Deloitte.

EGBIN POWER PLC.

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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CORPORATE INFORMATION

Directors	Kola Adesina	(Nigerian)	Chairman
	Dallas Peavey (Jnr)	(American)	Chief Executive Officer
	Tonye Cole	(Nigerian)	Director
	Tope Shonubi	(Nigerian)	Director
	Ade Odunsi	(Nigerian)	Director
	Mr. Yeom Gyoo Chull	(Korean)	Director
	Mr. Benjamin Ezra Dikki	(Nigerian)	Director
	Dr. George Oluwande	(Nigerian)	Director & Technical Adviser

Registered Office
Egbin Power Station
Egbin Town,
Ikorodu,
Lagos State,
Nigeria.

Bankers
Zenith Bank Plc.
Plot 84, Ajose Adeogun Street Victoria Island, Lagos.

Fidelity Bank Plc.
2, Kofo Abayomi Str., Victoria Island, Lagos

United Bank for Africa Plc
57, Marina Lagos.

FCMB Plc.
42, Ademola Adetokunbo Street, Victoria Island, Lagos.

Sterling Bank Plc.
20, Marina Lagos.

Access Bank Plc.
Plot 999c, Danmole Str., Victoria Island, Lagos.

Eco Bank Plc.
Plot 21, Ahmadu Bello Way, Victoria Island, Lagos.

Union Bank Plc.
36, Marina, Lagos.

Wema Bank Plc
54, Marina Lagos.

Solicitors
Udo Udoma & Belo-Osagie
10th/13th Floor St. Nicholas House CMS, Lagos Island, Lagos.

Consolex Legal
62 Awolowo Road, Ikoyi, Lagos.

Auditor
Akintola Williams Deloitte
Civic Towers
Plot GA 1, Ozumba Mbadiwe Avenue
Victoria Island, Lagos.

Company Secretary
Ejiro Gray

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Principal Activity and Business Review

Egbin Power Plc (the "Company") is a company incorporated and domiciled in Nigeria with its registered office and principal place of business at Egbin Power Station, Egbin Town, Ikorodu, Lagos. Following the conclusion of the Government's privatization exercise in November 2013, the Federal Government of Nigeria handed over the Company to the core investor, a Joint Venture between Sahara Power Group (SPG) and Korea Electric Power Corporation (KEPCO), known as KEPCO Energy Resource Limited.

The principal activity of the Company remains the generation and sale of energy ("power"). The Company is the largest power generating station in Nigeria with an installed capacity of 1320MW. It is a gas-fired plant with six 220MW independent boiler turbine units. Power generated is sent to the National grid by three main transmission lines mainly: Ikeja West (330KV); Ajah (330KV); and Ikorodu (132KV) lines.

Subsequent to year end, the Company rehabilitated and restored ST Unit 6 (a 220MW Steam Turbine Generator) bringing an additional 220MW to the Nigerian National Electricity Grid and restoring the power plant to its installed capacity of 1320MW. The Company is currently in the final stages of a bilateral agreement to supply the 220MW to Ikeja Electricity Distribution Plc (Ikeja Electric) and Eko Distribution Company, a development that is set to yield about 16% additional power supply to Lagos, the nation's commercial nerve center.

Operating Results and Dividend

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

	2014 N'000	2013 N'000
Revenue	43,451,220	58,036,439
Profit before taxation	1,841,224	18,777,495
Taxation	(761,207)	(5,941,048)
Profit for the year	**1,080,017**	**12,836,447**

Dividend

No dividends was paid or proposed during the year.

Property, Plant and Equipment

Information relating to changes in property, plant and equipment of the Company is disclosed in Note 12 to the financial statements.

Directors' report (cont'd)

Shareholding Structure
The shareholding structure of the Company is as follows:

	2014		2013	
Names	**No of shares**	**%**	**No of shares**	**%**
KEPCO Energy Resource Limited	7,000,000	70	7,000,000	70
Bureau of Public Enterprises	2,400,000	24	2,400,000	24
Ministry of Finance Incorporated	600,000	6	600,000	6
Total	**10,000,00**	**100**	**10,000,00**	**100**

	2014 N'000	2013 N'000
Authorised, issued and fully paid		
10,000,000 ordinary shares of N0.50k each (converted at the historic exchange rate of N134.02/US$1)	5,000	5,000

Directors and their interests
The directors of the Company during the year and up to the date of this report were:

1. Kola Adesina (Nigerian) Chairman
2. Tonye Cole (Nigerian) Director
3. Tope Shonubi (Nigerian) Director
4. Ade Odunsi (Nigerian) Director
5. Mr. Yeom Gyoo Chull (Korean) Director
6. Mr. Benjamin Dikki (Nigerian) Director
7. Dr. George Oluwande (Nigerian) Director & Technical Adviser

Mr Yeom Gyoo Chull is the Managing Director of Korea Electric Power Nigeria Limited, a related company to KEPCO Electric Power Corporation (KEPCO). KEPCO is the Technical Partner appointed to operate and maintain the plant over a period of five years from November 2013.

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the Directors has notified the Company of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

Events after the reporting date
Other than the events disclosed in Note 30 of these financial statements, there were no other events after the reporting period which could have had a material effect on the state of affairs of the Company as at 31 December 2014 and the net results for the year ended, which have not been adequately provided for or disclosed in these financial statements.

Directors' report (cont'd)

Employee Health, Safety and Welfare
The Company places a high premium on health, safety and welfare of its employees in their places of work. To this end, the company has various forms of insurance policies, including Combined all risk, Group personal accident, and Group life assurance, to adequately secure and protect its employees.

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 various factors affecting the performance of the Company. This is achieved through meetings with the employees.

There is great emphasis on staff development and training through carefully planned training courses and seminars to update the special skills and job requirements of the staff.

The Company does not have any policies that will hinder the employment or retention of physically challenged persons.

Auditors
In accordance with Section 357 (2) of Companies and Allied Matters Act of Nigeria, Messrs Akintola Williams Deloitte (Chartered Accountants) have indicated their interest to continue in office as auditors of the Company.

On behalf of the Board

30 NOVEMBER 2015

....
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The Directors of Egbin Power Plc are responsible for the preparation of financial statements that give a true and fair view of the financial position of the Company as at 31 December 2014, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

The Directors are also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

Going concern:
The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2014 were approved by Directors on 30 NOVEMBER , 2016.

Signed on behalf of the Directors of the Company by:

Tonye Cole
Director
FRC/2014/IODN/00000008873

Ade Odunsi
Director
FRC/2013/ICAN/00000005046

Deloitte.

P.O. Box 965
Marina
Lagos
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

EGBIN POWER PLC

Report on the Financial Statements

We have audited the accompanying financial statements of **Egbin Power Plc ("the Company")** which comprise the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity, statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act No 6, 2011, the International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. **Limitation of scope in respect of comparative information and balances for Statement of profit or loss and other comprehensive income for the year ended as at 31 December 2013.**

   The present management took over the Company on the 1 November 2013 ("handover date"), however, adequate, sufficient information and supporting documents were not available to management and consequently to us to obtain appropriate and sufficient audit evidence for transactions recorded between 1 January 2013 and 30 October 2013. We could not substantiate the validity, valuation, accuracy and occurrence of the transactions and balances disclosed for the period before the handover date as the supporting documents and explanations for such transactions and balances could not be made available to us.

   As a result of this matter, we are unable to form an opinion about whether the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year ended 31 December 2013 give a true and fair view of the financial performance of the Company. The financial effects of this matter were impracticable to quantify, and our audit opinion on the financial statements for the year ended December 31, 2013 was modified accordingly.

Qualified Opinion

Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, the financial statements give a true and fair view of the financial position of **Egbin Power Plc** as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act, Cap C20, LFN 2004, and the Financial Reporting Council of Nigeria Act No 6, 2011.

Emphasis of Matter
We draw attention to Note 13.1 to the financial statements concerning the Directors' assessment of recoverability and provision made for the trade receivables due from the Operator of Nigerian Electricity Market as at year end. Our opinion is not qualified in respect of this matter.

Other reporting responsibilities
Subject to the matters stated in the Basis for Qualified Opinion paragraph above and in accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) Except for the matters described in the Basis of Qualified Opinion paragraph, we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) The Company has kept proper books of account, so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received;

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

Olufemi Abegunde FCA-FRC/2013/ICAN/00000004507
For: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria
30 NOVEMBER **2016**

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0069199

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2014 N'000	2013 N'000	2014 US$'000	2013 US$'000
Revenue	5	43,451,220	58,036,439	277,733	373,826
Cost of sales	6	(39,538,665)	(28,699,233)	(252,723)	(184,859)
Gross profit		**3,912,555**	**29,337,206**	**25,010**	**188,967**
Administrative expenses	8	(3,177,123)	(10,255,791)	(20,310)	(66,058)
Operating profit		**735,432**	**19,081,415**	**4,700**	**122,909**
Finance income	7.1	1,343,725	1,048	8,589	7
Finance cost	7.2	(357,169)	(314,666)	(2,283)	(2,027)
Other gains	7.3	119,236	9,698	762	62
Profit before taxation		**1,841,224**	**18,777,495**	**11,768**	**120,951**
Taxation	11	(761,207)	(5,941,048)	(4,865)	(38,268)
Profit for the year		**1,080,017**	**12,836,447**	**6,903**	**82,683**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
De-recognition of NELMCO net assets	26	-	(49,172,628)	-	(316,835)
Gain on revaluation of assets	12	-	196,526,411	-	1,265,869
Deferred tax on revaluation surplus	11.1	-	(58,957,923)	-	(379,761)
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising during the year		-	-	(70,199)	449
Total comprehensive income/(loss) for the year		**1,080,017**	**101,232,307**	**(63,296)**	**652,405**
Earnings per share - Basic (Naira/ US$)	25	**108.00**	**1,283.64**	**0.69**	**8.27**

The explanatory notes on pages 7 to 34 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	201,638,690	209,246,844	1,203,812	1,348,240
Intangible assets	12b	7,217	-	43	-
		201,645,907	209,246,844	1,203,855	1,348,240
Current assets					
Inventories	15	21,963	30,772	131	198
Trade and other receivables	13	29,218,542	6,442,666	174,439	41,512
Other current assets	14	16,216	-	97	-
Cash and bank balances	16	1,692,522	120,693	10,105	778
		30,949,243	6,594,131	184,772	42,488
TOTAL ASSETS		**232,595,150**	**215,840,975**	**1,388,627**	**1,390,728**
EQUITY AND LIABILITIES					
Share capital	24	5,000	5,000	37	37
Retained earnings		40,291,180	39,211,163	259,396	252,493
Other reserves	26	108,187,924	108,187,924	696,742	696,742
Cumulative translation adjustment		-	-	(69,702)	497
TOTAL EQUITY		**148,484,104**	**147,404,087**	**886,473**	**949,769**
Non-current liabilities					
Deferred taxation	11.1	57,761,979	59,600,100	344,848	384,021
Provision for decommissioning liabilities	20	2,948,918	2,605,051	17,605	16,785
		60,710,897	62,205,151	362,453	400,806
Current liabilities					
Trade and other payables	17	20,800,821	5,886,840	124,183	37,931
Borrowings	19	-	344,897	-	2,222
Taxation	11	2,599,328	-	15,518	-
		23,400,149	6,231,737	139,701	40,153
TOTAL LIABILITIES		**84,111,046**	**68,436,888**	**502,154**	**440,959**
TOTAL EQUITY AND LIABILITIES		**232,595,150**	**215,840,975**	**1,388,627**	**1,390,728**

The financial statements on pages 3 to 37 were approved by the Board of Directors of the Company on 30 NOV 2016. They were signed on its behalf by:

Tonye Cole
Director
FRC/2014/IODN/00000008873

Ade Odunsi
Director
FRC/2013/ICAN/00000005046

Kola Adesina
Chairman
FRC/2016/CIIN/00000014687

The explanatory notes on pages 7 to 34 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital N'000	Federal Government Funding N'000	Retained Earnings N'000	Other Reserves N'000	Cumulative translation adjustment N'000	Total Equity N'000
Balance as at 1st January 2013 (Unaudited)		**5,000**	**19,792,064**	**26,374,716**	**-**	**-**	**46,171,780**
Government funding de-recognition	26	-	(19,792,064)	-	19,792,064	-	-
Revaluation reserve	12	-	-	-	196,526,411	-	196,526,411
Deferred tax on revaluation surplus	11	-	-	-	(58,957,923)	-	(58,957,923)
Derecognition of NELMCO net assets	26	-	-	-	(49,172,628)	-	(49,172,628)
Profit for the year – 2013		-	-	12,836,447	-	-	12,836,447
Balance as at 31st December 2013		**5,000**	**-**	**39,211,163**	**108,187,924**	**-**	**147,404,087**
Profit for the year - 2014		-	-	1,080,017	-	-	**1,080,017**
Balance as at 31st December 2014		**5,000**	**-**	**40,291,180**	**108,187,924**	**-**	**148,484,104**

	Share Capital US$'000	Federal Government Funding US$'000	Retained Earnings US$'000	Other Reserves US$'000	Cumulative translation adjustment US$'000	Total Equity US$'000
Balance as at 1st January 2013 (Unaudited)	**37**	**127,469**	**169,810**	**-**	**48**	**297,364**
Government funding de-recognition	-	(127,469)	-	127,469	-	-
Revaluation reserve	-	-	-	1,265,869	-	1,265,869
Deferred tax on revaluation surplus	-	-	-	(379,761)	-	(379,761)
Derecognition of NELMCO net assets	-	-	-	(316,835)	-	(316,835)
Profit for the year - 2013	-	-	82,683	-	-	82,683
Translation effects during the year	-	-	-	-	449	449
Balance as at 31st December 2013	**37**	**-**	**252,493**	**696,742**	**497**	**949,769**
Profit for the year – 2014	-	-	6,903	-	-	6,903
Translation effects during the year	-	-	-	-	(70,199)	(70,199)
Balance as at 31st December 2014	**37**	**-**	**259,396**	**696,742**	**(69,702)**	**886,473**

The explanatory notes on pages 7 to 34 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Cash flow from operating activities	Notes	2014 N'000	2013 N'000	2014 US$'000	2013 US$'000
Profit for the year		1,080,017	12,836,447	6,903	82,683
Non-cash transaction adjustments for:					
Depreciation on generation assets	12	8,262,763	1,500,257	52,813	9,664
Inventory write off		-	141,560	-	912
Accretion expense	20	343,867	303,769	2,198	1,957
Provisions for doubtful debts	8	996,160	793,672	6,367	5,112
Finance cost	7.2	6,668	10,897	43	70
Profit on assets disposal	7.3	(1,119)	-	(7)	-
Interest on fixed deposit	7.1	(117,278)	(1,048)	(750)	(7)
Deferred tax (credit)/charge	11	(1,838,121)	642,177	(11,749)	4,136
Translation effect on gen. asset	12a	-	-	84,615	400
Translation effect on non-gen. assets	12a	-	-	10,196	46
Translation effect on intangible assets	12b	-	-	3	-
Translation effect on borrowings	19	-	-	(18)	1
Translation effect on decomm. prov.	20	-	-	(1,378)	10
Translation effect on taxation	11	-	-	(28,520)	124
Translation effect on other transaction balances		-	-	998	(1,016)
Cumulative translation adjustment		-	-	(70,199)	449
		7,652,940	**3,391,284**	**44,612**	**21,678**
Movements in working capital					
Increase in trade and other receivables	13	(23,771,765)	(28,817,597)	(138,207)	(185,680)
Increase in other current assets	14	(16,216)	-	(97)	-
Decrease in inventories	15	8,809	1,922,998	67	12,390
Increase in trade and other payables	17	14,913,981	10,155,136	86,252	65,433
Increase/(Decrease) in taxation	11.1	2,599,328	(2,213,457)	15,518	(14,235)
Total adjustments and movements		**1,387,077**	**(15,561,636)**	**8,145**	**(100,234)**
Net cash provided by/(used in) operating activities		**2,467,094**	**(2,725,189)**	**15,048**	**(17,551)**
Cash flow from investing activities					
Purchase of fixed assets	12a	(664,286)	-	(4,245)	-
Interest income on fixed deposits	7.1	117,278	-	750	-
Proceeds from disposal of fixed assets		3,308	-	21	-
Net cash outflow from investing activities		**(543,700)**	**-**	**(3,474)**	**-**
Cash flows from financing activities					
Interest (paid)/received	7.2	(6,668)	1,048	(43)	7
Loan repayment/received	19	(344,897)	334,000	(2,204)	2,151
Net cash (used in)/provided by financing activities		**(351,565)**	**335,048**	**(2,247)**	**2,158**
Net increase/(decrease) in cash and cash equivalents		1,571,829	(2,390,141)	9,327	(15,393)
Cash and cash equivalents at beginning of the year	16	120,693	2,510,834	778	16,171
Cash and cash equivalents at end of the year	16	**1,692,522**	**120,693**	**10,105**	**778**

The explanatory notes on pages 7 to 34 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.0 The Company

Egbin Power Plc ("the Company") was one of the unbundled companies from the defunct Power Holdings Company of Nigeria ("PHCN"). The Company was in the generating sector of the PHCN which was a state-owned Electric Power Company. During the Federal Government's privatization program, the Company was sold to KEPCO Energy Resource Limited ("KERL") in 2007 as part of the privatization of the electric power sector. The sale was authorized by the Bureau of Public Enterprises ("BPE"), effective from 1st November 2013 (referred to as the handover date), the Federal Government of Nigeria ("FGN") handed over the Company and other unbundled assets to their new owners. The Company entered into an operation and maintenance agreement with Korea Electric Power Corporation ("KEPCO") in November 2013 to provide operation and maintenance services on its plant.

1.1 Shareholding structure

The shareholding structure of the Company is as follows:

	N'000	%
KERL		
7,000,000 ordinary shares of 50k each	3,500	70
BPE		
2,400,000 ordinary shares of 50k each	1,200	24
Ministry of Finance Incorporated		
600,000 ordinary shares of 50k each	300	6
Total issued ordinary shares	**5,000**	**100**

KERL's shareholders are:
- Energy Resource Limited (ERL), a Company registered in England with 70% interest
- Korea Electric Power Corporation (KEPCO), a Company incorporated in South Korea with 30% interest.

1.2 Principal activities

The Company's principal activity is to generate power and sell to Nigerian Market Operator. The Company has installed capacity of 1320 megawatts and utilizes natural gas to generate electricity.

1.3 Financial period

These financial statements cover the financial year from 1 January 2014 to 31 December 2014, with comparative figures for the financial year ended 31 December 2013.

1.4 Composition of IFRS financial statements

The financial statements are drawn up in Nigerian Naira (N), the functional currency of Egbin Power Plc, in accordance with IFRS accounting presentation. The Directors also present its financial statements in Dollar (US$) to aid international comparison and acceptability on its transaction. The financial statements comprise:

i. Statement of profit or loss and other comprehensive income
ii. Statement of financial position
iii. Statement of changes in equity
iv. Statement of cash flows
v. Notes to the financial statements

Additional information provided by management in line with the requirement of the Company and Allied Matters Act (CAMA) includes:

i. Statement of value added
ii. Financial summary

NOTES TO THE FINANCIAL STATEMENTS

1.5 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board, Companies and Allied Matters Act (CAMA) and Financial Reporting Council of Nigeria (FRCN) Act No. 6 2011.

2 Adoption of new and revised IFRS standards

2.1 Accounting standards and interpretations effective in the current year

In the current year, the following new and revised standards and interpretations have been adopted.

Their application has not had any significant impact on the amounts reported or the disclosures in these financial statements.

IFRS 10 (amendments)	Consolidated financial statements
IFRS 12 (amendments)	Disclosures of interest in other entities
IAS 27 (amendments)	Separate financial statements
IAS 32 (Amendments)	Offsetting financial assets and financial liabilities
IAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets
IAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting
IFRIC 12	Levies

NOTES TO THE FINANCIAL STATEMENTS

2.2 Accounting standards and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements that are applicable to the Company were issued but are not yet effective. Where IFRSs and IFRIC Interpretations listed below permit, early adoption is applicable, however the Company has elected not to apply them in the preparation of these financial statements.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the Company, but none of these pronouncements are expected to result in any material adjustments to the financial statements.

Pronouncement	Nature of Change	Required to be implemented for periods beginning on or after
IFRS 11 Joint Arrangements	The amendment provides guidance on accounting for acquisition of interests in joint operation. If the joint operation meets the definition of a business, IFRS 3 is applicable. For acquisition of an additional interest in a previously held joint operation, no re-measurement is required for the previously held interest.	Applies to annual periods beginning on or after 1 January 2016
IAS 16/38 Guidance	The amendment provides guidance on the acceptable methods of depreciation and amortisation. Revenue is an inappropriate depreciation basis as it reflects factors other than the consumption of the economic benefits embodied in the asset.	Applies to annual periods beginning on or after 1 January 2016
	Rebuttable presumption that revenue is an inappropriate amortisation basis, unless (limited circumstances) either high correlation between revenue and the consumption of the economic benefits embodied in the asset, or the intangible asset is expressed as a measure of revenue.	
IAS 16 Bearer Plant	This amendment seeks to adjust the standard which used to address bearer plant issues, its government grant and not the produce of bearer plants. To take bearer plants out of IAS 41, put within the scope of IAS 16 as PPE and to permit measurement at cost or revaluation. Also, the option to use fair value as deemed cost on asset by asset basis. Also, government grants related to bearer plants no longer fall into the scope of IAS 41 but need to be accounted for under IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.	Applies to annual periods beginning on or after 1 January 2016
IFRS 14 Regulatory Deferral Accounts	This is only applicable to IFRS first time adopters. They have the option to continue to recognise amounts related to regulatory deferral accounts in accordance with their previous GAAP but if they do so, the effect of rate regulation must be presented separately from other items.	Applies to annual periods beginning on or after 1 January 2016
IFRS 15 Revenue	This standard aims to replace IAS 11 – Construction Contracts and IAS 18 – Revenue. It is expected to cover all contracts except lease contracts, insurance contracts, financial instruments and non-monetary exchanges between entities in same line of business to facilitate sales to customers or potential customers. It introduces a 5-step model into recognising revenue from Identifying the contract with the customer, identify the separate performance obligations, determine the transaction price, allocate the transaction price to the separate performance obligations and recognise revenue when (or as) performance obligations are satisfied. Revenue is recognised over time if performance is satisfied over time and if not it is recognised at a point in time.	Applies to annual periods beginning on or after 1 January 2017
IFRS 9	This amendment seeks to better align the standard with risk management objectives. The three types of hedge accounting remain. Significant changes have been made to the types of transactions eligible for hedge accounting, effectiveness test has been overhauled, and changes in accounting for forward contracts and derivative options used in hedge accounting relationship reduce profit or loss volatility and additional disclosures required.	Applies to annual periods beginning on or after 1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation

Basis of preparation of the accounts

These financial statements have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria (FRC) Act as at 31 December 2014.

The financial statements have been prepared on historical cost basis except for the property, plants and equipment (PPE) account balance which has been recognized on a revaluation model basis. The historical cost is generally based on the fair value of the consideration given in exchange for the assets while the revaluation model refers to the replacement costs of the PPE.

Accounting policies

The financial statements have been prepared in accordance with the Company's accounting policies as approved by the Board of Directors of the Company.

A. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable, excluding Value Added Tax (VAT). Revenue is made from power generated in the year from the company's generating plants and the value acknowledged by the Market Operator (MO); units are based on energy volumes that were actually received by the MO. The Company also recognises additional revenue based on fee from ancillary services rendered to the Market Operators. This is based on agreement to provide ancillary services such as frequency control, regulating or spinning reserve, black start services etc. as needed by the system operator for the stability of the transmission system.

B. Property, plant and equipment

1. Generation assets

The Company's generation assets are stated at replacement cost using the revaluation model less accumulated depreciation and impairment losses and is generally depreciated using the unit of production method based on the machine usage hours over the estimated operating capacity of the assets, or on a straight line method over the estimated useful lives of the assets as applicable.

Generation assets include the core assets which the Company uses in carrying out its normal course of business; generating power to bulk trader. They include the generators, turbines, boilers, plant spares, auxiliary systems and the plant's buildings.

Spare parts and replacement materials of significant importance to the generation assets and whose useful lives are greater than one year (either utilised or not) are classified as part of generation assets in line with IAS 16 – Property, Plants and Equipment and depreciated accordingly with similar assets.

2. Non-generation assets

The Company's non-generation assets is stated at fair value using the revaluation model less accumulated depreciation and accumulated impairment losses. Depreciation is on a straight line method over the estimated useful lives of the assets. Non-generation assets includes land, administrative office building, residential buildings, furniture and fittings, motor vehicles, etc. Freehold land is not depreciated.

The revaluation surplus arising from the revalued assets (both generation and non-generation) has been reflected in the respective assets' account and also included as part of "Other reserves" in the equity section of the statement of financial position through the Other Comprehensive Income. The deferred tax liability generated from the revaluation surplus is also treated in the same way. The Company has also made an election not to unwind this surplus into retained earnings during the period for which the asset is used by the entity but to be left as part of "Other reserves" in the equity section of the statement of financial position until the derecognition of the asset upon which event the revaluation surplus amount will be transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (cont'd)

B. Property, plant and equipment (cont'd)

The main depreciation rate and basis used by the Company for its assets are as set out below:

Asset Class	Rate/Useful life (yrs)	Basis
Generating assets		
Plant and machineries	Unit of production method based on machine usage hours	Capacity Utilisation
Generation plant buildings	30	Estimated Useful life
Plant Spares	5	Estimated Useful life
Non-generating assets		
Land	Nil	N/A
Buildings	30	Estimated Useful life
Equipment	Computer (4), Communication (4), Software (4), Miscellaneous (10)	Estimated Useful life
Furniture and fittings	5	Estimated Useful life
Motor vehicles	4	Estimated Useful life
Work-in-progress	Nil	N/A

C. Impairment of property, plant and equipment

The carrying amounts of the Company's long-term assets are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication of impairment exists, then the asset's recoverable amount is estimated. Generation assets are assessed for impairment at every reporting date and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the statement of profit or loss and other comprehensive income.

For the purpose of impairment testing, assets are grouped 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 groups of assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell ("FVLCTS").

Value in use is determined by estimating the present value of the pre-tax future net cash flows expected to be derived from the continued use of the asset. FVLCTS is based on available market information, where applicable. The Company generally estimates fair value less costs to sell using a discounted cash flow model which has a significant number of assumptions. The model uses expected cash flows from capacity of electricity generation forecast, energy unit sales price in force and other operational cost parameters. The discount rate applied to the cash flows is also subject to management's judgment and will affect the recoverable amount calculated. The Company monitors internal and external indicators of impairment relating to its generation and non-generation assets.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (cont'd)

D. Financial instruments

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, as derivatives or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus (in the case of investments not at fair value through profit or loss) directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, trade and other receivables and loan.
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs (as appropriate) in statement of profit or loss. Financial assets designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the criteria set out in IAS 39 are satisfied. The Company evaluates its financial assets as held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in statement of profit or loss. The losses arising from impairment are recognised in statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Company and therefore is not considered highly liquid. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (cont'd)

D. Financial instruments (cont'd)

De-recognition

A financial asset (or, where an applicable part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The right to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either
-

a) the Company has transferred substantially all the risks and rewards of the asset, or
b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset."

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (cont'd)

D. Financial instruments (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below. Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss should be designated at the initial recognition date and only if the criteria set out in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Interest-bearing loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised, as well as through the EIR method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are integral part of the EIR. The EIR amortisation is included in finance cost in statement of profit or loss.

Derecognition
A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of profit or loss.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (cont'd)

D. Financial instruments (cont'd)

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Creditors and accruals
Creditors and accruals are the financial obligations due to third parties and are falling due within one year. The outstanding balances are not interest bearing and are stated at their nominal value.

Finance income and expense
Finance expense comprises interest expense on borrowings, accretion on decommissioning liabilities, evaluation of derivative financial liabilities and impairment losses recognized on financial assets. Finance income comprises interest earned on cash and cash equivalents, short-term investments and financial instruments through profit or loss.

Retirement benefit costs
The Company maintains a Defined Contribution Pension Scheme in accordance with the Pension Reform Act, 2004. The contribution by the employer and employee is 7.5% each of the employees' monthly basic salary, transport, and housing allowances respectively. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Based on the new Pension Reform Act, 2014, effective from July 2014, the contribution by the employer and the employee was reviewed to a contribution of 10% and 8% respectively of the employees' monthly basic salary, transport, and housing allowances respectively.

Short-term employee benefits
Short-term employee benefits are rewards such as wages, salaries, paid annual leave, and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars, etc.)

Medical Insurance Scheme
The Company subscribes to a medical insurance plan on behalf of its employees, paying a gross premium to a health management organization based on the level of the employee. This premium is treated as a prepayment and charged to staff costs on a monthly basis.

Non-current assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Operating leases
Rental payable under operating lease are charged to income on a straight line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (cont'd)

E. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories represent small parts, other consumables and gas fuel, the majority of which is consumed in the power generation activities within one financial year. Cost comprises; direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Specific identification entails assigning cost of inventories of items that are not ordinarily interchangeable, and of goods or services produced and segregated for specific projects. The method is appropriate when items of inventory are produced for specific projects or when other items of inventory held could not be substituted for those items.
Cost is determined by the First In, First Out (FIFO) method.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimates are based on the most reliable evidence available and take into consideration fluctuations in price or cost directly relating to events occurring after the reporting period to the extent that such events confirm conditions existing at the end of the reporting period.

F. Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in statement of comprehensive income.

Decommissioning liability

The Company recognizes a decommissioning liability when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related base/power stations and generating plants to the extent that it was incurred by the development/construction of the station. Any decommissioning obligations that arise through the production of electricity are expensed as incurred. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to statement of comprehensive income. If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If the revised power and utilities' assets net of decommissioning provisions exceed the recoverable value, that portion of the increase is charged directly to expense. Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in statement of profit or loss as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (cont'd)

G. Foreign currencies

The functional currency of the Company is the Nigerian Naira ("N"), which represents the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the foreign exchange rate prevailing at that date. Any gains or losses arising from changes in exchange rates subsequent to the date of transaction are included as an exchange gain or loss in the statement of comprehensive income.

The Company also presents its financial statements in US Dollars ("US$") in order to make its financial statements comparable in the international markets. Exchange differences arising from the translation from NGN functional currency to US$ presentation currency are classified as a cumulative translation adjustment and recorded against equity in the statement of financial position.

H. Taxation

1. Company Income Tax

Income tax expense is the aggregate of the charge to the statement of comprehensive income in respect of current income tax, education tax and deferred tax.

Current income tax is the amount of income tax payable on the taxable profit of the year determined in accordance with the Company Income Tax ACT, CAP C21 LFN 2004 (as amended). Education tax is assessed at 2% of the assessable profit in line with Tertiary Education Trust fund Act CAP 2011.

2. Deferred tax

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws enacted or substantively enacted by the reporting date and expected to apply when the deferred tax asset or liability is settled. This is determined throught the liability method.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are presented as non-current assets or liabilities respectively.

I. Intangible assets

1. Licences

Licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over a period of licence to allocate the cost of licences over their estimated useful life.

2. Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated using the straight-line method over a period of rights obtained to allocate the cost of computer software. If software is integral to the functionality of related property, plant and equipment (PPE), then it is capitalised as part of the PPE. Costs that are directly associated with the development of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised as above. Costs include employee costs incurred as a result of developing software, borrowing costs if relevant and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS

3. Basis of preparation (cont'd)

J. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

4 Critical accounting judgments and key sources of estimation uncertainty

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the Company should it later be determined that a different choice would be more appropriate. In addition, in preparing the accounts in conformity with IFRS, the Company is required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets, and liabilities of the Company. Actual results may differ from these estimates. These are discussed in more details below. These critical accounting judgments and key sources of estimation uncertainty should be read in conjunction with the full statement of Accounting Policies at Note 1.

(a) Estimated economic useful life of generation assets

The Company relies on the technical evaluation of the estimated running hours of the power generating plants based on design and major overhaul of the turbine. Depreciation charges are based on running hours in each accounting year over estimated future running hours.

(b) Impairment of Trade receivables

Trade receivables are stated net of allowance for impairment of doubtful debts and adjustments on the confirmed revenue arising from capacity charge and generated energy units. The Company estimates its provision for impairment taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment within which the Company operates. Such estimates involve a significant degree of judgment.

(c) Impairment of Property, plant and equipment

Impairment of Property, plant and equipment is conducted at every reporting period in line with the provisions of IAS 36. However, in certain circumstances if there are impairment indicators, Property, plant and equipment are required to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is based on the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. Estimates of cash flows involve a significant degree of judgment and are consistent with management's plans and forecasts. At 31 December 2014, the carrying value of property, plant and equipment amounted to N201.64bn (2013 - N209.25bn).

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting judgments and key sources of estimation uncertainty (cont'd)

(d) Contingencies

Appropriate recognition and disclosure of contingent liabilities is made regarding litigation, tax matters, and environmental issues, among others. Accounting for contingencies requires significant judgment by management regarding the estimated probabilities and ranges of exposure to potential loss. The evaluation of these contingencies is performed by specialists either externally contracted or internal personnel. The Company's assessment of its exposure to contingencies could change as new developments occur or more information becomes available. The outcome of the contingencies could vary significantly and could materially impact the Company's results and financial position. The Company has used its best judgment in applying IAS 37 'Provisions, Contingent liabilities and Contingent assets' to these matters during the year.

(e) Nigerian Electricity Liability Management Company Limited (NELMCO) balances

Significant judgment has been made by the Directors in respect of the de-recognition of the net position of the NELMCO's current assets and current liabilities which existed up to the date of the completion of the privatization of the Company 31 October 2013 and, in line with the Pre- Completion Liabilities Transfer and Pre- Completion Receivables Transfer Agreements which cedes all current liabilities, current assets and all forms of tax liabilities as at 31 October, 2013 to NELMCO through de-recognition in the statement of other comprehensive income.

The NELMCO-related balances are those identified from the Company's internal records and external parties up to the date of approval of these financial statements and therefore represents available credible information at the Directors' disposal. Any future identified NELMCO-related balances within the first six months after the handover i.e. until 30th April 2014 or any extension that may be granted by Nigerian Electricity Regulatory Commission (NERC), is the obligation or asset of NELMCO as a separate and distinct entity.

		2014	2013	2014	2013
5	**Revenue**	**N'000**	**N'000**	**US$'000**	**US$'000**
	Sale of electricity (Note 5.1)	43,122,398	58,036,439	275,631	373,826
	Ancillary services (Note 5.2)	328,822	-	2,102	-
		43,451,220	**58,036,439**	**277,733**	**373,826**

5.1 The revenue recorded represents the total value of the energy received and Capacity certified by the Market Operator from energy generated by Egbin Power Plc. as recorded on the monthly settlement statement for the year between both parties.

5.2 The revenue earned from ancillary services represents the invoices for spinning reserves services rendered to National Control Centre ("NCC") Oshogbo. The spinning reserve is the unused capacity set aside on an agreement with systems operator which can be activated on decision of the system operator; NCC to either increase or reduce power on the grid.

NOTES TO THE FINANCIAL STATEMENTS

6 Cost of sales	**2014 N'000**	**2013 N'000**	**2014 US$'000**	**2013 US$'000**
Operation and maintenance service fee contract (Note 6.1)	19,915,831	3,530,458	127,298	22,740
Gas consumed (Note 6.3)	9,296,723	21,058,632	59,423	135,644
Depreciation on generation assets	7,626,286	1,394,616	48,745	8,983
Salaries and benefits	1,655,838	1,722,931	10,584	11,098
Energy import (Note 6.2)	1,020,735	-	6,524	-
Other plant maintenance cost	23,252	992,596	149	6,394
	39,538,665	**28,699,233**	**252,723**	**184,859**

6.1 This relates to operations and maintenance cost payable to Korea Electric Power Corporation ("KEPCO"); a related party who was appointed as Technical Partner to operate and maintain the plant over a period of five years from November 2013. The fees were charged in line with the operation and maintenance contract between the Company and KEPCO.

6.2 Energy import cost relates to amount billed to the company by the Market Operator for energy imported from the national grid.

6.3 Gas consumption cost	**2014 N'000**	**2013 N'000**	**2014 US$'000**	**2013 US$'000**
Gas purchased	10,292,883	21,852,304	65,790	140,756
Gas supplied to AES (Note 13)	(996,160)	(793,672)	(6,367)	(5,112)
Gas consumed	**9,296,723**	**21,058,632**	**59,423**	**135,644**

7 Net finance income

7.1 Finance income				
Interest income (Note 7.1.1)	1,226,447	-	7,839	-
Interest on short term deposits	117,278	1,048	750	7
	1,343,725	**1,048**	**8,589**	**7**

7.1.1 The interest income represents amount receivable by the Company on outstanding invoice amounts yet to be paid by the Market Operator.

7.2 Finance cost	**2014 N'000**	**2013 N'000**	**2014 US$'000**	**2013 US$'000**
Accretion expenses	343,867	303,769	2,198	1,957
Letters of credit charges	6,634	-	42	-
Interest on loans	6,668	10,897	43	70
	357,169	**314,666**	**2,283**	**2,027**
7.3 Other gains				
School income (Note 7.3.1)	117,211	30,490	749	196
Other income	906	20,619	6	133
Profit/(loss) on fixed asset disposal	1,119	(41,411)	7	(267)
	119,236	**9,698**	**762**	**62**

7.3.1 The school income represents income obtained from the operations of Egbin Powerfields School.

NOTES TO THE FINANCIAL STATEMENTS

8	**Administrative expenses**	**2014 N'000**	**2013 N'000**	**2014 US$'000**	**2013 US$'000**
	Provisions for doubtful debts (Note 13.1)	996,160	793,672	6,367	5,112
	Salaries and benefits	698,839	1,290,298	4,467	8,311
	Depreciation on non-generation assets	636,477	105,641	4,068	680
	Other staff welfare	251,488	64,069	1,607	413
	Other professional services (Note 9.2)	162,369	23,030	1,038	148
	Security cost	61,259	1,694	392	11
	Directors fees and expenses	50,518	13,021	323	84
	Entertainment, advertisement and public relations	50,147	2,160	321	14
	Motor running expenses	42,487	5,802	272	37
	Office & IT consumables	39,148	2,015	250	13
	Audit fee (Note 9.1)	36,000	24,000	230	155
	Transport and travel expenses	34,201	16,837	219	108
	Repair and maintenance	55,960	16,545	358	107
	Community related expenses	16,517	5,680	106	37
	Bank charges	12,301	2,739	79	18
	Fixed assets written off (Note 8.1)	-	7,333,299	-	47,235
	Inventory written off	-	91,266	-	588
	Regulatory expenses	-	138	-	1
	Other expenses	33,252	463,885	213	2,986
		3,177,123	**10,255,791**	**20,310**	**66,058**

8.1 This represents the net difference between the fixed assets cost and accumulated depreciation between the draft 2012 financial statements and the Company's accounting records post takeover.

9	**Professional fees**	**2014 N'000**	**2013 N'000**	**2014 US$'000**	**2013 US$'000**
9.1	Audit fees	36,000	24,000	230	155
		36,000	**24,000**	**230**	**155**
9.2	**Other professional fees**				
	- Legal fees	39,297	3,476	251	22
	- Consultancy fees	123,072	19,554	787	126
		162,369	**23,030**	**1,038**	**148**
10	**Profit before taxation**				
	This is stated after charging:				
	Auditor's remuneration	36,000	24,000	230	155
	Depreciation	8,262,763	1,500,257	52,814	9,663
	Other gains	119,236	9,698	762	62
11	**Taxation**				
	Income tax	2,390,405	4,737,921	15,279	30,518
	Education tax	208,923	560,950	1,335	3,613
		2,599,328	**5,298,871**	**16,614**	**34,131**
	Deferred tax (credit)/charge (Note 11.1)		642,177	(11,749)	
		761,207	**5,941,048**	**4,865**	**38,268**

NOTES TO THE FINANCIAL STATEMENTS

11.1 Current and deferred tax liabilities	**31 Dec 2014 N'000**	**31 Dec 2013 N'000**	**31 Dec 2014 US$'000**	**31 Dec 2013 US$'000**
Current tax				
At 1 January	-	8,631,954	-	55,593
Write off of tax liabilities (Note 26.3)	-	(13,930,825)	-	(89,724)
Recognized in statement of profit or loss	2,599,328	5,298,871	16,614	34,131
Payment during the year	-	-	-	-
Translation effects	-	-	(1,096)	-
At 31 December	**2,599,328**	**-**	**15,518**	**-**
Deferred tax				
At 1 January	59,600,100	3,071,665	384,021	19,783
Write off of tax liabilities (Note 26)	-	(3,071,665)	-	(19,783)
Recognized in Statement of profit or loss	(1,838,121)	642,177	(11,749)	4,137
Recognized in other comprehensive income (Note 11.1.2)	-	58,957,923	-	379,761
Translation effect	-	-	(27,424)	123
At 31 December	**57,761,979**	**59,600,100**	**344,848**	**384,021**

11.1.1 In line with the NELMCO Pre-completion Receivables/Liability Transfer Agreement between Egbin Power Plc and Nigerian Electricity Liability Management (NELMCO) Ltd/Gte, pre-acquisition current and deferred tax balances have been derecognised.

11.1.2 The revaluation surplus generated in the prior year as a result of the revaluation of the Company's assets, generated a deferred tax liability since it is a temporary difference which create a difference between the tax written down value and book value of the assets. This deferred tax liability on the revaluation of assets has been recorded in the statement of profit or loss and other comprehensive income and as part of "other reserves" in equity section of the statement of financial position in line with the provisions of IAS 12 – Income taxes.

NOTES TO THE FINANCIAL STATEMENTS

12 Property, plant and equipment

	GENRATION ASSETS			NON-GENERATION ASSETS				CAPITAL WORK IN PROGRESS	
	Plant and machinery	Buildings (Plant)	ARO cost	Equipment (Non-plant)	Furniture & fittings	Motor vehicles	Buildings (Non-plant)	Capital Work in Progress	Total
Cost or valuation	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2013	**18,818,071**	**173,351**	-	**315,402**	-	**400,965**	-	-	**19,707,789**
Revaluation adjustment (Note 12.1)	242,157,180	29,634,649	-	(315,402)	27,447	(355,315)	21,567,342	-	292,715,901
Additions	-	-	2,301,282	-	-	-	-	-	2,301,282
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At 1 January 2014	**260,975,251**	**29,808,000**	**2,301,282**	-	**27,447**	**45,650**	**21,567,342**	-	**314,724,972**
Additions	-	862	-	12,883	332	20,360	5,334	616,642	656,413
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(1,690)	(4,250)	-	-	(5,940)
At 31 December 2014	**260,975,251**	**29,808,862**	**2,301,282**	**12,883**	**26,089**	**61,760**	**21,572,676**	**616,642**	**315,375,445**
Accumulated depreciation and impairment									
At 1 January 2013	7,215,677	25,843	-	197,017	-	349,844	-	-	**7,788,381**
Revaluation adjustment (Note 12.1)	80,459,676	16,276,675	-	(197,017)	-	(349,844)	-	-	96,189,490
Charge for the year	1,182,657	99,328	112,631	-	3,870	3,196	98,575	-	1,500,257
At 1 January 2014	**88,858,010**	**16,401,846**	**112,631**	-	**3,870**	**3,196**	**98,575**	-	**105,478,128**
Charge for the year	6,913,403	596,212	116,982	1,690	23,029	19,329	591,462	-	8,262,107
Impairment loss	-		-	-	-	-	-	-	-
Disposals	-		-	-	(1,449)	(2,031)	-	-	(3,480)
At 31 December 2014	**95,771,413**	**16,998,058**	**229,613**	**1,690**	**25,450**	**20,494**	**690,037**	-	**113,736,755**
Carrying amount									
At 31 December 2014	**165,203,838**	**12,810,804**	**2,071,669**	**11,193**	**639**	**41,266**	**20,882,639**	**616,642**	**201,638,690**
At 31 December 2013	172,117,241	13,406,154	2,188,651	-	23,577	42,454	21,468,767	-	209,246,844
At 1 January 2013	11,602,394	147,508	-	118,385	-	51,121	-	-	11,919,408

12.1 Revaluation surplus represents excess of the carrying amount of generation and non-generation assets of the entity based on the revaluation exercise carried out by Management through independent valuers (Appraisal & Valuation Consultant Ltd (AVC) and Ismail and Partners respectively) as at take over date; 1st November 2013. The generation assets were revalued using the depreciated replacement cost method while the non-generation assets were on the basis of its open market value. This excess has been reflected in the respective assets' account and also in the equity section of the statement of financial position as part of "Other reserves". The Company has also made an election not to unwind this surplus into retained earnings but to be left as part of "other reserves" in the statement of financial position until the derecognition of the asset upon which event the revaluation amount will be transferred to retained earnings.

12.2 Management at the reporting date have considered possible impairment triggers in respect of the operations of the Company. Based on its assessment, no impairment provision has resulted based on the assumptions and estimates adopted on the expected future cash flows from installed capacity, power generation load factor, weighted average cost of capital and technical loss ratio. Management believes that the estimates and assumptions made are reasonable and based on best available information for both planning and operational purposes. Management acknowledges that sensitivity fluctuations may exists in the future based on macro-economic indices and company specific factors due to the continuing restructuring and regulations in the power industry but expects that any fluctuation which may impact on the carrying amount of the generating assets subsequent to this reporting date will be accounted for prospectively, if any exists in the applicable reporting period.

NOTES TO THE FINANCIAL STATEMENTS

12a. Property, plant and equipment

	GENERATION ASSETS			NON-GENERATION ASSETS				CAPITAL WORK IN PROGRESS	
	Plant and machinery	Buildings (Plant)	ARO cost	Equipment (Non plant)	Furniture & fittings	Motor vehicles	Buildings (Non-plant)	Capital Work in Progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost or valuation									
At 1 January 2013	**121,196**	**1,116**	-	**2,031**	-	**2,582**	-	-	**126,925**
Revaluation adjustment (Note 12.1)	1,559,789	190,883	-	(2,032)	177	(2,289)	138,920	-	**1,885,448**
Additions	-	-	14,823	-	-	-	-	-	**14,823**
Transfer	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Translation effects	557	63	5	1	-	1	45	-	**672**
At 1 January 2014	**1,681,542**	**192,062**	**14,828**	-	**177**	**294**	**138,965**	-	**2,027,868**
Additions	-	6	-	82	2	130	34	3,941	**4,195**
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(11)	(27)	-	-	**(38)**
Translation Effects	(123,481)	(14,105)	(1,089)	(5)	(12)	(28)	(10,207)	(260)	**(149,187)**
At 31 December 2014	**1,558,061**	**177,963**	**13,739**	**77**	**156**	**369**	**128,792**	**3,681**	**1,882,838**
Accumulated depreciation and impairment									
At 1 January 2013	46,472	166	-	1,269	-	2,253	-	-	**50,160**
Revaluation adjustment (Note 12.1)	518,259	104,842	-	(1,269)	-	(2,253)	-	-	**619,579**
Charge for the year	7,618	640	725	-	25	21	635	-	**9,664**
Eliminated on disposals	-	-	-	-	-	-	-	-	-
Translation effects	190	34	1	-	-	-	-	-	**225**
At 1 January 2014	572,539	105,682	726	-	25	21	635	-	**679,628**
Charge for the year	44,188	3,811	748	11	147	127	3,781	-	**52,813**
Impairment loss	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(9)	(15)	-	-	**(24)**
Translation effects	(44,959)	(8,012)	(103)	(1)	(11)	(9)	(296)	-	**(53,391)**
At 31 December 2014	**571,768**	**101,481**	**1,371**	**10**	**152**	**124**	**4,120**	-	**679,026**
Carrying amount									
At 31 December 2014	**986,293**	**76,482**	**12,368**	**67**	**4**	**245**	**124,672**	**3,681**	**1,203,812**
At 31 December 2013	**1,109,003**	**86,380**	**14,102**	-	**152**	**273**	**138,330**	-	**1,348,240**
At 1 January 2013	**74,724**	**950**	-	**762**	-	**329**	-	-	**76,765**

NOTES TO THE FINANCIAL STATEMENTS

12b Intangible assets

	Software 2014 N'000	Software 2013 N'000
Cost or valuation		
At 1 January	-	-
Additions	7,873	-
At 31 December	**7,873**	-
Accumulated depreciation and impairment		
At 1 January	-	-
Charge for the year	656	-
At 31 December	**656**	-
Carrying amount		
At 31 December	**7,217**	-

	Software 2014 US$'000	Software 2013 US$'000
Cost or valuation		
At 1 January 2014	-	-
Additions	50	-
Translation effect	(3)	-
At 31 December 2014	**47**	-
Accumulated depreciation and impairment		
At 1 January 2014	-	-
Charge for the year	4	-
Translation effect	-	-
At 31 December 2014	**4**	-
Carrying amount		
At 31 December 2014	**43**	-

13. Trade and other receivables	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
Market operators	27,878,389	6,437,032	166,438	41,476
AES receivables	1,789,832	793,672	10,686	5,114
Other trade debtors	1,324,156	1,692	7,905	11
BPE Receivables (Note 13.2)	12,527	3,942	75	25
Amount due from related parties (Note 18.2)	3,470	-	21	-
	31,008,374	**7,236,338**	**185,125**	**46,626**
Provision for doubtful debt (Note 13.1)	(1,789,832)	(793,672)	(10,686)	(5,114)
Net trade and other receivables				
	29,218,542	**6,442,666**	**174,439**	**41,512**

13.1 The Company witnessed increased receivable balance as a result of irregular and insufficient payments on account basis upon which recoverability risk is being evaluated. The directors having made their assessment considers that no material risks exists as at the reporting date based on various ongoing discussions with ONEM and other relevant government agencies in respect of intervention programs. Consequently, no provision has been made on this basis, however with respect to receivables due from AES/CYREX, additional provision of N996million was made during the year resulting in full provision of N1.79billion at reporting date for the receivable from this party.

The assessment and provision made represent the Directors' best estimate based on available information and discussions with relevant parties and acknowledge that this estimate may be susceptible to future changes based on macroeconomic variables that the government and its agencies may be subject to

NOTES TO THE FINANCIAL STATEMENTS

13.2 This amount relates to expected refunds, from Bureau of Public Enterprises ("BPE"), of salaries paid to legacy staff by the Company for the period of November 2013 to April 2014. The recovery of this amount is not considered doubtful being that BPE is a government organization and payment may extend beyond the conventional period.

		31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
14.	**Other current assets**				
	Prepayments and advances	16,216	-	97	-
	Total	**16,216**	**-**	**97**	**-**
15.	**Inventory**				
	PMS	883	1,531	5	10
	AGO	21,080	23,816	126	153
	Other materials	-	5,425	-	35
		21,963	**30,772**	**131**	**198**
16.	**Cash and cash equivalents**				
	Investment in fixed deposit (Note 16.1)	1,580,951	-	9,439	-
	Cash in bank	110,322	120,690	659	778
	Cash at hand	1,249	3	7	-
		1,692,522	**120,693**	**10,105**	**778**

16.1 Investment in fixed deposits represent short term deposits kept by the Company in Nigerian commercial banks with maturity of 3 months or lower at fixed interest rates and therefore, yielding interest over the period of deposit.

		31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
17.	**Trade and other payables**				
	Amount due to related parties (Note 18.1)	8,014,276	2,994,155	47,846	19,292
	Trade creditors	6,633,749	2,029,815	39,604	13,079
	Other creditors and accrued expenses	6,152,796	862,870	36,733	5,560
		20,800,821	**5,886,840**	**124,183**	**37,931**

18 Outstanding balances

This amount relates to sum due to Korean Electric Power Company, under the terms of a Operations and Maintenance Agreement signed between the parties.

		31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
18.1	**Amounts due to related companies**				
	Korean Electric Power Company (Note 18.1.1)	7,837,900	2,942,149	46,793	18,957
	KEPCO Energy Resource Limited	102,231	41,565	610	268
	NG Power Limited	34,376	3,441	205	22
	Sahara Group	19,947	2,500	119	16
	Sahara Energy Resource Limited	13,893	3,473	83	22
	SO Energy	4,109	1,027	25	7
	Sahara Power Limited	1,820	-	11	-
		8,014,276	**2,994,155**	**47,846**	**19,292**

NOTES TO THE FINANCIAL STATEMENTS

18.1.1 Amount due to Korean Electric Power Company

This amount relates to sum due to Korean Electric Power Company, under the terms of the Operations and Maintenance agreement signed between the parties.

18.2 Amount due from related companies	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
First independent Power Limited	779	-	5	-
Korea Electric Power Corporation	1,911	-	12	-
Ikeja Electricity Distribution Company	780	-	4	-
	3,470	**-**	**21**	**-**

19. Borrowings and term loans

Secured borrowing				
Term loan				
At 1 January	344,897	-	2,222	-
Drawn down during the year	-	334,000	-	2,152
Interest and charges	6,668	10,897	43	70
Repayment (principal and interest)	(351,565)	-	(2,247)	-
Translation effects	-	-	(18)	-
Total balance at 31 December	**-**	**344,897**	**-**	**2,222**
Less: loan facilities costs	-	-	-	-
Net loan balance	-	344,897	-	2,222
Less: due within one year	-	-	-	-
Balance due after more than one year	**-**	**344,897**	**-**	**2,222**

In December 2013, the Company entered into a loan facility agreement with its parent company, KEPCO Energy Resource Limited. Interest on the loan was 19% per annum and management fee of 2.5% was applicable. Based on the provisions of the facility, the accruing interest together with the principal amount is to be repaid in June 2014. However the loan was fully liquidated by the Company in January 2014.

20. Decommissioning liability	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
At 1 January	2,605,051	-	16,785	-
Estimate as at handover date	-	2,301,282	-	14,818
Accretion costs for the year	343,867	303,769	2,198	1,957
Translation effects	-	-	(1,378)	10
At 31 December	**2,948,918**	**2,605,051**	**17,605**	**16,785**

Decommissioning provision represents the present value of estimated future decommissioning costs relating to the generation assets, which are expected to be incurred up to Year 2028, based on its operating life. This provision has been created based on the management's best estimates as at reporting date. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. The estimate for the decommissioning liability was based on 30% of the 10-year net book value of the generation assets, expected scrap value of the steel components and using the Federal Government of Nigeria (FGN) 20-year tenor bond at the rate of 13.2% per annum. The assumptions and judgments made in regard to this estimate are subject to annual assessment by management and adjustments, if any are to be recognized prospectively. Management recognises that actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the generation assets cease to produce on economically viable basis.

NOTES TO THE FINANCIAL STATEMENTS

21. Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year. The capital structure of the Company consists of cash and cash equivalents as disclosed in Note 16, debts as shown in Note 19 and the reserves in the statement of changes in equity. The Company's debts however has been liquidated in January 2014.

The Company is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratio is as follows:	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
Debt	-	344,897	-	2,222
Cash and cash equivalents	(1,692,522)	(120,693)	(10,105)	(778)
Net Debt	-	224,204	-	1,444
Equity	148,484,104	147,404,087	886,473	949,769
Net debt to equity ratio	-	0.002	-	0.002

Debt is defined as all forms of borrowing excluding derivatives and financial guarantee contracts.

Equity comprises capital of the Company that is managed as capital.

22. Financial instruments

22.1 Significant accounting policies
Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3

22.2 Categories of financial instruments
The following table summarizes the Company's financial instruments:

		31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
	Financial assets				
22.2.1	**Loans and Receivables**				
	Trade and other receivables	29,210,743	6,442,666	174,392	41,512
	Cash and cash equivalents	1,692,522	120,693	10,105	778
		30,903,265	**6,563,359**	**184,497**	**42,290**
22.2.2	**Financial liabilities**				
	Financial liabilities at amortised cost				
	Trade and other payables	20,124,552	5,886,840	120,147	37,931
	Borrowings	-	344,897	-	2,222
		20,124,552	**6,231,737**	**120,147**	**40,153**

22.2.3 Fair value of financial instruments
In the opinion of the Directors, the carrying amounts of financial instruments as stated above approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

23 Financial risk management

23.1 Financial risk management objectives

The Company monitors and manages financial risks relating to its operations through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk.

Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's activities. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

23.2 Foreign exchange risk

The impact of a 1% change in the Nigerian Naira to US dollar exchange rate was not material in 2014 or 2013.

23.3 Credit risk management

The credit risk on liquid funds and non-derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and related companies.

The carrying amount of financial assets represents the Company's maximum exposure, which at the reporting date, was as follows:

	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
Cash and cash equivalents	1,692,522	120,693	10,105	778
Trade and other receivables	29,218,542	6,442,666	174,439	41,512
	30,911,064	**6,563,359**	**184,544**	**42,290**

23.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built a liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company maintain liquid reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company closely Monitors and Manages its Liquidity risk. Cash forecasts are regularly produced and sensitivity run for different scenarios including, but not limited to, changes in Energy Tariff, different generation output from the Company's generating plant. On this basis, the company's forecasts, taking into account reasonably possible changes as described above and further in the going concern section of the financial statements, shows that the company will be able to operate within its current debt facilities and has sufficient financial headroom based on the support of its ultimate parent undertaking.

The Company's cash reserves are held in Nigeria. All of the Company's cash and cash equivalents are currently held within a reputable and well known commercial institution.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The amounts are based on undiscounted cash flows and on the earliest date on which the Company can be required to pay.

	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
30 days	2,437,720	5,886,840	14,554	37,931
60 days	2,417,503	-	14,433	-
90 days	2,299,079	-	13,726	-
90+ days	12,970,250	344,897	77,434	2,222
	20,124,552	**6,231,737**	**120,147**	**40,153**

NOTES TO THE FINANCIAL STATEMENTS

23 Financial risk management (cont')

Financial risk management policy

The Company's financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the company's working capital needs. The Company has loans, trade and other receivables, and cash and short-term deposits that arise directly from its operations. During the year ended 31 December 2014, the Company has been exposed to energy market risk, credit risk, foreign currency exchange risk, and treasury risk.

(a) Energy market risk

The Company is exposed to market risk associated with fluctuations in the market price of electricity within the framework of the Multi Year Tariff Order (MYTO) and confirmation by the market operator and generation gas compounded by volumetric loss risk of power generated caused by unplanned changes in the load, output of its portfolio of generation assets, capacity of transmitting companies and demand by customer. The risk management policies are implemented at the business level with the oversight of the Company's board, technical partner, and management teams. The Company uses a number of risk measurement procedures and techniques to ensure that risk is kept within pre-approved limits. This risk is mitigated by compensation payment for capacity and load shedding by the Market Operator if reduction in generation is at their instance.

(b) Credit risk

The Company is exposed to both settlement risk defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered. Credit risk is mitigated by active engagement and reconciliation of energy supplied to the market operator and promotion of compliance with the Purchase Price Agreement ("PPA"). Credit risk is an activity managed by the Directors with all relevant stakeholders to ensure reduced impact on provisioning policy. The allowance for doubtful debts is analysed at each reporting date and this is estimated by management taking into account future cash flows, prior experience, ageing analysis and an assessment of the current economic climate within which the Company operates. The maximum exposure to credit risk in respect of trade receivables is the carrying value of the trade receivables at the reporting date. The carrying value of trade receivables is stated net of the allowance for doubtful recoverability.

(c) Treasury risk

Treasury risk is comprised of liquidity and market risk.

(i) Treasury liquidity risk

Liquidity risk, the risk that the Company will have insufficient funds to meet its liabilities. This is met or mitigated through active assessment of funding requirements by the finance operation team and decision by the board. The Company adopts a mix of funding arrangements to limit its exposures but enhance operations through loans sourced from related parties, financial institutions and when required long term debt to finance core expansion projects.

(ii) Treasury market risk

Market risk is the risk of loss that results from changes in market rates (foreign exchange rates and interest rates). The Company is exposed to foreign currency fluctuation primarily between the Naira and US$ due to continuing devaluation weakening of the Naira which is the functional currency. Exchange risk exposures are mitigated where possible through local purchases or denomination of capital expenses in Naira where feasible.

(iii) Interest Rate Risk

The Company's interest rate exposures is subject to the commercial fluctuations in the financial market in which the loan is being sourced. Exposures are limited by funding foreign currency purchases with foreign currency loans and local purchases with local finance. Also, the Company routinely assesses its working capital and excess funds are utilised for other long term funding obligations.

NOTES TO THE FINANCIAL STATEMENTS

24 Share capital

Authorised, issued and fully paid
10,000,000 ordinary shares of N0.50k each (converted at the historic exchange rate of N134.02 to US$1)

	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
	5,000	5,000	37	37
Shareholders	**Unit**	**Unit**	**Unit**	**Unit**
KEPCO Energy Resource Limited	7,000,000	7,000,000	7,000,000	7,000,000
Bureau of Public Enterprises	2,400,000	2,400,000	2,400,000	2,400,000
Ministry of Finance Incorporated	600,000	600,000	600,000	600,000
	10,000,000	10,000,000	10,000,000	10,000,000
	%	%	%	%
KEPCO Energy Resource Limited	70	70	70	70
Bureau of Public Enterprises	24	24	24	24
Ministry of Finance Incorporated	6	6	6	6
	100	100	100	100

25. Profit per share

	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
Earnings				
Earnings for the purpose of basic earnings per share is based on net profit attributable to equity holders of the Company.	1,080,017	12,836,447	6,903	82,683

Number of shares	31 Dec 2014 Number	31 Dec 2013 Number	31 Dec 2014 Number	31 Dec 2013 Number
Number of ordinary shares for the purpose of basic Earnings/(loss) per share	10,000,000	10,000,000	10,000,000	10,000,000
Earnings per share (Naira/US$) – Basic	108.00	1,283.64	0.69	8.27

26 Reconciliation of Other reserves

	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
As at 1 January	108,187,924	-	696,742	-
Government funding	-	19,792,064	-	127,469
NELMCO balances (Note 26.1)	-	(49,172,628)	-	(316,835)
Revaluation reserves	-	196,526,411	-	1,265,869
Deferred tax on revaluation surplus (Note 11)	-	(58,957,923)	-	(379,761)
As at 31 December	108,187,924	108,187,924	696,742	696,742

NOTES TO THE FINANCIAL STATEMENTS

26.1 NELMCO balances

The NELMCO balances relate to the derecognition of the aggregate NELMCO-related balances and adjustments in line the NELMCO Pre-completion Receivables/Liability Transfer Agreement between Egbin Power Plc and Nigerian Electricity Liability Management (NELMCO) Ltd/Gte. The agreement became effective from the handover date; 1st November 2013. In line with clause 3.3, the Company is allowed to deduct 20% from amounts collected on behalf of NELMCO before onwards payment of those collections to NELMCO.

	31 Dec 2014 N'000	31 Dec 2013 N'000	31Dec 2014 US$'000	31 Dec 2013 US$'000
Assets of NELMCO derecognised (Note 26.2)	-	114,340,853	-	736,733
Liabilities of NELMCO derecognised (Note 26.3)	-	(65,168,225)	-	(419,898)
Total	-	**49,172,628**	-	**316,835**

26.2 Assets of NELMCO derecognised

	31 Dec 2014 N'000	31 Dec 2013 N'000	31Dec 2014 US$'000	31 Dec 2013 US$'000
Other NELMCO balances from prior periods	-	52,118,408	-	335,814
Trade and other receivables	-	51,314,841	-	330,637
Other current assets	-	3,291,357	-	21,207
Letters of credit	-	1,847,443	-	11,905
Inventories	-	5,625,776	-	36,249
Prepayments	-	82,294	-	530
Cash and cash equivalents	-	60,734	-	391
Total assets due to NELMCO	-	**114,340,853**	-	**736,733**

26.3 Liabilities of NELMCO derecognised

	31 Dec 2014 N'000	31 Dec 2013 N'000	31Dec 2014 US$'000	31 Dec 2013 US$'000
Trade and other payables	-	(30,627,208)	-	(197,340)
Accrued expenses and other liabilities	-	(14,663,564)	-	(94,518)
Taxation	-	(13,930,825)	-	(89,724)
Provisions for retirement benefits	-	(2,874,965)	-	(18,524)
Deferred taxes	-	(3,071,663)	-	(19,792)
Total liabilities due from NELMCO	-	**(65,168,225)**	-	**(419,898)**

26.4 Other NELMCO balances

This amount relates to net adjustments made to reconcile the 2013 financial year balances prior to privatisation to the 2012 draft financial statements of the Company which was not approved and/or issued by the previous board of Directors and no audit opinion was expressed by the previous auditors. There are no NELMCO derecognition adjustment in 2014 financial period, hence no balances were presented.

NOTES TO THE FINANCIAL STATEMENTS

27. Information regarding Directors and employees

27.1. Directors	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
Directors' emoluments comprise:				
Fees	27,000	4,500	173	29
Expenses	23,518	8,521	150	55
	50,518	**13,021**	**323**	**84**

The number of Directors including the Chairman whose emoluments were within the bands stated below were:

	31-Dec-14 Number	31-Dec-13 Number
Up to NGN2,500,000	-	-
NGN2,500,001 and above	7	7

One of the Directors is the Managing Director of KEPCO Energy Resource Limited, a related party appointed as Technical Partner to operate and maintain the plant over a period of five years from November 2013, and with which the Company entered into an Operations and Maintenance contract.

27.2. Employees

Total number of employees as at year-end:	31-Dec-14 Number	31-Dec-13 Number
Management	10	25
Senior	149	429
Junior	310	182
	469	**636**

Aggregate staff costs:	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
Salaries and wages	2,354,677	3,013,229	15,051	19,409
Pension contributions	-	-	-	-
Staff welfare	251,288	-	1,607	-
Other staff costs	-	-	-	-
	2,606,165	**3,013,229**	**16,658**	**19,409**

The number of paid employees with gross emoluments within the bands stated below were:

	31 Dec 2014 N'000	31 Dec 2013 N'000
Below N1,000,000	32	67
N1,000,000 – N2,000,000	94	145
N2,000,001 – N5,000,000	222	181
N5,000,001 – N10,000,000	105	161
N10,000,001 and above	16	83
	469	**636**

NOTES TO THE FINANCIAL STATEMENTS

28. Contingent liabilities

The Company has a contingent liability in respect of pending litigation and claims separately and jointly amounting to N720bn as at the date of approval of these financial statements in the normal course of business and contingent assets in respect of suit it instituted of N230million. The Directors, on the advice of the solicitors are confident that the Group will suffer no material loss as the suits are likely to be decided in their favour. Consequently no provisions have been made in these financial statements.

29. Financial and capital commitments

The Company has entered into an agreement with Marubeni for the rehabilitation of Unit 6 turbine; used in the generation of power from the plant. The Company's capital commitment on this project as at reporting date amounted to N384.2 million (2013: Nil)

30. Subsequent events

On the 11th November, 2016, the Company increased its authorized share capital from N10 million to N100 million by the issuance of 90 million ordinary shares at a nominal share price of N1.00 per share.

There were no other significant events after the reporting date that could have a material effect on the state of affairs of the Company as at 31 December 2014, or on the net results for the year which have not been adequately provided for or disclosed in these financial statements.

STATEMENT OF VALUE ADDED

	2014 N'000	%	2013 N'000	%	2014 US$'000	%	2013 US$'000	%
Revenue	43,451,220	324	58,036,439	246	277,733	324	373,826	246
Other income	1,462,961	11	10,746	-	9,351	11	69	-
Bought in materials and services								
- Imported	(19,915,831)	(149)	(3,530,458)	(15)	(127,298)	(149)	(22,740)	(15)
- Local	(11,587,162)	(86)	(30,911,080)	(131)	(74,065)	(86)	(199,107)	(131)
Value added	**13,411,188**	**100**	**23,605,647**	**100**	**85,721**	**100**	**152,048**	**100**
Distributed as follows:								
To pay employees								
Staff cost	2,606,165	19	3,013,229	13	16,658	19	19,409	13
To pay Government								
Taxation	2,599,328	19	5,298,871	22	16,614	19	34,131	22
To pay providers of finance								
Interest expense	357,169	3	10,897	-	2,283	3	70	-
Maintenance of assets and future expansion								
Depreciation	8,262,763	62	1,500,257	6	52,814	62	9,663	6
Accretion expense	343,867	3	303,769	1	2,198	3	1,957	1
Deferred tax (credit)/charge	(1,838,121)	(14)	642,177	3	(11,749)	(14)	4,136	3
Profit for the year	1,080,017	8	12,836,447	55	6,903	8	82,682	55
Value added	**13,411,188**	**100**	**23,605,647**	**100**	**85,721**	**100**	**152,048**	**100**

Value added represents the additional wealth which the company was able to create through its own efforts and those of its employees. This statement shows the allocation of that wealth among employees, providers of capital, government and the proportion retained for the future creation of more wealth.

FINANCIAL SUMMARY (NAIRA)

	31 Dec 2014 N'000 (IFRS)	31 Dec 2013 N'000 (IFRS)	31 Dec 2012 N'000 (NGAAP)	31 Dec 2011 N'000 (NGAAP)	31 Dec 2010 N'000 (NGAAP)
Statement of financial position					
Assets employed					
Property, plant and equipment	201,638,690	209,246,844	11,919,408	9,621,751	8,849,729
Intangible assets	7,217	-	-	-	-
Net current assets	7,549,094	362,394	40,199,002	33,194,515	24,618,615
Deferred tax liability	(57,761,979)	(59,600,100)	(3,071,665)	-	-
Employee retirement benefits	-	-	(2,874,965)	-	-
Provision for decommissioning	(2,948,918)	(2,605,051)	-	-	-
Other long term liabilities	-	-	-	(4,679,844)	(3,941,305)
Net assets	**148,484,104**	**147,404,087**	**46,171,780**	**38,136,422**	**29,527,039**
Capital and Reserves					
Share capital	5,000	5,000	5,000	5,000	5,000
Federal government funding	-	-	19,792,064	19,327,234	19,327,234
Retained earnings	40,291,180	39,211,163	26,374,716	18,804,188	10,194,805
Other reserves	108,187,924	108,187,924	-	-	-
Total equity	**148,484,104**	**147,404,087**	**46,171,780**	**38,136,422**	**29,527,039**
Statement of profit or loss					
Turnover	43,451,220	58,036,439	42,874,177	29,066,057	22,504,805
Profit before taxation	1,841,224	18,777,495	11,153,108	12,675,702	11,408,474
Taxation	(761,207)	(5,941,048)	(3,582,580)	(4,066,319)	(3,660,013)
Profit for the year	1,080,017	12,836,447	7,570,528	8,609,383	7,748,461
Other comprehensive income	-	88,395,860	-	-	-
Total comprehensive income	**1,080,017**	**101,232,307**	**7,570,528**	**8,609,383**	**7,748,461**
Earnings per share - Basic (Naira)	108.00	1,283.64	757.05	860.94	774.85
Net assets per share	14,848.41	14,740.41	4,617.18	3,813.64	2,952.70

Notes

Earnings/(loss) per share is based on the earnings/(loss) for the year and it is computed on the basis of the number of ordinary shares in issue as at the end of the respective statement of financial position date

Net assets per share is based on the net assets and the number of ordinary shares in issue as at the end of the respective statement of financial position date

5-YEAR FINANCIAL SUMMARY (DOLLAR)

	31 Dec 2014 US$'000 (IFRS)	31 Dec 2013 US$'000 (IFRS)	31 Dec 2012 US$'000 (NGAAP)	31 Dec 2011 US$'000 (NGAAP)	31 Dec 2010 US$'000 (NGAAP)
Assets employed					
Property, plant and equipment	1,203,812	1,348,240	76,765	61,599	59,590
Intangible assets	43	-	-	-	-
Net current assets	45,071	2,335	258,898	212,513	165,771
Deferred tax liability	(344,848)	(384,021)	(19,783)	-	-
Employee retirement benefits	-	-	(18,516)	-	-
Provision for decommissioning	(17,605)	(16,785)	-	-	-
Other long term liabilities	-	-	-	(29,961)	(26,539)
Net assets	**886,473**	**949,769**	**297,364**	**244,151**	**198,822**
Capital and reserves					
Share capital	37	37	37	37	37
Federal government funding	-	-	127,469	123,734	130,141
Retained earnings	259,396	252,493	169,810	120,385	68,647
Other reserves	696,742	696,742	-	-	-
Cumulative translation adjustment	(69,702)	497	48	(5)	(3)
Total equity	**886,473**	**949,769**	**297,364**	**244,151**	**198,822**
Statement of profit or loss					
Turnover	277,733	373,826	275,825	191,451	151,854
Profit before taxation	11,768	120,951	71,752	83,492	76,980
Taxation	(4,865)	(38,268)	(23,048)	(26,784)	(24,696)
Profit for the year	6,903	82,683	48,704	56,708	52,284
Other comprehensive (loss)/income	(70,199)	569,722	-	-	-
Total comprehensive (loss)/income	**(63,296)**	**652,405**	**48,704**	**56,708**	**52,284**
Earnings per share - Basic (US$)	0.69	8.27	4.87	5.67	5.23
Net assets per share	88.65	94.98	29.74	24.42	19.88

Notes

Earnings/(loss) per share is based on the earnings/(loss) for the year and it is computed on the basis of the number of ordinary shares in issue as at the end of the respective statement of financial position date.

Net assets per share is based on the net assets and the number of ordinary shares in issue as at the end of the respective statement of financial position date.

These dollar balances were arrived at using the CBN exchange rates prevailing during the respective periods. The statement of financial position items were translated at the exchange rate ruling as at the respective year end except for Share Capital which was translated at the historic rate of US$=N134.02. All statement of profit or loss items were translated at the average exchange rate that ruled throughout the respective periods.