January 2023	(Charged)/credited to profit or loss	Exchange difference	Balance as at 30 June 2023
	₦ million	₦ million	₦ million	₦ million
Deferred tax assets (Note 14.2)	205,107	38,862	158,964	402,933
Deferred tax liabilities (Note 14.3)	(126,664)	(24,239)	(98,284)	(249,187)
	78,443	14,623	60,679	153,746

In line with IAS 12, the Group elected to offset the deferred tax assets against the deferred tax liabilities arising from similar transactions.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

14.2 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 2023	(Charged)/ credited to profit or loss	Exchange difference	Balance at 30 June 2023
	₦ million	₦ million	N million	₦ million
Tax losses	9,941	(11,314)	1,373	-
Other cumulative timing differences:				
Accelerated capital deduction	96,118	47,084	88,348	231,550
Other temporary differences:				
Provision for abandonment	12,632	2,328	9,759	24,719
Provision for gratuity	11,158	739	7,987	19,884
Provision for defined benefit	2,717	2,041	2,839	7,597
Unrealised foreign exchange loss	11,619	(6,639)	4,763	9,743
Overlift	23,370	7,055	19,373	49,798
Impairment provision on trade and other receivables	37,389	(2,247)	24,499	59,641
Leases	163	(185)	23	1
	205,107	38,862	158,964	402,933

*Other temporary differences include provision for defined benefit, provision for Abandonment, share equity reserve.

The deferred tax credit recorded during the period was due to change in applicable tax rate on our Elcrest assets which impacted deferred tax asset balance brought forward from prior years.

14.3 Deferred tax liabilities

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

	Balance as at 1 January 2023	Charged /(credited) to profit or loss	Exchange difference	Balance at 30 June 2023
	₦ million	₦ million	₦ million	₦ million
Other cumulative timing differences:				
Property, plant & equipment	(113,801)	(36,718)	(95,474)	(245,993)
Leases	(154)	(551)	(369)	(1,074)
Underlift	(4,615)	17,085	5,043	17,513
Unrealised foreign exchange loss	(8,094)	(4,055)	(7,484)	(19,633)
	(126,664)	(24,239)	(98,284)	(249,187)

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

15. Oil & Gas properties

During the six months ended 30 June 2023, the Group invested ₦44.4 billion (Dec 2022: ₦67.3 billion) on additions to oil and gas properties.

16. Intangible assets

	License	Total
Cost	₦ million	₦ million
At 1 January 2023	70,588	70,588
Exchange difference	48,288	48,288
At 30 June 2023	118,876	118,876
Amortisation		
At 1 January 2023	14,958	14,958
Charge for the period	1,558	1,558
Exchange difference	10,981	10,981
At 30 June 2023	27,497	27,497
NBV		
At 30 June 2023	91,379	91,379
At 31 December 2022	55,630	55,630

17. Investment accounted for using equity accounting method

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Investment in joint venture	167,130	99,219
	167,130	99,219

18. Trade and other receivables

	30 June 2023	31 Dec 2022
	₦ million	₦ million
Trade receivables (Note 18.1)	25,530	19,480
Nigerian National Petroleum Corporation Exploration Limited (NEPL) (Note 18.2)	66,737	40,386
Nigerian National Petroleum Corporation Limited (NNPCL) receivables (Note 18.3)	23,991	15,411

Underlift	11,666	7,018
Other receivables (Note 18.4)	29,235	21,752
Advances to suppliers	9,807	7,657
Receivables from ANOH (Note 18.5)	5,407	5,056
Advances for new business (Note 18.6)	96,611	57,367
	268,984	174,127

18.1 Trade receivables

Included in trade receivables is an amount due from Geregu Power of ₦9.9 billion (Dec 2022: ₦8.7 billion), Sapele Power ₦3.9 billion (2022: ₦2.7 billion), MSN Energy 1.9 billion (Dec 2022: ₦1.7 billion) and Nigerian Gas Marketing Company ₦0.4 billion (Dec 2022: ₦0.2 billion) totalling ₦16.1 billion (Dec 2022: ₦13.3 billion) with respect to the sales of gas. Also included in trade receivables is ₦3.9 billion (Dec 2022: ₦5.7 billion) due from Waltersmith for sales of crude, ₦0.03 billion (Dec 2022: ₦0.1 billion) due from Pillar and ₦15.28 billion, (Dec 2022: ₦11.4 billion) from other crude injectors.

Reconciliation of trade receivables

	30 June 2023	31 Dec 2022
	₦ million	₦ million
Balance as at 1 January	30,462	34,698
Additions during the period	295,421	368,983
Receipts for the period	(201,290)	(357,032)
Exchange difference	(89,284)	(16,187)
Gross carrying amount	35,309	30,462
Less: impairment allowance	(9,779)	(10,982)
Balance as at the end of the period	25,530	19,480

Reconciliation of impairment allowance on trade receivables

	30 June 2023	31 Dec 2022
	₦ million	₦ million
Loss allowance as at 1 January	10,982	8,775
(Decrease)/Increase in loss allowance during the period	(69)	1,383
Translation impact*	(5,820)	-
Exchange difference	4,686	824
Loss allowance as at the end of the period	9,779	10,982

*Translation impact relates to remeasurement of ECL on receivables denominated in Naira.

18.2 NEPL receivables

The outstanding cash calls due to Seplat from its JOA partner, NEPL is ₦68.6 billion (Dec 2022: ₦41.9 billion).

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

Reconciliation of NEPL receivables

	30 June 2023	31 Dec 2022
	₦ million	₦ million
Balance as at 1 January	41,853	39,514
Additions during the period	116,199	115,181
Receipts for the period	(74,973)	(110,303)
Exchange difference	(14,505)	(2,539)
Gross carrying amount	68,574	41,853
Less: impairment allowance	(1,837)	(1,467)
Balance as at the end of the period	66,737	40,386

Reconciliation of impairment allowance on NEPL receivables

	30 June 2023	31 Dec 2022
	₦ million	₦ million
Loss allowance as at 1 January	1,467	4,943
(Decrease)/increase in loss allowance during the period	(428)	(3,700)
Exchange difference	798	224
Loss allowance as at the end of the period	1,837	1,467

18.3 NNPC LTD receivables

Reconciliation of NNPC LTD receivables

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Balance as at 1 January	15,791	10,819
Additions during the period	17,585	29,249
Receipts for the period	(12,959)	(23,920)
Exchange difference	4,272	(357)
Gross carrying amount	24,689	15,791
Less: impairment allowance	(698)	(380)
Balance as at the end of the period	23,991	15,411

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

Reconciliation of impairment allowance on NNPCCL receivables

	30 June 2023	31 Dec 2022
	N'million	N'million
Loss allowance as at 1 January	380	665
Increase/(decrease) in loss allowance during the period	40	(325)
Exchange difference	278	40
Loss allowance as at the end of the period	698	380

18.4 Other receivables

Reconciliation of other receivables

	30 June 2023	31 Dec 2022
	N'million	N'million
Balance as at 1 January	47,364	21,632
Additions during the period	8,509	43,326
Receipts for the period	(7,068)	(18,454)
Exchange difference	22,197	861
Gross carrying amount	71,003	47,364
Less: impairment allowance	(41,768)	(25,612)
Balance as at the end of the period	29,235	21,752

Reconciliation of impairment allowance on other receivables

	30 June 2023	31 Dec 2022
	N'million	N'million
Loss allowance as at 1 January	25,612	18,668
Increase in loss allowance during the period	-	5,076
Translation impact*	(922)	-
Exchange difference	17,078	1,868
Loss allowance as at the end of the period	41,768	25,612

*Translation impact relates to remeasurement of ECL on receivables denominated in Naira.

Other receivables include sundry receivables, WHT receivables, staff receivables, NGC VAT receivables, Oghareki CHC receivables and deposit for N9 million divestment.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

18.5 Receivables from Joint Venture (ANOH)

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Balance as at 1 January	5,188	5,259
Additions during the period	601	610
Receipts for the period	(439)	(1,072)
Exchange difference	280	391
Gross carrying amount	5,630	5,188
Less: impairment allowance	(223)	(132)
Balance as at the end of the period	5,407	5,056

Reconciliation of impairment allowance on receivables from joint venture (ANOH)

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Loss allowance as at 1 January	132	-
Increase in loss allowance during the period	-	126
Exchange difference	91	6
Loss allowance as at the end of the period	223	132

18.6 Advances for New Business

Advances for new business include deposit for investment of ₦96.6 billion (Dec 2022: ₦57.4 billion) towards the acquisition of the entire share capital of Mobil Producing Nigeria Unlimited from Exxon Mobil Corporation, Delaware.

19. Contract assets

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Revenue on gas sales (Note 19.1)	7,000	3,493
Impairment loss on contract asset	(210)	(180)
	6,790	3,313

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, Azura and NGMC for the delivery of gas supplies which the four 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 crystallises. 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, Azura and NGMC authorising the quantities, this will be reclassified from contract assets to trade receivables.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

19.1 Reconciliation of contract assets

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

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Balance as at 1 January	3,493	1,679
Addition during the period	69,120	38,216
Amount billed during the period	(68,365)	(36,631)
Exchange difference	2,752	229
Gross revenue on gas sales	7,000	3,493
Impairment	(210)	(180)
Balance as at the end of the period	6,790	3,313

20. 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.

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Crude oil options	(1,174)	(1,435)
Additions	-	481
	(1,174)	(954)

21. 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.

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Cash on hand	10	30
Short-term fixed deposits	98,825	22,906
Cash at bank	188,019	157,960
Gross cash and cash equivalent	286,854	180,896
Loss allowance	(185)	(110)

Net cash and cash equivalents	286,669	180,786
-------------------------------	---------	---------

21.1 Reconciliation of impairment allowance on cash and cash equivalents

	30 June 2023	31 Dec 2022
	N'million	N'million
Loss allowance as at 1 January	110	101
Exchange difference	75	9
Loss allowance as at the end of the period	185	110

21.2 Restricted cash

	30 June 2023	31 Dec 2022
	N'million	N'million
Restricted cash	18,715	10,706
	18,715	10,706

21.3 Movement in restricted cash

	30 June 2023	31 Dec 2022
	N'million	N'million
Increase in restricted cash	(463)	(3,359)
	(463)	(3,359)

Included in the restricted cash balance is ₦6.1 billion and ₦11.4 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 ₦0.5 billion for unclaimed dividend.

A garnishee order of ₦0.7 billion is included in the restricted cash balance as at the end of the reporting period.

These amounts are subject to legal restrictions and are therefore not available for general use by the Group.

22. Share capital

22.1 Authorised and issued share capital

	30 June 2023	31 Dec 2022
	N'million	N'million
Authorised ordinary share capital		
588,444,561 issued shares denominated in Naira of 50 kobo per share	311	297
Issued and fully paid		
588,444,561 (Dec 2022: 588,444,561) issued shares denominated in Naira of 50 kobo per share	311	297

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

22.2 Movement in share capital and other reserves

	Number of shares	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Total
	Shares	₦'million	₦'million	₦'million	₦'million	₦'million
Opening balance as at 1 January 2023	588,444,561	297	91,317	5,936	(2,025)	95,525
Share based payments	-	-	-	1,070	-	1,070
Vested shares	-	14	1,153	(1,167)	-	-
Closing balance as at 30 June 2023	588,444,561	311	92,470	5,839	(2,025)	96,595

22.3 Employee share-based payment scheme

As at 30 June 2023, the Group had awarded 94,356,802 shares (Dec 2022: 94,038,312 shares) to certain employees and senior executives in line with its share-based incentive scheme. During the six months ended 30 June 2023, 10,828,156 were vested (Dec 2022: 4,719,809 shares).

22.4 Treasury shares

This relates to Share re-purchase 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.

23. Interest bearing loans and borrowings

23.1 Reconciliation of interest bearing loans and borrowings

Below is the reconciliation on interest bearing loans and borrowings for 30 June 2023:

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦ million	₦ million	₦ million
Balance as at 1 January 2023	33,232	311,149	344,381
Interest accrued	16,843	-	16,843
Interest capitalized	2,038	-	2,038
Principal repayment	(5,597)	-	(5,597)
Interest repayment	(16,745)	-	(16,745)
Other financing charges *	(1,197)	-	(1,197)
Transfers	7,737	(7,737)	-
Exchange differences	24,210	209,144	233,354
Carrying amount as at 30 June 2023	60,521	512,556	573,077

*other financing charges relates commitment fees for the \$350 million revolving credit facility and the Junior facilities.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

Below is the reconciliation on interest bearing loans and borrowings for 31 December 2022:

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	₦ million	₦ million	₦ million
Balance as at 1 January 2022	24,988	290,803	315,791
Interest accrued	27,761	-	27,761
Interest capitalized	5,943	-	5,943
Interest repayment	(26,857)	-	(26,857)
Other financing charges	(5,325)	-	(5,325)
Transfers	4,274	(4,274)	-
Exchange differences	2,448	24,620	27,068
Carrying amount as at 31 December 2022	33,232	311,149	344,381

23.2 Amortised cost of borrowings

	30 June 2023	31 Dec 2022
	₦'million	₦'million
Senior loan notes	491,375	298,133
Revolving loan facilities	7,163	3,655
Reserve based lending (RBL) facility	74,539	42,593
	573,077	344,381

\$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 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 ₦491.4 billion although the principal is \$650 million.

\$110 million Senior reserve-based lending (RBL) facility – March 2021

The Group through its subsidiary Westport in April 2021 refinanced its reserved based lending facility ("RBL"). 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 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. The current amount outstanding on the RBL is \$99 million, whereas the borrowing base is \$101 million. Interest rate payable under the RBL is currently USD LIBOR plus 8% (although a shift to SOFR is being documented). The facility amortizes on a semi-annual basis and 10% of the headline amount of the \$110 million facility has been repaid (a further 10% is due at end-September 2023).

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

\$50 million Reserved based lending (RBL) facility – July 2021

In July 2021, the Group raised a \$50 million offtake loan facility line to the Reserved Based Lending Facility. The facility has a 6-year tenor, maturing in 2027. \$11 million of the facility is outstanding, with the remaining \$39 million available. The interest rate payable under the offtake loan is 2.5% higher than the RBL.

\$350 million Revolving credit facility – September 2022

Seplat Energy Plc successfully refinanced its existing \$350million revolving credit facility in September 2022 with a new three-year \$350 million revolving credit facility due in June 2025 (the "RCF"). The RCF includes an automatic maturity extension until December 2026 once a refinancing of the existing \$650 million bond due in April 2026 is implemented. The RCF is scheduled to reduce from July 2024, with such date automatically extended to July 2025 once the refinancing of the existing \$650 million bond is implemented. The interest rate under the RCF is 5% over the base rate (SOFR plus applicable credit adjustment spread), as the margin reduced to of 5% after production flowing through the Amukpe-to-Escravos pipeline is stabilized at an average production of at least 15,000 bpd over a 45 consecutive day period.

24. Trade and other payables

	30 June 2023	31 Dec 2022
	₦ million	₦ million
Trade payable	75,379	48,582
Accruals and other payables	113,891	96,112
NDDC levy	7,139	2,685
Royalties payable	46,110	30,749
Deferred revenue	46	-
Overlift payable	90,854	27,494
	333,419	205,622

Included in accruals and other payables are field accruals of ₦33.3 billion (Dec 2022: ₦38 billion), deferred revenue of ₦0.1 billion and other vendor payables of ₦45.1 billion (Dec 2022: ₦26.5 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.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

25. Computation of cash generated from operations

		Half year ended 30 June 2023	Half year ended 30 June 2022
	Notes	₦ million	₦ million
Profit before tax		43,450	87,293
Adjusted for:			
Depletion, depreciation and amortization		42,213	30,175
Depreciation of right-of-use asset		1,083	925
Impairment (reversal)/ losses on financial assets	11.1	(457)	2,652
Impairment losses on non-financial assets		-	3,532
Loss on disposal of oil and gas asset		-	5,437
Interest income	13	(2,043)	(109)
Interest expense on bank loans	13	16,843	14,345
Interest on lease liabilities	13	77	61
Unwinding of discount on provision for decommissioning	13	1,908	487
Unrealised fair value (gain)/loss on derivatives financial instrument	12	(293)	265
Realised fair value loss on derivatives	12	1,394	1,944
Unrealised foreign exchange loss/(gain)	9	17,209	(2,456)
Share based payment expenses		1,070	510
Defined benefit expenses		2,343	786
Share of profit in joint venture		(24)	(57)
Changes in working capital: (excluding the effects of exchange differences)			
Trade and other receivables		14,002	(14,327)
Inventories		(292)	(372)
Prepayments		3,323	(425)
Contract assets		(819)	(1,693)
Trade and other payables		(8,696)	3,606
Restricted cash		(463)	4,705
Net cash from operating activities		131,828	137,284

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

26. 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.

	Half year ended 30 June 2023	Half Year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	₦ million	₦ million	₦ million	₦ million
Profit/(loss) attributable to Equity holders of the parent	22,128	33,984	(4,577)	27,116
Profit attributable to Non-controlling interests	19,903	1,461	20,184	39
Profit for the period	42,031	35,445	15,607	27,155
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	588,446	584,036	588,446	584,036
Outstanding share-based payments (shares)	1	2,801	1	2,801
Weighted average number of ordinary shares adjusted for the effect of dilution	588,447	586,837	588,447	586,837
	₦	₦	₦	₦
Basic earnings per share for the period				
Basic earnings/(loss) per share	37.60	58.19	(7.78)	46.43
Diluted earnings/(loss) per share	37.60	57.91	(7.78)	46.21
Profit/(loss) used in determining basic/diluted earnings per share	22,128	33,984	(4,577)	27,116

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.

27. Proposed dividend

The Group's directors proposed an interim dividend of 3 cents per share for the reporting period (2022: 2.5 cents)

28. Related party relationships and transactions

The Group is controlled by Seplat Energy Plc (the parent Company). The Parent Company is owned 6.43% either directly or by entities controlled by Dr. A.B.C Orjiako (SPDCL(BVI)) and members of his family. The remaining shares in the parent Company are widely held.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

The goods and services provided by the related parties are disclosed below.

Shareholders of the parent company

Shebah Petroleum Development Company Limited SPDCL ('BVI'): Dr. A.B.C Orjiako 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 nil (Dec 2022: ₦409.8 million). Payables amounted to nil in the current period.

Amaze Limited: Dr. A.B.C Orjiako is a director and shareholder of Amaze Ltd. The company provided consulting services to Seplat. Services provided to the Group during the period amounted to ₦271 million (Dec 2022: ₦651.3 million).

Entities controlled by Directors of the Company

Ubosi Eleh and Company (controlled by Director Ernest Ebi): The Company provided a leasehold property to Seplat. The amount during the period amounted to nil (Dec 2022: ₦24 million).

29. Commitments and contingencies

29.1 Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the half year ended 30 June 2023 is ₦5.15 billion (Dec 2022: ₦5.1 billion). 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.

30. Events after the reporting period

There was no event after the reporting period which could have a material effect on the disclosures and the financial position of the Group as at 30 June 2023 and on its profit or loss and other comprehensive income for the period ended.

31. Exchange rates used in translating the accounts to Naira

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

		Basis	30 June 2023	30 June 2022	31 Dec 2022
			N/\$	N/\$	N/\$
Property, plant & equipment – opening balances	Historical rate	Historical		Historical	Historical
Property, plant & equipment – additions	Average rate	508.82		415.92	424.37
Property, plant & equipment - closing balances	Closing rate	753.01		415.59	447.13
Current and non-current assets	Closing rate	753.01		415.59	447.13
Current and non-current liabilities	Closing rate	753.01		415.59	447.13
Equity	Historical rate	Historical		Historical	Historical
Income and Expenses:	Overall Average rate	508.82		415.92	424.37

Unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 (US Dollars)

28 July 2023

Reliable energy,
limitless potential

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

For the half year ended 30 June 2023

		Half year ended 30 June 2023 Unaudited	Half year ended 30 June 2022 Unaudited	3 Months ended 30 June 2023 Unaudited	3 Months ended 30 June 2022 Unaudited
	Notes	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	7	547,016	527,031	216,028	285,194
Cost of sales	8	(270,704)	(252,688)	(137,992)	(128,198)
Gross profit		276,312	274,343	78,036	156,996
Other (loss)/income	9	(90,842)	37,471	(17,074)	28,555
General and administrative expenses	10	(65,849)	(46,361)	(45,321)	(27,343)
Impairment reversal/(loss) on financial assets	11.1	898	(6,377)	-	(5,154)
Impairment loss on non-financial assets	11.2	-	(8,492)	-	(8,492)
Fair value loss	12	(2,164)	(5,309)	(1,026)	(1,368)
Operating profit		118,355	245,275	14,615	143,194
Finance income	13	4,016	262	2,382	230
Finance cost	13	(37,004)	(35,807)	(17,716)	(17,225)
Finance cost-net		(32,988)	(35,545)	(15,334)	(16,995)
Share of profit from joint venture accounted for using the equity method		47	136	73	260
Profit/(loss) before taxation		85,414	209,866	(646)	126,459
Income tax (expense)/credit	14	(2,788)	(126,565)	25,742	(63,060)
Profit for the period		82,626	83,301	25,096	63,399
Attributable to:					
Equity holders of the parent		43,511	79,788	(14,632)	63,304
Non-controlling interests		39,115	3,513	39,728	95
		82,626	83,301	25,096	63,399
Earnings per share for the period					
Basic earnings/(loss) per share \$	26	0.07	0.14	(0.02)	0.11
Diluted earnings/(loss) per share \$	26	0.07	0.14	(0.02)	0.11

Interim consolidated statement of profit or loss and other comprehensive income

For the half year ended 30 June 2023

	Half year ended 30 June 2023 Unaudited	Half year ended 30 June 2022 Unaudited	3 Months ended 30 June 2023 Unaudited	3 Months ended 30 June 2022 Unaudited
Notes	\$'000	\$'000	\$'000	\$'000
Profit for the period	82,626	83,301	25,096	63,399
Other comprehensive income:				
Items that may be reclassified to profit or loss (net of tax):				
Foreign currency translation difference	-	(1,251)	-	(1,251)
Total comprehensive income for the period (net of tax)	82,626	82,050	25,096	62,148
Attributable to:				
Equity holders of the parent	43,511	78,537	(14,632)	62,053
Non-controlling interests	39,115	3,513	39,728	95
	82,626	82,050	25,096	62,148

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

Interim condensed consolidated statement of financial position

As at 30 June 2023

		30 June 2023 Unaudited	31 Dec 2022 Audited
	Notes	\$'000	\$'000
Assets			
Non-current assets			
Oil & gas properties	15	1,669,133	1,657,993
Other property, plant and equipment		27,886	27,775
Right-of-use assets		3,310	4,415
Intangible assets	16	121,352	124,415
Other assets		101,711	101,711
Investments accounted for using equity accounting	17	221,949	221,902
Prepayments		48,290	57,486
Deferred tax assets	14	535,095	458,718
Total non-current assets		2,728,726	2,654,415
Current assets			
Inventories		55,980	55,406
Trade and other receivables	18	357,212	389,431
Prepayments		3,908	1,242
Derivative financial instruments	20	-	1,075
Contract assets	19	9,017	7,408
Restricted cash	21.2	24,854	23,944
Cash and cash equivalents	21	380,693	404,336
Total current assets		831,664	882,842
Total assets		3,560,390	3,537,257
Equity and Liabilities			
Equity			
Issued share capital	22	1,883	1,864
Share premium	22	523,758	522,227
Share based payment reserve	22	25,447	24,893
Treasury shares		(4,915)	(4,915)
Capital contribution		40,000	40,000
Retained earnings		1,171,421	1,189,697
Foreign currency translation reserve		2,622	2,622
Non-controlling interest		22,610	(16,505)
Total shareholders' equity		1,782,826	1,759,883
Non-current liabilities			
Interest bearing loans and borrowings	23	680,675	695,881
Provision for decommissioning obligations		197,586	193,836
Deferred tax liabilities	14	330,920	283,282
Defined benefit plan		11,042	6,437
Total non-current liabilities		1,220,223	1,179,436
Current liabilities			
Interest bearing loans and borrowings	23	80,372	74,322
Lease Liabilities		1,594	4,025
Derivative financial instruments	20	1,559	3,210
Trade and other payables	24	442,778	459,869
Current tax liabilities		31,038	56,512
Total current liabilities		557,341	597,938
Total liabilities		1,777,564	1,777,374
Total shareholders' equity and liabilities		3,560,390	3,537,257

Unaudited interim condensed consolidated financial statements

For the half year ended 30 June 2023

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

The financial statements of Seplat Energy Plc and its subsidiaries (the Group) for the half year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 28 July 2023 and were signed on its behalf by:



B. Omiyi

FRC/2016/IODN/00000014093

Chairman

28 July 2023



R.T. Brown

FRC/2014/PRO/DIR/003/00000017939

Chief Executive Officer

28 July 2023



E. Onwuka

FRC/2020/PRO/ICAN/006/00000020861

Chief Financial Officer

28 July 2023

Interim condensed consolidated statement of changes in equity

For the half year ended 30 June 2023

	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 2022	1,862	520,138	22,190	(4,915)	40,000	1,185,082	1,933	(58,804)	1,707,486
Profit for the period	-	-	-	-	-	79,788	-	3,513	83,301
Other comprehensive income	-	-	-	-	-	-	(1,251)	-	(1,251)
Total comprehensive income/(loss) for the period	-	-	-	-	-	79,788	(1,251)	3,513	82,050
Transactions with owners in their capacity as owners:									
Dividends	-	-	-	-	-	(28,200)	-	-	(28,200)
Share based payments (Note 22)	-	-	1,227	-	-	-	-	-	1,227
Total	-	-	1,227	-	-	(28,200)	-	-	(26,973)
At 30 June 2022 (unaudited)	1,862	520,138	23,417	(4,915)	40,000	1,236,670	682	(55,291)	1,762,563
At 1 January 2023	1,864	522,227	24,893	(4,915)	40,000	1,189,697	2,622	(16,505)	1,759,883
Profit for the period	-	-	-	-	-	43,511	-	39,115	82,626
Total comprehensive income for the period	-	-	-	-	-	43,511	-	39,115	82,626
Transactions with owners in their capacity as owners:									
Dividend paid	-	-	-	-	-	(61,787)	-	-	(61,787)
Share based payments (Note 22)	-	-	2,104	-	-	-	-	-	2,104
Vested shares (Note 22)	19	1,531	(1,550)	-	-	-	-	-	-
Total	19	1,531	554	-	-	(61,787)	-	-	(59,683)
At 30 June 2023 (unaudited)	1,883	523,758	25,447	(4,915)	40,000	1,171,421	2,622	22,610	1,782,826

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

Interim condensed consolidated statement of cash flows

For the half year ended 30 June 2023

		Half year ended 30 June 2023 Unaudited	Half year ended 30 June 2022 Unaudited
	Notes	\$'000	\$'000
Cash flows from operating activities			
Cash generated from operations	25	259,108	330,059
Tax paid		(47,007)	(41,096)
Hedge premium paid		(2,740)	(4,673)
Net cash inflows from operating activities		209,361	284,290
Cash flows from investing activities			
Payment for acquisition of oil and gas properties	15	(87,196)	(70,662)
Payment for acquisition of other property, plant and equipment		(1,556)	(590)
Deposit for investment		-	(140,300)
Proceeds from disposal of oil and gas properties		3,324	-
Proceeds from disposal of other property plant and equipment		-	4
Receipt from other assets*		-	10,840
Interest received	13	4,016	262
Net cash outflows from investing activities		(81,412)	(200,446)
Cash flows from financing activities			
Repayments of loans and borrowings		(11,000)	-
Dividend paid		(61,787)	(28,200)
Interest paid on lease liability	13	(152)	(146)
lease payments- principal portion		(3,100)	(302)
Payments for other financing charges**		(2,353)	(9,405)
Interest paid on loans and borrowings		(32,910)	(26,138)
Net cash outflows from financing activities		(111,302)	(64,191)
Net increase in cash and cash equivalents		16,647	19,653
Cash and cash equivalents at beginning of the period		404,336	324,490
Effects of exchange rate changes on cash and cash equivalents		(40,290)	5,905
Cash and cash equivalents at end of the period	21	380,693	350,048

*Receipt from other assets relates to proceeds from financial interest from OML 55.

**Other financing charges of \$2.4 million relate to commitment fees and other transaction costs incurred on interest bearing loans and borrowings (\$350 million Revolving Credit Facility, \$110 million Reserved Based Lending Facility and \$50 million Junior Facility).

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

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

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 27 March 2013, the Group incorporated a subsidiary, MSP Energy Limited. The Company was incorporated for oil and gas exploration and production.

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 northeastern 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 & 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 & 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 Nigeria 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 & Gas (Nigeria) Limited (45%) and Starcrest Nigeria Energy Limited (55%). It has been consolidated because Eland is deemed to have power over the

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

relevant activities of Elcrest to affect variable returns from Elcrest at the date of acquisition by the Group. (See details in Note 4.1.iv) The principal activity of Elcrest is exploration and production of oil and gas.

Wester Ord Oil & Gas (Nigeria) Limited, who also became an indirect subsidiary of the Group acquired a 40% stake in a licence, Ubima, in 2014 via a joint operations agreement. The principal activity of Wester Ord Oil & Gas (Nigeria) Limited is exploration and production of oil and gas. Other entities acquired through the purchase of Eland are Tarland Oil Holdings Limited (a holding company), Brineland Petroleum Limited (dormant company) and Destination Natural Resources Limited (dormant company).

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.

On 7 February 2022, the Group incorporated a subsidiary, Seplat Energy Offshore Limited. The Company was incorporated for oil and gas exploration and production.

On 5 July 2022, the Group incorporated a subsidiary, Turnkey Drilling Services Limited. The Company was incorporated for the purpose of drilling chemicals, material supply, directional drilling, drilling support services and exploration services.

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
Wester Ord Oil & Gas Limited	16 July 2014	Jersey	100%	Holding Company	Indirect
Destination Natural Resources Limited*	-	Dubai	70%	Dormant	Indirect
Seplat Energy Offshore Limited	7 February 2022	Nigeria	100%	Oil and Gas exploration and production	Direct
MSP Energy Limited	27 March 2013	Nigeria	100%	Oil and Gas exploration and production	Direct
Turnkey Drilling Services Limited	5 July 2022	Nigeria	100%	Drilling services	Direct

*Destination Natural Resources Limited was liquidated on 6 April 2020.

2. Significant changes in the current reporting period

The following significant changes occurred during the reporting period ended 30 June 2023:

- On 23 March 2023, Seplat Energy Plc announced the termination with immediate effect of the Consultancy Agreement between the Company's wholly owned subsidiary and its co-founder, Dr. A.B.C Orjiako, acting through Amaze 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 consolidated financial statements. These accounting policies have been applied to all the periods presented, unless otherwise stated. The Consolidated financial statements are for the Group consisting of Seplat Energy Plc and its subsidiaries.

3.2 Basis of preparation

The consolidated financial statements of the Group for the half year ended 30 June 2023 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 and historical cost convention, except for financial instruments measured at fair value on initial recognition, derivative financial instruments, and defined benefit plans – plan assets measured at fair value. The financial statements are presented in United States Dollars, and all values are rounded to the nearest thousand (\$'000), except when otherwise indicated.

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

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

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 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts 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 based on a 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

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 amendment has been applied as required in the Group's interim condensed consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current - Effective for annual periods beginning on or after 1 January 2024
- IFRS 16 amended for lease liability measurement in sale and leaseback – Effective date for annual periods beginning on or after January 2024.

3.5 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2023. This basis of consolidation is the same adopted for the last audited financial statements as at 31 December 2022.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

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 the US Dollars.

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.

Group companies

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

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

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

4. Significant accounting judgements estimates and assumptions

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:

a) 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.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

b) 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.

c) 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.

d) 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.

e) 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 receive and consume 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.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

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

Transactions with Joint Operating arrangement (JOA) partners

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

Exploration and evaluation assets

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

Segment reporting

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

The Board of directors has appointed a steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief financial officer, the 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:

a) 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.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

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.

b) 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.

c) Share-based payment reserve

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share award or appreciation right, volatility and dividend yield and making assumptions about them. The Group measures the fair value of equity-settled transactions with employees at the grant date. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

d) 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.

e) 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.

f) 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,

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

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.

g) 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.

h) 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.

i) Intangible assets

The contract based intangible assets (license) were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line bases over their estimated useful lives which is also the economic life of the asset. The fair value of contract based intangible assets is estimated using the multi period excess earnings method. This requires a forecast of revenue and all cost projections throughout the useful life of the intangible assets. A contributory asset charge that reflects the return on assets is also determined and applied to the revenue but subtracted from the operating cash flows to derive the pre-tax cash flow. The post-tax cashflows are then obtained by deducting out the tax using the effective tax rate.

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

5. Financial risk management

5.1 Financial risk factors

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

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in US dollars.	Cash flow forecasting Sensitivity analysis	Match and settle foreign denominated cash inflows with foreign denominated cash outflows.
Market risk – interest rate	Interest bearing loans and borrowings at variable rate	Sensitivity analysis	Review refinancing opportunities

Market risk – commodity prices	Future sales transactions	Sensitivity analysis	Oil price hedges
Credit risk	Cash and bank balances, trade receivables and derivative financial instruments.	Aging analysis Credit ratings	Diversification of bank deposits.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

5.1.1 Credit risk

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

c) 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 expired in December 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 National Petroleum Corporation Exploration Limited (NEPL) 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.

d) 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.

ii. Significant unobservable inputs

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

	Effect on profit before tax 30 June 2023	Effect on other components of equity before tax 30 June 2023
	\$'000	\$'000
+10%	(286)	-
-10%	298	-

	Effect on profit before tax 31 Dec 2022	Effect on other components of equity before tax 31 Dec 2022
	\$'000	\$'000
+10%	(902)	-
-10%	902	-

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

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

	Effect on profit before tax 30 June 2023	Effect on other components of equity before tax 30 June 2023
	\$'000	\$'000
+10%	(217)	-
-10%	243	-

	Effect on profit before tax 31 Dec 2022	Effect on other components of equity before tax 31 Dec 2022
	\$'000	\$'000
+10%	(852)	-
-10%	852	-

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

	Effect on profit before tax 30 June 2023	Effect on other components of equity before tax 30 June 2023
	\$'000	\$'000
+10%	(217)	-
-10%	243	-

	Effect on profit before tax 31 Dec 2022	Effect on other components of equity before tax 31 Dec 2022
	\$'000	\$'000
+10%	(252)	-
-10%	252	-

5.1.2 Liquidity risk

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

The Group uses both long-term and short-term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash resources to meet operational needs. Cash flow projections take into consideration the

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

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.

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

	Effective interest rate	Less than 1 year	1 – 2 year	2 – 3 years	3 – 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2023						
Non – derivatives						
Fixed interest rate borrowings						
Senior notes	7.75%	25,537	51,215	51,075	675,607	803,434
Variable interest rate borrowings						
The Mauritius Commercial Bank Ltd	8.00% + LIBOR	14,943	16,206	11,526	-	42,675
The Stanbic IBTC Bank Plc	8.00% + LIBOR	15,255	16,543	11,766	-	43,564
The Standard Bank of South Africa Limited	8.00% + LIBOR	8,717	9,453	6,723	-	24,893
First City Monument Bank Limited	8.00% + LIBOR	3,892	4,220	3,001	-	11,113
Shell Western Supply and Trading Limited	10.5% + LIBOR	1,757	1,752	1,752	12,752	18,013
Total variable interest borrowings		44,564	48,174	34,768	12,752	140,258
Other non – derivatives						
Trade and other payables*		442,778	-	-	-	442,778
Lease liability		1,594	-	-	-	1,594
		444,372	-	-	-	444,372
Total		514,473	99,389	85,843	688,359	1,388,064

	Effective interest rate	Less than 1 year	1 – 2 year	2 – 3 years	3 – 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000

31 December 2022

Non – derivatives

Fixed interest rate borrowings

Senior notes	7.75%	25,887	51,075	51,215	726,682	854,859
--------------	-------	--------	--------	--------	---------	---------

Variable interest rate borrowings

Citibank, N.A., London Branch	8.00% + LIBOR	12,181	16,825	15,156	4,076	48,238
Nedbank Limited London	8.00% + LIBOR	12,434	17,176	15,472	4,161	49,243
Stanbic IBTC Bank Plc	8.00% + LIBOR	7,105	9,815	8,841	2,378	28,139
The Standard Bank of South Africa Limited	8.00% + LIBOR	3,172	4,382	3,947	1,062	12,563
RMB International (Mauritius) Limited	10.5% + LIBOR	2,695	2,536	2,368	9,130	16,729
Total variable interest borrowings		37,587	50,734	45,784	20,807	154,912

Other non – derivatives

Trade and other payables*		459,869	-	-	-	459,869
Lease liability		4,025	(67)	67	-	4,025
		463,894	(67)	67	-	463,894
Total		527,368	101,742	97,066	747,489	1,473,665

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

5.1.3 Fair value measurements

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

	Carrying amount		Fair value	
	30 June 2023	31 Dec 2022	30 June 2023	31 Dec 2022
	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised cost				
Trade and other receivables	200,396	228,312	200,396	228,312
Contract assets	9,017	7,408	9,017	7,408
Cash and cash equivalents	380,693	404,336	380,693	404,336
	590,106	640,056	590,106	640,056
Financial liabilities at amortised cost				
Interest bearing loans and borrowings	761,047	770,203	731,575	741,137
Trade and other payables*	322,063	398,380	322,063	398,380
	1,083,110	1,168,583	1,053,638	1,139,517
Financial liabilities at fair value				
Derivative financial instruments (Note 20)	(1,559)	(3,210)	(1,559)	(3,210)
	(1,559)	(3,210)	(1,559)	(3,210)

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

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

instruments whose carrying amounts as per the financial statements approximate their fair values. This is mainly due to their short-term nature.

5.1.4 Fair Value Hierarchy

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

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

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

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.

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.

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 six months ended 30 June 2023, revenue from the gas segment of the business constituted 12% (2022: 11%) 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.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

6.1 Segment profit disclosure

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Oil	97,701	53,571	55,916	47,825
Gas	(15,075)	29,730	(30,820)	15,574
Total profit for the period	82,626	83,301	25,096	63,399

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
Oil	\$'000	\$'000	\$'000	\$'000
Revenue from contract with customers				
Crude oil sales (Note 7)	483,285	469,224	185,386	253,015
Operating profit before depreciation, amortization and impairment	215,348	285,885	98,646	168,020
Depreciation, amortization and impairment	(81,265)	(81,990)	(45,078)	(45,530)
Operating profit	134,083	203,895	53,568	122,490
Finance income (Note 13)	4,016	262	2,382	230
Finance costs (Note 13)	(37,004)	(35,807)	(17,716)	(17,225)
Profit before taxation	101,095	168,350	38,234	105,495
Income tax (expenses)/credit (Note 14)	(3,394)	(114,779)	17,682	(57,670)
Profit for the period	97,701	53,571	55,916	47,825

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
Gas	\$'000	\$'000	\$'000	\$'000
Revenue from contract with customers				
Gas sales (Note 7)	63,731	57,807	30,642	32,179
Operating (loss)/profit before depreciation, amortisation and impairment	(14,451)	42,657	(38,314)	21,343
Depreciation, amortisation and impairment	(1,277)	(1,277)	(639)	(639)
Operating (loss)/profit	(15,728)	41,380	(38,953)	20,704
Share of profit from joint venture accounted for using equity accounting	47	136	73	260
(Loss)/profit before taxation	(15,681)	41,516	(38,880)	20,964
Income tax credit/(expenses) - Note 14	606	(11,786)	8,060	(5,390)
(Loss)/profit for the period	(15,075)	29,730	(30,820)	15,574

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

During the reporting period, impairment losses recognised in the oil segment relate to trade receivables (Pillar, Pan Ocean, Oghareki and Summit) NEPL, NNPC and other receivables. Impairment losses recognised in the gas segment relates to Geregu Power, Sapele Power and NGMC. 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.

	Half year ended 30 June 2023	Half year ended 30 June 2023	Half year ended 30 June 2023	Half year ended 30 June 2022	Half year ended 30 June 2022	Half year ended 30 June 2022
	Oil	Gas	Total	Oil	Gas	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Geographical markets						
The Bahamas	152,385	-	152,385	58,101	-	58,101
Nigeria	45,498	63,731	109,229	47,546	57,807	105,353
Italy	4,465	-	4,465	1,863	-	1,863
Switzerland	154,763	-	154,763	349,963	-	349,963
Barbados	14,184	-	14,184	11,751	-	11,751
England	111,990	-	111,990	-	-	-
Revenue from contracts with customers	483,285	63,731	547,016	469,224	57,807	527,031
Timing of revenue recognition						
At a point in time	483,285	-	483,285	469,224	-	469,224
Over time	-	63,731	63,731	-	57,807	57,807
Revenue from contracts with customers	483,285	63,731	547,016	469,224	57,807	527,031
	3 Months ended 30 June 2023	3 Months ended 30 June 2023	3 Months ended 30 June 2023	3 Months ended 30 June 2022	3 Months ended 30 June 2022	3 Months ended 30 June 2022
	Oil	Gas	Total	Oil	Gas	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Geographical markets						
The Bahamas	80,977	-	80,977	34,013	-	34,013
Nigeria	20,584	30,642	51,226	28,595	32,179	60,774
Italy	4,465	-	4,465	1,863	-	1,863
Switzerland	72,812	-	72,812	182,764	-	182,764
Barbados	6,812	-	6,812	5,780	-	5,780

England	(264)	-	(264)	-	-	-
Revenue from contracts with customers	185,386	30,642	216,028	253,015	32,179	285,194

Timing of revenue recognition

At a point in time	185,386	-	185,386	253,015	-	253,015
Over time	-	30,642	30,642	-	32,179	32,179
Revenue from contracts with customers	185,386	30,642	216,028	253,015	32,179	285,194

The Group's transactions with its major customer, Mercuria, constitutes more than 30% (\$154.8 million) 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 (\$64 million) accounted for the total revenue from the gas segment.

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

	Half year ended 30 June 2023 Oil	Half year ended 30 June 2023 Gas	Half year ended 30 June 2023 Total	Half year ended 30 June 2022 Oil	Half year ended 30 June 2022 Gas	Half year ended 30 June 2022 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Impairment gain/(losses) recognised during the period	2,141	(1,243)	898	(586)	(5,791)	(6,377)
	2,141	(1,243)	898	(586)	(5,791)	(6,377)

	3 Months ended 30 June 2023 Oil	3 Months ended 30 June 2023 Gas	3 Months ended 30 June 2023 Total	3 Months ended 30 June 2022 Oil	3 Months ended 30 June 2022 Gas	3 Months ended 30 June 2022 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Impairment gain/(losses) recognised during the period	1,379	(1,379)	-	(390)	(4,764)	(5,154)
	1,379	(1,379)	-	(390)	(4,764)	(5,154)

6.1.3 Impairment losses on non-financial assets by reportable segments

	Half year ended 30 June 2023 Oil	Half year ended 30 June 2023 Gas	Half year ended 30 June 2023 Total	Half year ended 30 June 2022 Oil	Half year ended 30 June 2022 Gas	Half year ended 30 June 2022 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Impairment losses recognised during the period	-	-	-	(8,492)	-	(8,492)
	-	-	-	(8,492)	-	(8,492)

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

	3 Months ended 30 June 2023	3 Months ended 30 June 2023	3 Months ended 30 June 2023	3 Months ended 30 June 2022	3 Months ended 30 June 2022	3 Months ended 30 June 2022
	Oil	Gas	Total	Oil	Gas	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Impairment losses recognised during the period	-	-	-	(8,492)	-	(8,492)
	-	-	-	(8,492)	-	(8,492)

6.2 Segment assets

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

	Oil	Gas	Total
	\$'000	\$'000	\$'000
Total segment assets			
30 June 2023	2,942,248	618,142	3,560,390
31 December 2022	2,862,263	674,994	3,537,257

6.3 Segment liabilities

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

	Oil	Gas	Total
	\$'000	\$'000	\$'000
Total segment liabilities			
30 June 2023	1,386,071	391,493	1,777,564
31 December 2022	1,464,761	312,613	1,777,374

7. Revenue from contracts with customers

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Crude oil sales	483,285	469,224	185,386	253,015
Gas sales	63,731	57,807	30,642	32,179
	547,016	527,031	216,028	285,194

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

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

8. Cost of sales

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Royalties	94,130	108,774	46,687	58,579
Depletion, depreciation and amortisation	81,265	70,437	45,078	36,589
Crude handling fees	33,684	20,344	16,503	7,436
Nigeria Export Supervision Scheme (NESS) fee	563	491	246	274
Barging and trucking	6,894	6,226	3,436	3,269
Niger Delta Development Commission Levy	6,068	5,400	2,570	2,533
Operational & maintenance expenses	48,100	41,016	23,472	19,518
	270,704	252,688	137,992	128,198

Operational & maintenance expenses relates mainly to maintenance costs, warehouse operations expenses, security expenses, community expenses, clean-up costs, direct staff costs, fuel supplies and catering services. Also included in operational and maintenance expenses is gas flare penalty of \$3.3million (2022: \$3.2million).

Barging and trucking costs relates to costs on the OML 40 Gbetiokun field.

Crude handling fees increased due to higher production volumes and costs for additional alternative evacuation routes on AEPP secured by Seplat to minimise outages and Third-party infrastructure downtime.

9. Other (loss)/income

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
(Overlift)/Underlift	(59,370)	42,698	15,986	29,080
(Loss)/gain on foreign exchange	(33,823)	5,905	(34,332)	11,953
Loss on disposal of oil and gas asset	-	(13,073)	-	(13,073)
Tariffs	2,206	791	1,196	345
Others	145	1,150	76	250
	(90,842)	37,471	(17,074)	28,555

Overlifts/Underlifts are surplus/shortfalls of crude lifted above/below the share of production. It may exist when the crude oil lifted by the Group during the period is more/less than its ownership share of production. The surplus/shortfall is initially measured at the market price of oil at the date of lifting and recognised as other loss/income. At each reporting period, the surplus/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 loss/income.

Loss/gain on foreign exchange is principally due to the translation of Naira, Pounds and Euro denominated monetary assets and liabilities. Tariffs which are a form of crude handling fee, relate to income generated from the use of the Group's pipeline. Others represents other income, joint venture billing interest and joint venture billing finance fees.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

10. General and administrative expenses

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Depreciation	1,697	2,113	1,006	1,071
Depreciation of right-of-use assets	2,129	2,225	1,036	1,240
Auditor's remuneration	387	345	142	345
Professional and consulting fees	27,764	5,812	25,555	3,476
Directors' emoluments (executive)	1,599	734	551	(32)
Directors' emoluments (non-executive)	2,335	2,615	1,009	1,267
Employee benefits	22,918	20,709	10,992	10,052
Share-based benefits	2,104	1,227	805	1,227
Flights and other travel costs	3,075	5,999	1,796	4,312
Rentals and other general expenses	1,841	4,582	2,429	4,385
	65,849	46,361	45,321	27,343

Professional and consulting fees increase in 2023 was mainly due to professional fees associated with the litigation costs in response to the unprecedented and intense period of minority shareholder actions through the Courts and some costs associated with the MPNU transaction.

Employee benefits is higher than prior year due to cost-of-living adjustments. Executive director's emoluments include accruals on bonus in current period but were not included in prior period. overall costs on executive remain flat when compared with prior period.

Rentals and other general expenses relate to accruals for rental & other general administrative costs.

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

Entity	Service	PwC office	Fees (\$)	Year
Seplat Energy Plc	Remuneration committee advice	PwC UK	319,966	2023
Seplat Energy Plc	Tax return advisory	PwC UK	31,866	2023

11. Impairment reversal/(loss) on assets

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Impairment reversal/ (loss) on financial assets-net (Note 11.1)	898	(6,377)	-	(5,154)
Impairment loss on non-financial assets-net (Note 11.2)	-	(8,492)	-	(8,492)
	898	(14,869)	-	(13,646)

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

11.1 Impairment reversal/(losses) on financial assets-net

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Impairment (losses)/reversal on:				
NNPC receivables	(78)	-	-	-
NEPL receivables	841	-	-	-
Trade receivables (Geregu Power, Sapele Power and NGMC)	135	(5,670)	-	(4,647)
Other trade receivables	-	(707)	-	(507)
	898	(6,377)	-	(5,154)

11.2 Impairment losses on non - financial assets-net

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Impairment losses on non-financial assets-net	-	(8,492)	-	(8,492)
	-	(8,492)	-	(8,492)

During the period, the Group recognized nil impairment loss on non-financial assets (June 2022: \$8.5 million) for long outstanding line pipes.

12. Fair value loss

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Realised fair value loss on crude oil hedges	(2,740)	(4,673)	(1,540)	(2,886)
Unrealised fair value gain/(loss) on crude oil hedges	576	(636)	514	1,518
	(2,164)	(5,309)	(1,026)	(1,368)

Fair value loss on derivatives represents changes in the fair value of hedging receivables charged to profit or loss.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

13. Finance income/(cost)

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Finance income				
Interest income	4,016	262	2,382	230
Finance cost				
Interest on bank loans	(33,102)	(34,491)	(14,254)	(16,541)
Interest on lease liabilities	(152)	(146)	(65)	(99)
Unwinding of discount on provision for decommissioning	(3,750)	(1,170)	(3,397)	(585)
	(37,004)	(35,807)	(17,716)	(17,225)
Finance (cost) – net	(32,988)	(35,545)	(15,334)	(16,995)

Finance income represents interest on short-term fixed deposits.

14. Taxation

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 annual tax rate used for the half year ended 30 June 2023 is 85% for crude oil activities and 30% for gas activities.

The effective tax rate for the period was 3% (2022: 60%).

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

Income tax expense

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Current tax:				
Current tax expense on profit for the year	25,873	30,008	1,994	14,753
Education tax	5,388	5,991	1,452	3,333
NASENI Levy	261	403	65	403
Police Levy	4	6	1	6
Total current tax	31,527	36,408	3,513	18,495

Deferred tax:

Deferred tax (credit)/expense in profit or loss (Note 14.1)	(28,739)	90,157	(29,255)	44,565
Total tax expense/(credit) in profit or loss	2,788	126,565	(25,742)	63,060
Effective tax rate	3%	60%	(30%)	50%

14.1 Deferred tax

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

	Balance at 1 January 2023 \$'000	(Charged)/ credited to profit or loss \$'000	Balance at 30 June 2023 \$'000
Deferred tax assets (Note 14.2)	458,718	76,377	535,095
Deferred tax liabilities (Note 14.3)	(283,282)	(47,638)	(330,920)
	175,436	28,739	204,175

In line with IAS 12, the Group elected to offset the deferred tax assets against the deferred tax liabilities arising from similar transactions.

14.2 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 2023 \$'000	(Charged)/ credited to profit or loss \$'000	Balance at 30 June 2023 \$'000
Tax losses	22,234	(22,235)	(1)
Other cumulative timing differences:			
Accelerated capital deduction	214,965	92,535	307,500
Other temporary differences:			
Provision for abandonment	28,251	4,575	32,826
Provision for gratuity	24,953	1,452	26,405
Provision for defined benefit	6,078	4,012	10,090
Unrealised foreign exchange loss	25,985	(13,047)	12,938
Overlift	52,266	13,866	66,132
Impairment provision on trade and other receivables	83,621	(4,417)	79,204
Leases	365	(364)	1
	458,718	76,377	535,095

*Other temporary differences include provision for defined benefit, provision for Abandonment, share equity reserve.

The deferred tax credit recorded during the period was due to change in applicable tax rate on our Elcrest assets which impacted deferred tax asset balance brought forward from prior years.

Notes to the interim condensed consolidated financial statements

For the half year ended 30 June 2023

14.3 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 2023	Charged/(credited) to profit or loss	Balance at 30 June 2023
	\$'000	\$'000	\$'000
Other cumulative timing differences:			
Property, plant and equipment	(254,515)	(72,164)	(326,679)
Leases	(344)	(1,082)	(1,426)
Underlift	(10,320)	33,577	23,257
Unrealised foreign exchange gain	(18,103)	(7,969)	(26,072)
	(283,282)	(47,638)	(330,920)

15. Oil & Gas properties

During the six months ended 30 June 2023, the Group invested \$87.2 million (Dec 2022: \$158.7 million) on additions to oil and gas properties.

16. Intangible assets

	License	Total
Cost	\$'000	\$'000
At 1 January 2023	157,868	157,868
Additions	-	-
At 30 June 2023	157,868	157,868
Amortisation		
At 1 January 2023	33,453	33,453
Charge for the period	3,063	3,063
At 30 June 2023	36,516	36,516
NBV		
At 30 June 2023	121,352	121,352
At December 2022	124,415	124,415

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

17. Investment accounted for using equity accounting method

	As at 30 June 2023	As at 31 Dec 2022
	\$'000	\$'000
Investment in joint venture	221,949	221,902
	221,949	221,902

18. Trade and other receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Trade receivables (Note 18.1)	33,904	43,571
Nigerian National Petroleum Corporation Exploration Limited (NEPL) (Note 18.2)	88,627	90,322
Nigerian National Petroleum Corporation Limited (NNPCL) receivables (Note 18.3)	31,860	34,467
Underlift	15,492	15,696
Other receivables (Note 18.4)	38,825	48,644
Advances to suppliers	13,024	17,123
Receivables from ANOH (Note 18.5)	7,180	11,308
Advances for new business (Note 18.6)	128,300	128,300
	357,212	389,431

18.1 Trade receivables

Included in trade receivables is an amount due from Geregu Power of \$13.1 million (Dec 2022: \$19.5 million), Sapele Power \$5.2 million, (2022: \$6.1 million), MSN Energy of \$8.5 million (Dec 2022: \$3.8 million) and Nigerian Gas Marketing Company \$0.5 million (Dec 2022: \$0.4 million) totalling \$27.3 million (Dec 2022: \$29.8 million) with respect to the sales of gas. Also included in trade receivables is \$10.5 million (Dec 2022: \$12.8 million) due from Waltersmith for sales of crude, \$2.5 million, (Dec 2022: nil) due from Pillar and \$6.6 million (Dec 2022: \$26 million) from other crude injectors.

Reconciliation of trade receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Balance as at 1 January	68,131	84,230
Additions during the period	392,320	825,226
Receipts for the period	(395,601)	(841,325)
Exchange difference	(17,959)	-
Gross carrying amount	46,891	68,131
Less: impairment allowance	(12,987)	(24,560)

Balance as at the end of the period	33,904	43,571
-------------------------------------	--------	--------

Reconciliation of impairment allowance on trade receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Loss allowance as at 1 January	24,560	21,301
(Decrease)/Increase in loss allowance during the period	(135)	3,259
Translation impact*	(11,438)	-
Loss allowance as at the end of the period	12,987	24,560

*Translation impact relates to measurement of ECL on receivables denominated in Naira.

18.2 NEPL receivables

The outstanding cash calls due to Seplat from its JOA partner, NEPL is \$91.1 million (Dec 2022: \$93.6 million).

Reconciliation of NEPL receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Balance as at 1 January	93,602	95,924
Additions during the period	154,312	257,600
Receipts for the period	(147,346)	(259,922)
Exchange difference	(9,502)	-
Gross carrying amount	91,066	93,602
Less: impairment allowance	(2,439)	(3,280)
Balance as at the end of the period	88,627	90,322

Reconciliation of impairment allowance on NEPL receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Loss allowance as at 1 January	3,280	12,000
Decrease in loss allowance during the period	(841)	(8,720)
Loss allowance as at the end of the period	2,439	3,280

18.3 NNPC LTD receivables

Reconciliation of NNPC LTD receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Balance as at 1 January	35,316	26,265
Additions during the period	23,353	65,416
Receipts for the period	(25,468)	(56,365)

Exchange difference	(414)	-
Gross carrying amount	32,787	35,316
Less: impairment allowance	(927)	(849)
Balance as at the end of the period	31,860	34,467

Reconciliation of impairment allowance on NNPCCL receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Loss allowance as at 1 January	849	1,615
Increase/(decrease) in loss allowance during the period	78	(766)
Loss allowance as at the end of the period	927	849

18.4 Other receivables

Reconciliation of other receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Balance as at 1 January	105,924	52,513
Additions during the period	11,300	96,897
Receipts for the period	(13,890)	(43,486)
Exchange difference	(9,041)	-
Gross carrying amount	94,293	105,924
Less: impairment allowance	(55,468)	(57,280)
Balance as at the end of the period	38,825	48,644

Reconciliation of impairment allowance on other receivables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Loss allowance as at 1 January	57,280	45,319
Increase in loss allowance during the period	-	11,961
Translation impact*	(1,812)	-
Loss allowance as at the end of the period	55,468	57,280

*Translation impact relates to measurement of ECL on receivables denominated in Naira.

Other receivables include sundry receivables, WHT receivables, staff receivables, NGC VAT receivables, Oghareki CHC receivables and deposit for \$12 million divestment.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

18.5 Receivables from Joint Venture (ANOH)

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Balance as at 1 January	11,604	12,766
Additions during the period	798	1,364
Receipts for the period	(862)	(2,526)
Exchange difference	(4,064)	-
Gross carrying amount	7,476	11,604
Less: impairment allowance	(296)	(296)
Balance as at the end of the period	7,180	11,308

Reconciliation of impairment allowance on receivables from joint venture (ANOH)

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Loss allowance as at 1 January	296	-
Increase in loss allowance during the period	-	296
Loss allowance as at the end of the period	296	296

18.6 Advances for New Business

Advances for new business include deposit for investment of \$128.3 million (Dec 2022: \$128.3 million) towards the acquisition of the entire share capital of Mobil Producing Nigeria Unlimited from Exxon Mobil Corporation, Delaware.

19. Contract assets

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Revenue on gas sales (Note 19.1)	9,296	7,811
Impairment loss on contract asset	(279)	(403)
	9,017	7,408

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, Azura and NGMC for the delivery of gas supplies which the four 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 crystallises. 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, Azura and NGMC authorising the quantities, this will be reclassified from contract assets to trade receivables.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

19.1 Reconciliation of contract assets

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

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Balance as at 1 January	7,811	4,076
Addition during the period	135,844	90,054
Amount billed during the period	(134,359)	(86,319)
Gross revenue on gas sales	9,296	7,811
Impairment	(279)	(403)
Balance as at the end of the period	9,017	7,408

20. 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.

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Crude oil options	(1,559)	(3,210)
Additions	-	1,075
	(1,559)	(2,135)

21. 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.

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Cash on hand	13	66
Short-term fixed deposits	131,239	51,229
Cash at bank	249,687	353,287
Gross cash and cash equivalent	380,939	404,582
Loss allowance	(246)	(246)
Net cash and cash equivalents	380,693	404,336

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

21.1 Reconciliation of impairment allowance on cash and cash equivalents

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Loss allowance as at 1 January	246	246
Exchange difference	-	-
Loss allowance as at the end of the period	246	246

21.2 Restricted cash

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Restricted cash	24,854	23,944
	24,854	23,944

21.3 Movement in restricted cash

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Increase in restricted cash	(910)	(7,915)
	(910)	(7,915)

Included in the restricted cash balance is \$8 million, and \$15.2 million 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 \$0.7 million for unclaimed dividend.

A garnishee order of \$0.97 million is included in the restricted cash balance as at the end of the reporting period.

These amounts are subject to legal restrictions and are therefore not available for general use by the Group.

22. Share capital

22.1 Authorised and issued share capital

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Authorised ordinary share capital		

588,444,561 issued shares denominated in Naira of 50 kobo per share	1,883	1,864
---	-------	-------

Issued and fully paid

588,444,561 (Dec 2022: 588,444,561) issued shares denominated in Naira of 50 kobo per share	1,883	1,864
---	-------	-------

Fully paid ordinary shares carry one vote per share and the right to dividends. There were no restrictions on the Group's share capital.

22.2 Movement in share capital and other reserves

	Number of shares	Issued share capital	Share premium	Share based payment reserve	Treasury shares	Total
	Shares	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 January 2023	588,444,561	1,864	522,227	24,893	(4,915)	544,069
Share based payments	-	-	-	2,104	-	2,104
Vested shares	-	19	1,531	(1,550)	-	-
Closing balance as at 30 June 2023	588,444,561	1,883	523,758	25,447	(4,915)	546,173

22.3 Employee share-based payment scheme

As at 30 June 2023, the Group had awarded 94,356,802 shares (Dec 2022: 94,038,312 shares) to certain employees and senior executives in line with its share-based incentive scheme. During the six months ended 30 June 2023, 10,828,156 shares were vested (Dec 2022: 4,719,809 shares).

22.4 Treasury shares

This relates to Share re-purchase 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.

23. Interest bearing loans and borrowings

23.1 Reconciliation of interest bearings loans and borrowings

Below is the reconciliation on interest bearing loans and borrowings for 30 June 2023:

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	\$'000	\$'000	\$'000
Balance as at 1 January 2023	74,322	695,881	770,203
Interest accrued	33,102	-	33,102
Interest capitalized	4,005	-	4,005
Principal repayment	(11,000)	-	(11,000)
Interest repayment	(32,910)	-	(32,910)
Other financing charges*	(2,353)	-	(2,353)
Transfers	15,206	(15,206)	-
Carrying amount as at 30 June 2023	80,372	680,675	761,047

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

Below is the reconciliation on interest bearing loans and borrowings for 31 December 2022:

	Borrowings due within 1 year	Borrowings due above 1 year	Total
	\$'000	\$'000	\$'000
Balance as at 1 January 2022	60,661	705,953	766,614
Interest accrued	65,418	-	65,418
Interest capitalized	14,005	-	14,005
Interest repayment	(63,287)	-	(63,287)
Other financing charges*	(12,547)	-	(12,547)
Transfers	10,072	(10,072)	-
Carrying amount as at 31 December 2022	74,322	695,881	770,203

*Other financing charges relates to commitment fee for the \$350 million revolving credit facility and the junior facilities.

23.2 Amortised cost of borrowings

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Senior loan notes	652,547	666,768
Revolving loan facilities	9,512	8,176
Reserve based lending (RBL) facility	98,988	95,259
	761,047	770,203

\$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 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 ₦491.4 billion although the principal is \$650 million.

\$110 million Senior reserve-based lending (RBL) facility – March 2021

The Group through its subsidiary Westport in April 2021 refinanced its reserved based lending facility ("RBL"). 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 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. The current amount outstanding on the RBL is \$99 million, whereas the borrowing base is \$101 million. Interest rate payable under the RBL is currently USD LIBOR plus 8% (although a shift to SOFR is being documented). The facility amortizes on a semi-annual basis and 10% of the headline amount of the \$110 million facility has been repaid (a further 10% is due at end-September 2023).

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

\$50 million Reserved based lending (RBL) facility – July 2021

In July 2021, the Group raised a \$50 million offtake loan facility line to the Reserved Based Lending Facility. The facility has a 6-year tenor, maturing in 2027. \$11 million of the facility is outstanding, with the remaining \$39 million available. The interest rate payable under the offtake loan is 2.5% higher than the RBL.

\$350 million Revolving credit facility – September 2022

Seplat Energy Plc successfully refinanced its existing \$350million revolving credit facility in September 2022 with a new three-year \$350 million revolving credit facility due in June 2025 (the "RCF"). The RCF includes an automatic maturity extension until December 2026 once a refinancing of the existing \$650 million bond due in April 2026 is implemented. The RCF is scheduled to reduce from July 2024, with such date automatically extended to July 2025 once the refinancing of the existing \$650 million bond is implemented. The interest rate under the RCF is 5% over the base rate (SOFR plus applicable credit adjustment spread), as the margin reduced to of 5% after production flowing through the Amukpe-to-Escravos pipeline is stabilized at an average production of at least 15,000 bpd over a 45 consecutive day period.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

24. Trade and other payables

	30 June 2023	31 Dec 2022
	\$'000	\$'000
Trade payable	100,103	108,654
Accruals and other payables	151,245	214,953
NDDC levy	9,481	6,004
Royalties payable	61,234	68,769
Deferred revenue	61	-
Overlift payable	120,654	61,489
	442,778	459,869

Included in accruals and other payables are field accruals of \$44.2 million (Dec 2022: \$106.1 million), deferred revenue of \$0.1 million (Dec 2022: \$106.1 million) and other vendor payables of \$59.9 million (Dec 2022: \$38.1 million). 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.

25. Computation of cash generated from operations

		Half year ended 30 June 2023	Half year ended 30 June 2022
	Notes	\$'000	\$'000
Profit before tax		85,414	209,866
Adjusted for:			
Depletion, depreciation and amortization		82,962	72,550
Depreciation of right-of-use asset		2,129	2,225
Impairment (reversal)/ losses on financial assets	11.1	(898)	6,377
Impairment losses on non-financial assets	11.2	-	8,492
Loss on disposal of oil and gas asset		-	13,073
Interest income	13	(4,016)	(262)
Interest expense on bank loans	13	33,102	34,491
Interest on lease liabilities	13	152	146
Unwinding of discount on provision for decommissioning	13	3,750	1,170
Unrealised fair value (gain)/loss on derivatives financial instrument	12	(576)	636
Realised fair value loss on derivatives	12	2,740	4,673
Unrealised foreign exchange loss/(gain)	9	33,823	(5,905)

Share based payment expenses	2,104	1,227
Defined benefit expenses	4,605	1,890
Share of profit in joint venture	(47)	(136)
Changes in working capital: (excluding the effects of exchange differences)		
Trade and other receivables	27,518	(34,448)
Inventories	(574)	11,313
Prepayments	6,530	(1,023)
Contract assets	(1,609)	(4,070)
Trade and other payables	(17,091)	8,669
Restricted cash	(910)	(895)
Net cash from operating activities	259,108	330,059

26. 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.

	Half year ended 30 June 2023	Half year ended 30 June 2022	3 Months ended 30 June 2023	3 Months ended 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) attributable to Equity holders of the parent	43,511	79,788	(14,632)	63,304
Profit attributable to Non-controlling interests	39,115	3,513	39,728	95
Profit for the period	82,626	83,301	25,096	63,399
	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue	588,446	584,036	588,446	584,036
Outstanding share-based payments (shares)	1	2,801	1	2,801
Weighted average number of ordinary shares adjusted for the effect of dilution	588,447	586,837	588,447	586,837
Basic earnings per share for the period	\$	\$	\$	\$
Basic earnings/(loss) per share	0.07	0.14	(0.02)	0.11
Diluted earnings/(loss) per share	0.07	0.14	(0.02)	0.11
Profit/(loss) used in determining basic/diluted earnings per share	43,511	79,788	(14,632)	63,304

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.

Notes to the interim condensed consolidated financial statements

For the half year ended June 2023

27. Proposed dividend

The Group's directors proposed an interim dividend of 3 cents per share for the reporting period (2022: 2.5 cents)

28. Related party relationships and transactions

The Group is controlled by Seplat Energy Plc (the parent Company). The Parent Company is owned 6.43% either directly or by entities controlled by Dr. A.B.C Orjiako (SPDCL(BVI)) and members of his family. The remaining shares in the parent Company are widely held.

The goods and services provided by the related parties are disclosed below.

Shareholders of the parent company

Shebah Petroleum Development Company Limited SPDCL ('BVI'): Dr. A.B.C Orjiako 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 nil (Dec 2022: \$916.5 thousand). Payables amounted to nil in the current period.

Amaze Limited: Dr. A.B.C Orjiako is a director and shareholder of Amaze Ltd. The company provided consulting services to Seplat. Services provided to the Group during the period amounted to \$587 thousand (Dec 2022: \$1,457 thousand).

Entities controlled by Directors of the Company

Ubosi Eleh and Company (controlled by Director Ernest Ebi): The Company provided a leasehold property to Seplat. The amount during the period amounted to nil (Dec 2022: \$53.7 thousand).

29. Commitments and contingencies

29.1 Contingent liabilities

The Group is involved in a number of legal suits as defendant. The estimated value of the contingent liabilities for the half year ended 30 June 2023 is \$11.18 million (Dec 2022: \$11.45 million). The contingent liability for the year is determined based on possible occurrences, though unlikely to occur. No provision has been made for this potential liability in these financial statements. Management and the Group's solicitors are of the opinion that the Group will suffer no loss from these claims.

30. Events after the reporting period

There was no event after the reporting period which could have a material effect on the disclosures and the financial position of the Group as at 30 June 2023 and on its profit or loss and other comprehensive income for the period ended.