Sapele Power Plc

Annual Report

31 December 2019

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Corporate information

Registration Number RC. 638650

Directors:	Prof. Oladapo Abraham Afolabi	(Chairman)
	Anthony Onoh	
	Heather Onoh (Mrs)	
	Onoriode Odjegba	(Managing Director)
	Liu Zhaolong	
	Robin Renee Sanders	
	Uwagbee Kennedy Uwaifiokun	
	Reginald Bayoko	
	Goodluck Hayi	
	Cornelius Semiteje	
Registered office:	Sapele Power Complex Ogorode, Sapele Delta State	
Company secretary	Olaniwun Ajayi LLP Plot L2, 401 Close Banana Island, Ikoyi Lagos State	
Solicitor	Anthonia Ibiabuo Legal adviser Sapele Power Complex Ogorode,Sapele Delta State	
Independent auditor	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos State	
Principal bankers:	United Bank of Africa Plc Keystone Bank Plc Access Bank Plc Polaris Bank Limited Guaranty Trust Bank	

Results at a glance

	2019 NGN'000	2018 NGN'000	Change (%)
Revenue	6,802,395	5,287,310	29
Loss before taxation	(1,121,559)	(2,137,151)	(48)
Loss after taxation	(788,718)	(1,474,928)	(47)
Retained earnings	17,302,679	18,091,397	(4)
Total assets	43,495,418	40,753,975	7
Share capital	5,000	5,000	-
Total equity	21,580,946	22,369,664	(4)

Directors' report
for the year ended 31 December 2019

The directors present their report on the affairs of Sapele Power Plc ("the Company"), together with the Financial statements and the auditor's report for the year ended 31 December 2019.

Legal form
The Company was incorporated in Nigeria as a public liability Company on 8 November 2005.

Principal activity
The Company is mainly engaged in the generation and sale of electric power to the National Grid.

Business review
On 20 February 2014, a private consortium led by a Nigerian Company, Eurafric Power Limited acquired 100% interest in the Company, thereby acquiring control of the Company. The acquisition of 100% interest in the Company was as a result of the privatizations initiative of the power sector embarked on by the Federal Government of Nigeria.

The EPSRA (Act No. 6 of 2005) was established for the privatisation and transition of the Nigerian electricity market and as required by this Act, the Nigerian Electricity Regulatory Commission (NERC) was established in October 2005. NERC is Nigeria's independent regulatory agency for the Nigerian electricity industry comprising generation, transmission and distribution sectors and regulates the activities of the Company.

The Company, in accordance with its licence issued by NERC, continues to generate and provide electricity to the National Grid. The Transitional Stage Electricity Market (TEM) with its market rules was declared on 1 February 2015. The Bulk Power Purchasing Agreement (PPA) with the Nigerian Bulk Electricity Trading Plc (NBET) covering the terms upon which NBET is to engage in the bulk purchase and resale of electric capacity, electric energy and ancillary services with the Company, during the TEM was however not activated, as the conditions precedent were not met. As such, NERC issued a supplementary order from 1 February 2015 providing the framework to address the operational aspects of the TEM in the absence of effective PPAs.

The Sapele power plant currently has an installed capacity of 1020 mega-watts (MW). Revenue is realised from billings for electricity generated and delivered to the National Grid and is represented by the monthly settlement statements received from the Operator of the Nigerian Electricity Market (ONEM). During the year, the cumulative generated and shared electricity capacity to the grid was 0.34 million mega watts (MW) (2018: 0.25 million mega watts (MW)) and the total energy consumed by Electricity Distribution Companies (EDCs) was 295 million kilo-watt-hours (kWh) (2018: 230 million kilo-watt-hours (kWh)).

Operating results and dividends
The following is a summary of the Company's operating results:

	2019	2018
	NGN'000	**NGN'000**
Revenue	6,802,395	5,287,310
Loss before taxation	(1,121,559)	(2,137,151)
Income tax expense	332,841	662,223
Loss for the year	(788,718)	(1,474,928)

The directors do not recommend the declaration of dividend during the year (2018: Nil).

Directors' report cont'd

Directors and their interests

The directors who served during the year are as follows:

Name	Nationality
Prof. Oladapo Abraham Afolabi (Chairman)	
Anthony Onoh	
Heather Onoh (Mrs)	
Onoriode Odjegba	
Liu Zhaolong	Chinese
Robin Renee Sanders	American
Uwagbee Kenny Uwaifiokun	
Reginald Bayoko	
Goodluck Hayi	

Subsequent to the year end, on 28 September 2020, Mr.Cornelius Semiteje was appointed as a director of the company effective same date.

The directors do not have any interests required to be disclosed under Section 275 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004.

In accordance with Section 277 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, none of the directors has notified the Company of any declarable interests in contracts with the Company.

Shareholding structure

The Company's share holding structure is as follows:

	% Holding	31 Dec 2019 No of shares @ 50k each	% Holding	31 Dec 2018 No of shares @ 50k each
Eurafric Power Limited	95	9,500,000	95	9,500,000
Liu Zhaolong	5	500,000	5	500,000
		10,000,000		10,000,000

Sub-committees of the board

The Company has an audit committee and an investment and risk management committee. The members of the investment and risk management committee are Oladapo Abraham Afolabi, Robin Renee Sanders, Heather Onoh (Mrs) and Amobi Unanwa. The members of the audit committee are Uwagbee Kennedy Uwaifiokun, Onoriode Odjegba and Liu Zhaolong.

Material agreements

The Company has the following material agreements:

1. Deed of assignment of pre-completion receivables and liabilities

The Company through the Bureau of Public Enterprises signed a deed of assignment of pre-completion receivables and liabilities with the Nigerian Electricity Liability Management Company Limited (NELMCO). As part of the privatizations initiative and the restructuring of the Nigerian power sector, NELMCO was established to take over and manage the stranded assets and liabilities in the Power sector.

(a). Pre-completion receivables

Prior to the acquisition of the Company by the private consortium, it entered into a Deed of Assignment of Pre-completion receivables with NELMCO, where all its trade receivables as at 20 February 2014 were transferred to NELMCO. The assignment of trade receivables is without recourse.

(b). **Pre-completion liabilities**

The Deed of Assignment of Pre-completion liabilities transfers all liabilities and contingent liabilities of the Company as at 20 February 2014 to NELMCO, subject to certain terms and conditions which management believes do not limit the transfers. On the basis of this agreement, management derecognized qualifying assets and liabilities in 2014.

Directors' report cont'd

Property, plant and equipment
Information relating to changes in property. plant and equipment is disclosed in Note 11 to these Financial statements.

Donation and charitable gifts
In accordance with Section 38(2) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review (2018: Nil).
Other donations made amounted to NGN22.00 million (2018: NGN9.11 million).

Employment and employees

(a). Employment of physically challenged persons
The Company has no physically challenged employees. However, applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. The training, career development and promotion of physically challenged persons should, as far as possible, be identical to those of other employees.

(b). Employee health, safety and welfare
The Company places a high premium on the health, safety and welfare of its employees in their place of work. The Company's policy includes having various forms of insurance policies to secure and protect its employees. In addition, it operates on-site medical facilities and services for immediate attention to employees as may be necessary in the course of operations.

(c). Employee consultation and training
The Company places considerable value on the involvement of its employees in major policy matters and maintains a practice of keeping them informed on matters affecting them as employees, and on the various factors affecting the performance of the Company through formal and informal meetings. Employees receive on-the-job training, complimented where necessary with additional facilities from educational institutions.

Events after the reporting date
Other than as disclosed in Note 24., there were no significant events after the reporting date which could have had a material effect on the financial position of the Company as at 31 December 2019 and the financial performance for the year then ended which have not been adequately provided for or disclosed in these financial statements.

Independent Auditors
Messrs. KPMG Professional Services will be serving out their tenure in office as independent auditors of the Company. In accordance with section 357(2) of the Companies and Allied Matters Act of Nigeria, the Board of Directors will propose for approval at the next shareholders' meeting the appointment of a new independent auditor for the Company.

BY ORDER OF THE BOARD

Lagos, Nigeria

25th AUG: 2021

Company Secretary

OLANIWUN AJAYI LP

Statement of directors' responsibilities in relation to the financial statements

for the year ended 31 December 2019

The directors accept responsibility for the preparation of the annual Financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and for such internal control as the directors determine is necessary to enable the preparation of Financial statements that are free from material misstatement whether due to fraud or error.
As disclosed in Note 22, the directors have made an assessment of the Company's ability to continue as a going concern. The note also indicates the reasons why the directors believe the Company will remain a going concern in the foreseeable future.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Oladapo Abraham Afolabi
Chairman
FRC/2017/IPAN/00000015950
25th AUGUST, 2021
Date

Anthony Onoh
Director
FRC/2017/IODN/00000016431
25th AUGUST 2021
Date

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sapele Power Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sapele Power Plc (the Company), which comprise:

- the statement of financial position as at 31 December, 2019;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 22 of the financial statements, which indicates that the Company is unable to fully settle its liabilities to the gas suppliers due to continued delays in receiving payment for energy supplied to its sole customer. As stated in the Note, these conditions, along with other matters as set forth in the Note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of trade receivables	
See Note 3(f) (Accounting policy), Note 14 and Note 21(a) (Credit risk) to these financial statements	
The key audit matters	**How the matter was addressed during our audit**
The Company's sole customer has a history of long outstanding receivables (delayed unpaid invoices) that has resulted in a gross receivable amount of NGN14.73 billion as at 31 December 2019. There is a risk of recoverability of this receivable. Impairment of trade receivables was considered a key audit matter during our audit, due to significant estimates involved in determining the recoverability of amounts due from the Company's sole customer as well as the significance of the trade receivable balance.	In response to the risk of recoverability of trade receivables, we performed the following procedures: • We assessed the ECL modelling techniques and methodology used by the Company against the requirements of IFRS 9. • We challenged key assumptions applied in the impairment of financial assets by comparing the assumptions to our expectations based on knowledge of the Company, industry, relevant market parameters and other externally derived data. • We tested the Company's aging of receivables and considered the financial guarantees provided through the government's payment assurance guarantee program on receivables, for the purpose of ensuring that outstanding receivables are correctly classified based on their different credit risk characteristics and their identified settlement patterns. • We recomputed the impairment allowance and compared the outcome of our re-computation to the amount recognized by the Company, in order to evaluate the adequacy of the impairment allowance recorded by the Company.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Results at a glance, Directors' report, Statement of Directors' Responsibilities and Other National Disclosures but does not include the Financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

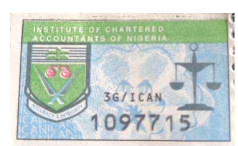
From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:



Ayodele A. Soyinka, FCA
FRC/2012/ICAN/00000000405
For: KPMG Professional Services
Chartered Accountants
26 August 2021
Lagos, Nigeria

Statement of financial position

As at

	Note	31 Dec 2019 NGN'000	31 Dec 2018 NGN'000
Assets			
Property, plant and equipment	11	32,836,098	33,355,280
Intangible assets	12(a)	16,163	18,470
Non-current assets		32,852,261	33,373,750
Inventories	13	445,739	405,518
Trade and other receivables	14	9,361,103	6,799,317
Prepayments	15	38,442	1,993
Cash and cash equivalents	16	797,873	173,397
Current assets		10,643,157	7,380,225
Total Assets		43,495,418	40,753,975
EQUITY			
Share capital	17(a)	5,000	5,000
Retained earnings		17,302,679	18,091,397
Other reserves	17(c)	4,273,267	4,273,267
Total Equity		21,580,946	22,369,664
LIABILITIES			
Deferred tax liabilities	10(d)	1,387,467	2,532,932
Provisions	19	475,797	286,618
Non-current liabilities		1,863,264	2,819,550
Current tax liabilities	10(c)	2,151,692	1,339,067
Trade and other payables	18	17,899,516	14,225,694
Total current liabilities		20,051,208	15,564,761
Total liabilities		21,914,472	18,384,311
Total equity and liabilities		43,495,418	40,753,975

These financial statements were approved by the Board of Directors on 25th AUG 2021 and signed on its behalf by:

Oladapo Abraham Afolabi (Chairman)
FRC/2017/IPAN/00000015950

Anthony Onoh (Director)
FRC/2017/IODN/00000016431

Additionally certified by:

Valentine Ashinze, FCA (Chief Financial Officer)
FRC/2016/ICAN/00000013834

The accompanying notes are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Note	2019 NGN'000	2018 NGN'000
Revenue	*5*	6,802,395	5,287,310
Cost of sales	*6*	(5,515,768)	(4,924,592)
Gross profit		**1,286,627**	**362,718**
Other income	*7*	40	1,696
General and administrative expenses	*6*	(1,359,159)	(873,690)
Net impairment loss on trade and other receivables	*21(a)*	(3,304,659)	(1,582,458)
Operating loss		**(3,377,151)**	**(2,091,734)**
Finance income	*8*	3,955,077	43
Finance costs	*8*	(1,699,485)	(45,460)
Net finance income/ (costs)		**2,255,592**	**(45,417)**
Loss before taxation		**(1,121,559)**	**(2,137,151)**
Taxation	*10(a)*	332,841	662,223
Loss for the year		**(788,718)**	**(1,474,928)**
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		**(788,718)**	**(1,474,928)**

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December

	Share capital	Retained earnings	Other reserve	Total equity
	NGN'000	**NGN'000**	**NGN'000**	**NGN'000**
Balance as at 1 January 2018	**5,000**	**19,566,325**	**4,273,267**	**23,844,592**
Total comprehensive income				
Loss for the year	-	(1,474,928)	-	(1,474,928)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**(1,474,928)**	**-**	**(1,474,928)**
Balance at 31 December 2018	**5,000**	**18,091,397**	**4,273,267**	**22,369,664**
Balance as at 1 January 2019	**5,000**	**18,091,397**	**4,273,267**	**22,369,664**
Total comprehensive income				
Loss for the year	-	(788,718)	-	(788,718)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	**(788,718)**	**-**	**(788,718)**
Balance at 31 December 2019	**5,000**	**17,302,679**	**4,273,267**	**21,580,946**

The accompanying notes are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December

	Note	2019 NGN'000	2018 NGN'000
Cash flows from operating activities			
Loss for the year		(788,718)	(1,474,928)
Adjustments for:			
-Depreciation	*11(a)*	925,465	900,572
- Amortization of intangible assets	*12*	2,307	2,307
- Net finance (income)/ costs		(2,258,623)	45,417
-Net impairment loss on trade and other receivables	*21(a)*	3,304,659	1,582,458
-Tax credit	*10a*	(332,841)	(662,223)
		852,249	**393,603**
Changes in:			
- Inventories	*13*	(40,221)	(9,768)
- Trade and other receivables	*14*	(3,571,943)	(1,836,077)
- Prepayments	*15*	(36,449)	(811)
- Trade and other payables	*18*	3,673,822	1,338,354
Net cash generated from/ (used in) operating activities		**877,458**	**(114,699)**
Cash flows from investing activities			
Interest received	*8*	11	43
Acquisition of property, plant and equipment	*11(a)*	(260,785)	(580,435)
Net cash used in investing activities		**(260,774)**	**(580,392)**
Net increase/ (decrease) in cash and cash equivalents		616,684	(695,091)
Cash and cash equivalents at the beginning of the year		173,397	868,488
Effect of exchange rates fluctuations on cash held		7,792	-
Cash and cash equivalents at 31 December	16	**797,873**	**173,397**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

Sapele Power Plc ('the Company') was incorporated on 8 November 2005 as a public liability company.The Company is domiciled in Nigeria with its registered office in Sapele Power Complex, Ogorode, Delta State.

On 20 February 2014, a private consortium led by Nigerian Company; Eurafric Power Limited acquired 100% interest in the Company thereby acquiring control of the Company. The acquisition of the 100% interest in the Company was as a result of the privatizations initiative of the power sector embarked on by the Federal Government of Nigeria.

2. Basis of accounting

(a) Statement of compliance

These Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Details of the Company's accounting policies are included in Note 3. The financial statements were authorised for issue by the Board of Directors on 25 August 2021.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis.

(c) Functional and presentational currency

These financial statements are presented in Nigerian Naira (NGN), which is the Company’s functional currency. All financial information presented in NGN have been rounded to the nearest thousand unless stated otherwise.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively, that is, in the current period in which the estimates are revised and in any future period affected.

i. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

• Note 21(a) - measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate

ii. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the CFO uses observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Notes to the financial statements - (cont'd)

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2: input other than quoted prices included in level 1 that are observable for the assets or liability, either directly (i.e as prices) or indirectly (i.e as derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
If the input used to measure the fair value of an asset or a liability might be categorised in different levels of fair value hierarchy, then the fair measurement must be categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
Further information about the assumptions made in measuring the fair values is included in the following notes:
Note - Financial Instruments.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Nigerian Naira at the actual exchange rates as of the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Foreign currency differences are generally recognized in profit or loss.

(b). Financial instruments

(i). Recognition and initial measurement

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii). Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI –debt investment; FVOCI –equity investment; or FVTPL.
Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the financial statements - (cont'd)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Notes to the financial statements - (cont'd)

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets
The Company classified its financial assets into loans and receivables;

Financial assets – Subsequent measurement and gains and losses:

Loans and receivables	Trade receivables and cash and cash equivalents were measured at amortised cost using the effective interest method.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes to the financial statements - (cont'd)

(iii).Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously

(c) Property, plant and equipment (PPE)

(i). Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2013, the Company's date of transition to IFRS, was determined with reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii).Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the item will flow to the Company. The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of any replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Notes to the financial statements - (cont'd)

(iii).Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use or, in respect of self constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives. Land is not depreciated.
Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset.
Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case, the assets are depreciated over the useful life.
The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

Type of asset	**Useful life**
Buildings	50 Years
Plant and machinery	15 to 40 years
Fittings and equipment	10 years
Motor vehicles	5 Years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. Land is not depreciated.
Capital work in progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

(d) Intangible assets

(i). Recognition and measurement

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii).Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii).Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Type of asset	**Useful life**
- License cost	15 years
- Accounting software	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the financial statements - (cont'd)

(e) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.
This policy is applied to contracts entered into, on or after 1 January 2019.

(i). As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities separately in the statement of financial position
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(ii) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is

Notes to the financial statements - (cont'd)

a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Policy applicable before 1 January 2019
For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:
–fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
–the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee
In the comparative period, as a lessee, the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor
When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(f) Impairment
(i). Non-derivative financial assets
Financial instruments
The Company recognises loss allowances for ECLs on:
The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Notes to the financial statements - (cont'd)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when :
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case23 when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.
The Company expects no significant recovery from the amounts written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Notes to the financial statements - (cont'd)

(ii). Non- financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(g) Provisions and contingent liabilities

(i). Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Decommissioning costs

Decommissioning costs will be incurred by the Company at the end of the operating life of the Company's steam turbines. Provision for decommissioning costs on steam turbine plant is based on estimates established by current legislation and industry practices. The estimates are reviewed periodically. Changes in the provision as a result of changes in the estimated future costs or discount rates are added to or deducted from the cost of the related item of PP&E in the period of change. The liability accretes for the effect of time value of money until it is expected to settle. The decommissioning cost is amortised over the life of the related asset. Actual decommissioning costs expenditures are recorded against the obligation when incurred. Any difference between the accrued liability and the actual expenditures incurred is recorded in profit or loss in the settlement period.

(ii). Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.
Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.
If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Notes to the financial statements - (cont'd)

(h) Revenue
Revenue streams
The Company generates revenue primarily from generation and delivery of energy to the national grid or purchasers. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenue is measured at the fair value of the consideration received or receivable and is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount can be measured reliably.

Revenue is generated primarily from the sale of electricity to the National Grid and recognized when earned on the basis of a contractual arrangement with the customer. Revenue reflects the value of the volume supplied (less the volume imported for the Company's own use), and capacity generated which is the total tariff price based on agreement with NBET. Capacity generation is the maximum electricity available for consumption at any given time which is measured in mega watts (MW) whilst energy shared is the actual electricity consumed which is measured in kilo-watt-hours (kWh).

Performance obligations and revenue recognition policies
Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. On the basis that the customer, NBET, cannot benefit from capacity generated on its own, and that capacity and energy are not sold separately in the electricity market in Nigeria, the Company has considered both to be a single performance obligation. The following table provides information about the nature and timing of the satisfaction of performance obligations in contract with NBET, including significant payment terms, and the related revenue recognition policies

Type of product	Nature and timing of satisfaction of performance obligations	Revenue recognition policy
Supply of electricity to the national grid	NBET is liable for the capacity generated and energy shared as measured on a daily basis as well as at month end. Invoices are generated on the date of receipt of the TCN settlement statement that confirms capacity generated and energy shared for the last calendar month. These invoices are payable in 15 days. Electricity is billed with tariffs from the Multi-Year Tariff Order approved template	Revenue is recognised when the goods are delivered to the delivery point. Revenue is recognised to the extent that the TCN settlement statement confirms the electricity supplied to the delivery point less energy consumed by the Company. Therefore, the amount of revenue recognised monthly is adjusted for reconciled variances in previous months

(i) Finance income and finance costs
Finance income comprises interest income on deposits and overdue receivables. Finance income is recognized as it accrues in profit or loss, using the effective interest method.
Finance income also comprises the net foreign currency gain or loss on financial assets and financial liabilities.
Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Notes to the financial statements - (cont'd)

(j). Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent of items recognized directly in equity or in other comprehensive income.
Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

(i). Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.
In line with the Finance Act 2019, minimum tax is determined at a base of 0.5% of the qualifying company's gross turnover less franked investment income. The Finance Act defines gross turnover as the gross inflow of economic benefits (cash, revenues, receivables and other assets) arising from the operating activities of a Company, including sales of goods, supply of services, receipt of interest, rents, royalties and dividends. Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

(ii). Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Notes to the financial statements - (cont'd)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only of certain criteria are met.

(k). Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first out method and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow moving and defective items.

(l). Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

When new shares are issued, they are recorded in share capital at their value. The excess of the issue price is recorded in the share premium reserve.

(m). Other reserves

Capital contributions from transactions with shareholders that would not result in issue of new equity shares are recognised as other reserves.

(n). Employee benefits

(i). Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonuses if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Notes to the financial statements - (cont'd)

(ii). Defined contribution plan

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity as the related service is provided. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. The Company and employee contributes 10% and 8% respectively of each employee's basic salary, transport and housing allowances which is charged to profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employee contributions are voluntary and are funded through payroll deductions.

(iii). Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(o) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance costs paid is also included in financing activities while finance income is included in investing activities.

(p) Operating loss

Operating loss is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

(q) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Notes to the financial statements - (cont'd)

4. New and amended Standards and Interpretations

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements and plans to adopt them as relevant on their respective effective date.

(i) IFRS 16 Leases

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described in Note

(ii) IFRIC 23 - Uncertainty Over Income Tax Treatments

The Company applied IFRIC 23 for the first time. There are no material impact as a result of the adoption of this new accounting standard.

Standards and Interpretations not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

Effective for the financial year commencing 1 January 2020

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)

The Company does not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated:

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

• A new chapter on measurement;
• Guidance on reporting financial performance;
• Improved definitions of an asset and a liability, and guidance supporting these definitions; and
• Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The Company is yet to carry out an assessment to determine the impact of this amendment on its financial statements

Notes to the financial statements - (cont'd)

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments

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

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The Company is yet to carry out an assessment to determine the impact of this amendment on its financial statements.

Notes to the financial statements - (cont'd)

5. Revenue

Revenue comprises amounts derived from generation and supply of electricity to the National Grid.

	2019	2018
	NGN'000	NGN'000
Capacity generated	2,338,754	1,975,064
Energy shared	4,463,641	3,312,246
	6,802,395	5,287,310

6. Expenses

	2019	2018
	NGN'000	NGN'000
Natural gas and fuel cost	3,875,564	3,792,655
Sub-power purchase***	501,950	39,734
Salaries and wages *	75,126	84,207
Depreciation (Note 11(e))	845,190	832,842
Amortisation of license cost (Note 12)	1,752	1,752
Insurance	112,180	129,596
Write down of inventory	-	4,228
Operation and maintenance	65,989	11,811
Other direct costs	38,017	27,767
Direct costs	**5,515,768**	**4,924,592**
Gas consumed for own use	496,666	284,913
Salaries and Wages *	175,295	196,484
Annual operating fees	102,036	84,029
Director's fees	-	2,550
Medical expenses *	2,631	5,453
Hotel expenses	13,078	11,467
Transport and travels	64,532	19,645
Entertainment	3,046	2,845
Bank charges and fees	1,432	6,362
Security services	64,248	53,027
Professional fees	137,743	57,887
Auditor's remuneration	12,000	12,137
Electricity cost	-	15,189
Communication	2,931	823
Office expenses	59,972	33,217
Insurance expense	2,862	2,860
Vehicle repairs and maintenance	11,287	7,408
Depreciation (Note 11(e))	80,275	67,730
Amortisation of intangible assets (Note 12)	555	555
Other expenses	117	-
Donations	21,997	9,109
Natural gas losses**	106,456	-
General and administrative expenses	**1,359,159**	**873,690**
Total direct costs, general and administrative expenses	**6,874,927**	**5,798,282**

Total employee benefits expense incurred for the year amounted to NGN253 million (2018: NGN286 million). See note 9(b)(i) for analysis of employee benefits expense.

* *Natural gas losses refer to shortages arising from the difference between gas supplied to the transporter and quantity delivered to the Company by the transporter. In line with the contract with the transporter, there is an obligation to refund the Company with the equivalent quantity of the lost gas.

Notes to the financial statements - (cont'd)

However, as at year end, both parties are yet to reach a resolution as to the amount recoverable as such these amounts have been charged to profit or loss.

**Sub-power purchase relates to cost incurred on a power purchase agreement with a third-party to supply and install gas generators in order to discharge part of its supply obligations to NBET.

7. Other income

	2019	2018
	NGN'000	NGN'000
Miscellaneous income	40	1,696
	40	**1,696**

8. Finance income and finance costs

	2019	2018
	NGN'000	NGN'000
Finance income		
Trade Interest income*	3,950,306	-
Other interest income	11	43
Net foreign exchange gain	4,760	-
Total finance income	**3,955,077**	**43**
Finance costs		
Impairment loss on interest receivable	(1,655,804)	
Unwinding of discounts (Note 19)	(43,681)	(45,460)
Total finance costs	**(1,699,485)**	**(45,460)**
Net finance income/ (costs)	**2,255,592**	**(45,417)**

*Interest income is accrued interest on outstanding trade receivables from the Company's sole customer, Nigerian Bulk Electricity Trading Plc.

9. Loss before taxation

(a) Loss before taxation is stated after charging:

	2019	2018
	NGN'000	NGN'000
Depreciation (Note 11)	925,465	900,572
Auditor's remuneration	12,000	12,000
Employee benefits expense (Note 6)	253,053	286,143
Net foreign exchange gain (Note 8)	(4,760)	-

(b) Staff costs and directors' remuneration:

(i). Staff costs during the year comprise:

	2019	2018
	NGN'000	NGN'000
Employee benefits expense	227,741	256,540
Employer's pension contribution	22,681	24,150
Welfare costs	2,631	5,453
	253,053	**286,143**

Notes to the financial statements - (cont'd)

(ii). The average number of full time persons employed by the Company during the year was as follows

	2019	2018
	Number	**Number**
Management staff	4	4
Senior staff	50	59
Junior staff	54	47
	108	**110**

(iii). The directors of the Company did not receive any remuneration as Directors during the year (2018: Nil).

(iv). Higher paid employees of the Company, other than directors, whose duties were wholly and mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

		2019	2018
		Number	**Number**
Below N1,000,000		51	46
N1,000,001	- N1,500,000	2	2
N1,500,001	- N2,000,000	5	4
N2,000,001	- N2,500,000	30	35
N2,500,001	- N3,000,000	5	7
N3,000,000	- N3,500,000	-	-
N3,500,001	- N4,000,000	1	1
N4,000,001	- N4,500,000	5	6
Above N4,500,000		9	9
		108	**110**

10. ***Income tax***

(a) Income tax credit

The tax charge is based on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes, and comprise:

	2019	2018
	NGN'000	**NGN'000**
Current tax expenses		
Company income tax	716,119	40,310
Tertiary education tax	96,506	8,070
	812,625	48,380
Deferred tax credit		
Reversal of temporary differences	(1,145,466)	(710,603)
	(332,841)	**(662,223)**

(b) Reconciliation of effective tax rates

The tax on the Company's loss before tax differs from the theoretical amount as follows:

		2019		2018
	%	**NGN'000**	**%**	**NGN'000**
Loss before income		(1,121,559)		(2,137,151)
Income tax using the statutory tax rate	32	(358,899)	32	(683,888)
Effect of;				
Non-deductible expenses	(1)	8,025	-	3,892
Impact of TET on depreciation	(2)	18,195	(1)	17,773
Tax incentives	-	(163)	-	
Total income tax credit/(expense)	**29**	**(332,841)**	**31**	**(662,223)**

Notes to the financial statements - (cont'd)

(c) Movement in current tax liability

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Opening balance	1,339,067	1,290,687
Charge for the year:		
- Company Income tax	716,119	40,310
-Tertiary education tax	96,506	8,070
Closing balance	2,151,692	1,339,067

(d) Recognised deferred tax assets and liabilities

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000	NGN'000	NGN'000	NGN'000	NGN'000
Property, plant and equipment	-	-	(4,968,552)	(4,510,153)	(4,968,552)	(4,510,153)
Decommissioning obligation	66,868	47,858	-	-	66,868	47,858
Foreign exchange difference			(2,493)		(2,493)	
Impairment of trade receivables	3,516,710	1,929,363	-	-	3,516,710	1,929,363
	3,583,578	1,977,221	(4,971,045)	(4,510,153)	(1,387,467)	(2,532,932)

Movement in temporary differences is as follows:

	31 December 2017	Recognised in Profit or loss 2018	31 December 2018	Recognised in Profit or loss 2019	31 December 2019
	NGN'000	NGN'000	NGN'000	NGN'000	NGN'000
Property, plant and equipment	(4,696,016)	185,863	(4,510,153)	(458,399)	(4,968,552)
Decommissioning obligation	29,504	18,354	47,858	19,010	66,868
Foreign exchange difference	-	-	-	(2,493)	(2,493)
Impairment of trade receivables	1,422,977	506,386	1,929,363	1,587,348	3,516,710
	(3,243,535)	710,603	(2,532,932)	1,145,466	(1,387,467)

Notes to the financial statements - (cont'd)

11. Property, plant and equipment

(a) The movement on this account was as follows;

	Land	Buildings	Asset retirement cost	Plant & machinery	Fittings and equipment	Motor Vehicle	Capital work in progress	Total
COST	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**
Balance at 1 January 2018	14,162,710	2,128,877	263,099	20,736,557	43,814	75,505	992,362	38,402,924
Additions	-	-	-	-	38,530	-	541,905	580,435
Revision to ARO (Note 19)	-	-	(99,370)	-	-	-	-	(99,370)
Balance as at December 2018	**14,162,710**	**2,128,877**	**163,729**	**20,736,557**	**82,344**	**75,505**	**1,534,267**	**38,883,989**
Balance at 1 January 2019	14,162,710	2,128,877	163,729	20,736,557	82,344	75,505	1,534,267	38,883,989
Revision (Note 19)	-	-	145,498	-	-	-	-	145,498
Additions	-	83	-	5,433	1,160	-	254,109	260,785
Balance as at December 2019	**14,162,710**	**2,128,960**	**309,227**	**20,741,990**	**83,504**	**75,505**	**1,788,376**	**39,290,272**
DEPRECIATION								
Balance at 1 January 2018	-	272,563	14,771	4,269,121	37,982	33,700	-	4,628,137
Charge for the year	-	55,134	11,895	820,947	744	11,852	-	900,572
Balance as at December 2018	**-**	**327,697**	**26,666**	**5,090,068**	**38,726**	**45,552**	**-**	**5,528,709**
Balance at 1 January 2019	-	327,697	26,666	5,090,068	38,726	45,552	-	5,528,709
Charge for the year	-	63,757	15,728	829,462	4,633	11,885	-	925,465
Balance as at December 2019	**-**	**391,454**	**42,394**	**5,919,530**	**43,359**	**57,437**	**-**	**6,454,174**
CARRYING AMOUNT								
At 1 January 2018	**14,162,710**	**1,856,314**	**248,328**	**16,467,436**	**5,832**	**41,805**	**992,362**	**33,774,787**
At 31 December 2018	**14,162,710**	**1,801,180**	**137,063**	**15,646,489**	**43,618**	**29,953**	**1,534,267**	**33,355,280**
At 31 December 2019	**14,162,710**	**1,737,506**	**266,833**	**14,822,460**	**40,145**	**18,068**	**1,788,376**	**32,836,098**

(b) The company had no capital commitments as at year end (2018: Nil).

(c) Based on the director's assessment, the items of Property plant and equipment were not impaired.

(d) Capital work-in-progress represents the costs incurred to date on the ongoing rehabilitation of the Company's steam turbine.

Notes to the financial statements - (cont'd)

(e) The depreciation for the year is allocated as follows:

	2019	2018
	NGN'000	NGN'000
Direct costs (note 6)	845,190	832,842
General and administrative expenses (note 6)	80,275	67,730
	925,465	900,572

12. Intangible asset

(a) Reconciliation of carrying amount

	License cost	Accounting Software	Total
COST	**NGN'000**	**NGN'000**	**NGN'000**
Balance at 1 January 2018	26,283	2,773	29,056
Additions	-	-	-
Balance at 31 December 2018	**26,283**	**2,773**	**29,056**
Balance at 1 January 2019	26,283	2,773	29,056
Additions	-	-	-
Balance as at December 2019	**26,283**	**2,773**	**29,056**
AMORTISATION			
Balance as at 1 January 2018	7,447	832	8,279
Charge for the year	1,752	555	2,307
Balance as at December 2018	**9,199**	**1,387**	**10,586**
Balance as at 1 January 2019	9,199	1,387	10,586
Charge for the year	1,752	555	2,307
Balance as at December 2019	**10,951**	**1,942**	**12,893**
Carrying amount			
At 1 January 2018	**18,836**	**1,941**	**20,777**
At 31 December 2018	**17,084**	**1,386**	**18,470**
At 31 December 2019	**15,332**	**831**	**16,163**

The amortisation of license cost is included in 'direct cost'; the amortisation of accounting software cost is included in 'general and administrative expenses'.

13. Inventories

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Consumable spare parts	227,854	202,286
Other consumables	217,885	203,232
	445,739	**405,518**

Inventories recognized as expense include consumable spare parts and other consumables used in maintenance during the year. They are included in operation and maintenance costs in costs of sales and amounted to NGN65.99 million (2018: NGN11.81 million). No inventory was written off during the year (2018: Nil). No inventories have been pledged as collateral at year end (2018: Nil).

Notes to the financial statements - (cont'd)

13.* Inventories *(cont'd)

Reconciliation of changes in inventories to statement of cashflows

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Balance, beginning of the year	405,518	395,750
Balance, as at year end	(445,739)	(405,518)
Changes in inventories included in statement of cash flows	**(40,221)**	**(9,768)**

14. Trade and other receivables

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Trade receivables	6,293,935	6,163,027
Accrued Interest*	2,294,502	-
Contract assets	772,666	568,751
Due from related parties (Note 20(d))	-	67,539
	9,361,103	**6,799,317**

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 21.

Reconciliation of changes in trade and other receivables to statement of cash flows

	31 Dec 2019	31 Dec 2018
Balance, beginning of the year	6,799,317	6,545,698
Impairment loss recognised during the year (Note 22(a))	(3,304,659)	(1,582,458)
Interest receivable from NBET	2,294,502	-
Balance, end of year	(9,361,103)	(6,799,317)
Changes in trade and other receivables included in statement of cash flows	**(3,571,943)**	**(1,836,077)**

***Interest clause in the Power Purchase Agreement**

The Company is entitled to interest on electricity bills that are not paid within the contractual period as stipulated in the Power Purchase Agreement (PPA) signed with the Company's sole customer (NBET) on 21 February 2013. The Company started selling electricity to NBET in 2015 and did not recognise any interest up to 2018 on the basis that NBET and SPP had not agreed on the interest amount to be charged as required by the PPA.

As at date of issue of these financial statements, NBET confirmed the interest due to the Company amounting to NGN 3.95 billion up to the year end, 31 December 2019. The amount of Accrued interest receivables as at 31 December 2019 is stated net of an impairment charge of NGN 1.65 billion.

Notes to the financial statements - (cont'd)

15. Prepayments

Prepayments comprise:

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Rentals	158	158
Insurance	38,284	1,835
	38,442	**1,993**

Reconciliation of changes in prepayment to statement of cashflows

	31 Dec 2019	31 Dec 2018
Balance, beginning of the year	1,993	1,182
Balance, as at year end	(38,442)	(1,993)
Changes in prepayment included in statement of cash flows	(36,449)	(811)

16. Cash and cash equivalents

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Bank balances	797,805	173,247
Cash in hand	68	150
	797,873	**173,397**

Information on the Company's exposure to credit risk in included in Note 21.

17. Capital and reserves

(a). Share capital comprises:

	31 Dec 2019	31 Dec 2018
Authorized:	NGN'000	NGN'000
20,000,000 ordinary shares of 50k each	10,000	10,000
Issued, called-up and fully paid:		
10,000,000 ordinary shares of 50k each	5,000	5,000

All ordinary shares rank equally with regard to the Company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

(b) Dividends

No dividends were proposed or declared during the year (2018: Nil).

(c) Other reserves

Other reserves comprise:

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Federal government funding (Note17(c)(i))	3,763,369	3,763,369
Pre-completion receivables and liabilities	509,898	509,898
	4,273,267	**4,273,267**

(i).**Federal government funding**

This represents contributions from the Federal Government to support the Company to meet its objectives of improving electricity generation in the country, prior to privatisation.

Notes to the financial statements - (cont'd)

18. Trade and other payables

Trade and other payables comprise:

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Gas payables	15,327,336	11,908,685
Account payables	638,143	511,821
Other payables	32,301	32,097
Dividend payable	211,876	211,876
Accrued expenses	876,531	776,897
Payable to NELMCO (Note 18(a))	316,724	316,724
	17,402,911	**13,758,100**
Statutory deductions	496,605	467,594
	17,899,516	**14,225,694**

Reconciliation of changes in trade and other payables to statement of cash flows

	31 Dec 2019	31 Dec 2018
Balance, beginning of the year	14,225,694	12,887,340
Balance, as at year end	17,899,516	14,225,694
Changes in trade and other payables included in statement of cash flows	**3,673,822**	**1,338,354**

(a) Payable to NELMCO

Payable to NELMCO represents certain pre-completion receivables collected on behalf of NELMCO net of commission income. Information on the Company's exposure to liquidity risk is included in Note 21.

19. Provision for decommissioning obligation

Provision for decommissioning obligation represents the Company's provision for Asset Retirement Obligation (ARO) on Sapele Power Plant. This estimate is based on evaluation performed by the Company. ARO cost was increased by NGN145.50 million at the end of the year due to the change in the applicable discount rate from 15.24% used in prior year to 11.88% at 31 December 2019.

The movement in this account is as follows:

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Balance at 1 January	286,618	340,528
Accretion for the year (Note 8)	43,681	45,460
Revision at year end (Note 11(a))	145,498	(99,370)
Balance at 31 December	**475,797**	**286,618**

Notes to the financial statements - (cont'd)

20. Related party transactions

(a) Parent and ultimate controlling party

In 2014, 95% of the Company's shares were acquired by Eurafric Power Limited (EPL) from BPE and MOFI. As a result, the parent company and the ultimate controlling entity is Eurafric Power Limited. EPL also obtained bank loans which were secured on a share charge over hundred percent (100%) of the equity share capital of the Company.

(b) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company. The directors are considered the key management personnel of the Company. No remuneration was paid to these personnel by the Company during the year (2018:Nil).

(c) Eurafric Oil and Coastal Limited

In 2018, the Company granted additional financing to Eurafric Oil and Coastal Limited. However, there was no transaction between the Company and Eurafric Oil and Coastal Limited during the year (2018: NGN 0.56 billion). The facility bears no interest, is unsecured, payable on demand and has been classified as a current asset in these financial statements.

(d) Due from related parties comprise:

	31 Dec 2019	31 Dec 2018
	NGN'000	NGN'000
Due from related party - Eurafric Power Limited	-	65,365
Due from related party - Eurafric Oil and Coastal Limited	-	2,174
	-	**67,539**

Information on the Company's exposure to credit risk is included in Note 21.

As at year end, impairment amounting to NGN5.62 billion (2018: NGN3.63billion) was recognized on receivables due from related parties.

21. Financial instruments

Financial risk management overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note represents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Notes to the financial statements - (cont'd)

Risk management framework
The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.
The Company's risk management policies are currently being developed to identify and analyse risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Company's activities.
The Company, through its training and management standards and procedures, will develop a disciplined and constructive control environment in which all its employees understand their roles and obligations. The Company's Board of Directors will oversee and monitor compliance with the Company's risk management policies and procedures, and will review the adequacy of the risk management framework in relation to the risks faced by the Company.

(a) Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other related parties.

The carrying amount of financial assets represents the maximum credit exposure.

	Note	31 Dec 2019	31 Dec 2018
		NGN'000	NGN'000
Trade and other receivables	14	9,361,103	6,799,317
Bank balances	16	797,805	173,246
		10,158,908	6,972,563

Trade and other receivables
Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis by the board of directors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each distribution company and the ability of the Operator of the Nigeria Electricity Market ("ONEM" or "Market Operator") and the Nigerian Bulk Electricity Trading Plc (NBET) to regulate and enforce payments by distribution companies. The management also considers the default risk associated with the industry and country in which customers operate.

The Company is closely monitoring the economic environment in the industry and is taking actions to limit its exposure to its sole customer.
The Company does not require collateral in respect of trade and other receivables . The Company does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

Expected credit loss assessment for trade receivables
The Company uses an allowance matrix to measure the ECLs for the trade receivables from its sole customer, NBET. Loss rates are calculated using the different methods and are calculated at the different rates based on their common credit risk characteristics. Loss rates are based on actual credit losses over the past four years using lifetime expected credit loss approach.
Roll rates are based on actual credit loss experience over the past four years.

In 2017, there was a commitment from the Federal Government of Nigeria to settle 80% of GENCOs invoices under the initial NGN701 billion payment assurance facility.
Also, in November 2019, another NGN601 billion payment assurance facility to settle 2019 invoices was committed and by September 2020, all had been settled.
In arriving at the impairment amounts, the trade receivables are classified based on their credit risk characteristics and the applicable loss rates are applied to the respective trade receivables category.

Notes to the financial statements - (cont'd)

The credit risk characteristic of the Company's receivables are classified as follows:

- Receivables from periods prior to the Payment Assurance Guarantee ("PAG")
- Receivables representing 80% of revenue invoices covering period under PAG
- Receivables representing 20% of revenue invoices covering period under PAG
- Receivables representing 100% of revenue invoices covering period under subsequent PAG
- Contract assets

December 31, 2019 *In thousands of naira* *Trade receivable categories*	Weighted -average loss rate	Gross carrying amount	Loss allowance
Revenue invoices prior to PAG	**39%**	3,173,495	1,250,464
20% of revenue invoices not covered by PAG	**100%**	2,417,206	2,417,206
100% of revenue invoices covered by subsequent PAG	**40%**	123,028	49,437
80% of revenue invoices covered by PAG	-	4,300,344	-
Contract assets		772,666	-
		10,786,739.00	3,717,107.00
Interest receivable on outstanding invoices	42%	3,950,306	1,655,804
		14,737,045	**5,372,911**

December 31, 2018 *In thousands of naira* *Trade receivable categories*	Weighted-average loss rate	Gross carrying amount	Loss allowance
Revenue invoices prior to PAG	**25%**	5,625,312	1,390,486
80% of revenue invoices covered by PAG	**0%**	1,848,455	-
20% of revenue invoices not covered by PAG	**93%**	1,080,772	1,001,026
Contract assets	**0%**	568,751	-
		9,123,290	**2,391,512**

Management believes that the unimpaired amount that are past due are still collectible in full based on historical payment behavior and extensive analysis of the customer's credit risk.

Expected credit loss assessment for trade and other receivables at amortised cost

Other receivables at amortised cost include receivables from related party. The loss allowance for receivables due from related parties at amortised cost as at 31 December 2018 reconciles to the closing allowance as at 31 December 2019. The movement in the allowance for impairment in respect of individual trade and other receivables during the year was as follows.

31 December 2019	**Other receivables**	**Trade receivables**	**Total impairment loss on trade and other receivables**	**Accrued Interest**	**Total**
	NGN'000	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**
Balance as at 1 January	3,637,748	2,391,512	6,029,260	-	6,029,260
Net impairment loss on trade and other receivables	1,979,064	1,325,595	3,304,659	1,655,804	4,960,463
Balance as at 31 December	**5,616,812**	**3,717,107**	**9,333,919**	**1,655,804**	**10,989,723**

Notes to the financial statements - (cont'd)

31 December 2018	Other receivables	Trade receivables	Total
	NGN'000	NGN'000	NGN'000
Balance as at 1 January	2,239,489	2,207,313	4,446,802
Net impairment loss on trade and other receivables	1,398,259	184,199	1,582,458
Balance as at 31 December	**3,637,748**	**2,391,512**	**6,029,260**

Due from related parties

The Company has transactions with its parent and other related parties. Payment terms are usually not established for transactions and amounts receivable from related parties are contractually settled on a net basis Related party receivables were assessed for impairment in accordance with IFRS 9. As at year end, impairment amounting to NGN1.98 billion (2018: NGN1.39 billion) was recorded with respect to amounts due from related parties.

Cash and cash equivalents

The Company held cash and cash equivalents of NGN797.87 million as at year end (2018:NGN173.40 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents (with the exception of NGN0.07 million held as cash by the Company (2018: NGN0.15 million) are held by banks and financial institutions in Nigeria. The Company considers that its cash and cash equivalents have low credit risk based on the external credit rating of the counterparties and their ability to meet the cash and liquidity thresholds set by the Central Bank of Nigeria.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss (2018:Nil).

The Company closely reviews the sundry receivables due from the its rental income, for evidence of impairment. No impairment loss was recognised during the year (2018: Nil).

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has a clear focus on ensuring sufficient access to capital to finance growth. As a part of the liquidity management process, the Company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

				Contractual cash flows
		Carrying amount	Total	3 months or less
		NGN'000	NGN'000	NGN'000
Non-derivative financial liabilities				
At 31 December 2019	**Note**			
Trade and other payables	18	17,402,911	17,402,911	17,402,911
		17,402,911	**17,402,911**	**17,402,911**
At 31 December 2018				
Trade and other payables	18	13,758,100	13,758,100	13,758,100
		13,758,100	**13,758,100**	**13,758,100**

Notes to the financial statements - (cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

***(i).* Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is not exposed to currency risk because sales and purchases are not denominated in a currency other than the functional currency of the Company, the Naira. All material transactions primarily are denominated in Naira (NGN).

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows.

	31 Dec 2019	31 Dec 2018
	USD	**USD**
Financial asset		
Cash and cash equivalents	627,376	125,835

The following significant exchange rates have been applied during the year.

	Average rate		Reporting date spot rate	
	2019	**2018**	**2019**	**2018**
	NGN	**NGN**	**NGN**	**NGN**
USD	306.92	305.58	306.00	306.50

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US dollar against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Increase/(decrease) in proift or loss
	NGN'000
At 31 December 2019	
USD (20% strengthening)	38,395.41
At 31 December 2018	
USD (20% strengthening)	7,716.58

***(ii).* Interest rate risk profile**

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings.

Exposure to interest rate risk

At the reporting date, the Company had no fixed rate interest-bearing financial instruments.

Fair value sensitivity analysis for fixed rate instruments.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Notes to the financial statements - (cont'd)

(d) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	31 Dec 2019 NGN'000	31 Dec 2018 NGN'000
Total liabilities	21,914,472	18,384,311
Less: Cash and cash equivalents	(797,873)	(173,397)
Adjusted net debt	21,116,599	18,210,914
Total equity	21,580,946	22,369,664
Adjusted net debt to equity ratio	**0.98**	**0.81**

There were no significant changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

(e) Fair values

Accounting classification and fair value

The following table shows the carrying amount of financial assets and financial liabilities. It does not include fair value information as the carrying amounts of these financial assets and financial liabilities not measured at fair value are reasonable approximations of their fair values.

31 December 2019	Note	Financial assets at amortised cost NGN'000	Other financial liabilities NGN'000	Total NGN'000
Financial assets not measured at fair value				
Trade and other receivables	14	9,361,103	-	9,361,103
Cash and cash equivalents	16	797,873	-	797,873
		10,158,976	**-**	**10,158,976**
Financial liabilities not measured at fair value				
Trade and other payables*	18	-	(17,402,911)	(17,402,911)
		-	**(17,402,911)**	**(17,402,911)**
31 December 2018				
Financial assets not measured at fair value				
Trade & other receivables	14	6,799,317	-	6,799,317
Cash and cash equivalents	16	173,397	-	173,397
		6,972,714	**-**	**6,972,714**
Financial liabilities not measured at fair value				
Trade and other payables*	18	-	(13,758,100)	(13,758,100)
		-	**(13,758,100)**	**(13,758,100)**

* Trade and other payables excludes statutory deductions.

Trade and other receivables, trade and other payables and cash and cash equivalents are the Company's financial instruments. Accordingly, management believes that their fair values are not expected to be materially different from their carrying values.

Notes to the financial statements - (cont'd)

22 Going concern

The Company reported a loss of NGN0.79 billion for the year ended 31 December 2019 (2018: loss of NGN1.47 billion) and as at that date, its current liabilities exceeds its current assets by NGN 9.41 billion (2018:NGN 8.18 billion).

A total amount of NGN15.33 billion representing 76% of the Company's current liabilities as at year end is due to the Company's gas suppliers (see Note 18.). The inability of the Company to settle its liabilities to the gas suppliers is largely due to continued delays in receiving payment for energy supplied to its sole customer, NBET.

As at the year end, the gross amount receivable from NBET was NGN 14.74 billion, and NGN 15.30 billion out of the total exposure to the gas suppliers was past due. As at the date of the approval of these financial statements, the Company is yet to fully settle the obligation to the gas suppliers.

The foregoing indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern in the foreseeable future.

The Federal Government of Nigeria (FGN) has acknowledged in the Power Sector Recovery Programme (PSRP) that the Power Sector is illiquid due to lack of cost reflective tariffs and the inability of the Distribution Companies to make the required payments down the value chain of the sector. FGN has therefore come up with various mechanisms to ensure sector participants remain a going concern. NBET is in continued discussions with the gas suppliers and also settles bills due to gas suppliers on behalf of the Company to ensure stability in the industry. As at date of issue of these financial statements, the gas suppliers were not demanding payments and continue to supply gas to the Company. Also, NBET has committed to making interest payments on outstanding receivables and the Federal Government continues to intervene with Payment Assurance Guarantees.

During the year, NERC issued a minimum remittance order to the Distribution Companies. Subsequent to the year end, on November 1 2020, the Service-Based Tariff was implemented which results in customers paying Distribution Companies for electricity according to the quality of service enjoyed. These initiatives will improve revenue that accrues to Distribution Companies and their remittances to NBET. Consequently, NBET has an increased ability to settle the Company's receivables.

Furthermore, the Board is actively pursuing alternative means to expand its revenue-generation by seeking other customers outside NBET.

Based on the foregoing, the directors have concluded that the Company will be able to realise its assets and settle its liabilities in the ordinary course of business. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

23. Contingencies and Committments

The directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of these financial statements.

Notes to the financial statements - (cont'd)

24. Events after the reporting date

1. On 11 March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a pandemic and most governments took restrictive measures to contain its further spread by introducing lockdowns, closures of borders and travel restrictions which affected the free movement of people and goods. The Nigerian Centre for Disease Control (NCDC) confirmed COVID-19 cases in Nigeria and this resulted in lock down in certain states. The pandemic has caused a significant reduction in social interactions, disruption in economic activities while some public facilities were shut down in a bid to reduce the spread of the virus. In light of recent developments, lockdowns have been eased and vaccines are now available. More so, demand for power generation was not affected by the pandemic.

The Company considers this outbreak to be a non-adjusting subsequent event. As the situation is fluid and rapidly evolving, the Directors do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak and will continue to evaluate the impact of COVID-19 on the Company's operations, financial position and operating results.

As at the date these financial statements were authorised for issue, the Directors were not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

2. On 7 August 2020, the President of the Federal Republic of Nigeria signed into law the Companies and Allied Matters Act, 2020 (CAMA 2020). CAMA 2020 repeals the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004 (the Repealed Act).

3. Based on the provisions of the share sales and purchase agreement and performance agreement executed among the Bureau of Public Enterprises (BPE), Eurafric Power limited and the Company, a target date for achieving a minimum performance target of 400MW was set as the fifth anniversary of the acquisition of the power plant. Subsequent to the year end on 29 June 2020, BPE notified the Company of its failure to meet the minimum performance target indicating a one (1) year period for remediation. On 8 September 2020, the Company responded to BPE indicating that their nonperformance is not considered a performance default due to the performance limiting issues which are "FGN events of default" in-line with the performance agreement. As a result, the Company has requested for an additional three (3) years extension period. The Company is yet to receive a response from BPE as at the date of issue of these financial statements. As a result the directors believe that extension period is accepted by BPE and this matter has no impact on the financial statements.

There were no other events after the reporting date that could have had a material effect on the financial statements of the Company that have not been provided for or disclosed in these financial statements.

Other national disclosures

Value added statement

For the year ended 31 December

****The value added statement is not a part of the financial statements***

	2019	%	2018	%
	NGN'000		**NGN'000**	
Revenue	6,802,395		5,287,310	
Brought in materials and services				
Local	(8,998,761)		(6,194,025)	
-	**(2,196,366)**		**(906,715)**	
Finance income	3,955,077		43	
Other income	40		1,696	
	1,758,751	**100**	**(904,976)**	**100**
To Employee;				
-as salaries,wages and other staff costs	253,053	14	286,143	(32)
To provider of finance;				
-Finance cost and similar charges	1,699,485	97	45,460	(5)
To government as;				
- Taxes	(332,841)	(19)	(662,223)	73
Retained in the business:				
To maintain and replace;				
- Property, plant and equipment	925,465	53	900,572	(99)
- Intangible assets	2,307	-	-	-
To deplete reserve	(788,718)	(45)	(1,474,928)	163
	1,758,751	**100**	**(904,976)**	**100**

Financial summary
As at 31 December

Statement of profit or loss and other comprehensive income

	2019	2018	2017	2016	2015
	NGN'000	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**
Revenue	6,802,395	5,287,310	6,798,719	7,055,066	5,028,691
Results from operating activities	(3,377,151)	(2,091,734)	(1,959,830)	447,672	1,410,266
(Loss)/ profit before taxation	(1,121,559)	(2,137,151)	(1,983,972)	429,165	1,360,301
(Loss)/ profit for the year	(788,718)	(1,474,928)	(1,459,192)	(10,334)	635,098

Statement of financial position

	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
	NGN'000	**NGN'000**	**NGN'000**	**NGN'000**	**NGN'000**
Employment of fund					
Property, plant and equipment	32,852,261	33,373,750	33,795,564	34,119,348	34,724,755
Net current assets/(liabilities)	(9,408,051)	(8,184,536)	(6,366,909)	(360,923)	444,583
Non-current liabilities	(1,863,264)	(2,819,550)	(3,584,063)	(9,262,278)	(9,249,768)
	21,580,946	**22,369,664**	**23,844,592**	**24,496,147**	**25,919,570**
Funds employed					
Share capital	5,000	5,000	5,000	5,000	5,000
Retained earnings	17,302,679	18,091,397	19,566,325	20,217,880	21,641,303
Other reserve	4,273,267	4,273,267	4,273,267	4,273,267	4,273,267
	21,580,946	**22,369,664**	**23,844,592**	**24,496,147**	**25,919,570**