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# EGBIN POWER PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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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, 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 2015.

### 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 Complex, Egbin, 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 ("KERL).

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.

In first quarter of 2016, 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. Subsequent to year end, the Company finalized the 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:

| | 2015<br>N'000 | 2014<br>N'000 |
|---|---|---|
| Revenue | 51,587,140 | 43,451,220 |
| (Loss)/profit before taxation | (10,587,603) | 1,841,224 |
| Taxation | 138,503 | (761,207) |
| **(Loss)/profit for the year** | **(10,449,100)** | **1,080,017** |

### Dividend

No dividend was paid or proposed during the year (2014: nil).

### 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:

| Names | 2015 No of shares | % | 2014 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** |

| | 2015 N'000 | 2014 N'000 |
|---|---|---|
| **Authorised, issued and fully paid** | | |
| 10,000,000 ordinary shares of N1 each (2014: 10,000,000 ordinary shares of N0.50k); converted at the historic exchange rate of N199 to US$1 (2015), N134.02 to US$1 (2014). | **10,000** | **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, other than as noted above, none of the other Directors has notified the Company of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

**Charitable donations**
The Company made donations amounting to N3,269,900 to charitable institutions and organizations during the year (2014: Nil).

**Events after the reporting date**
There are no significant events after the reporting period which could have had a material effect on the state of affairs of the Company as at 31 December 2015 and the net results for the year ended, which have not been adequately provided for or disclosed in these financial statements.

**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.

**Directors' report (cont'd)**

**Employee Health, Safety and Welfare (cont'd)**
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**

30/11/2016
..........................................................
**Company Secretary**

**Statement of Directors' Responsibilities**
**For the preparation and approval of the Financial Statements**

The Directors of Egbin Power Plc ("the Company") 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 2015, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria and 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 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 2015 were approved by the Directors on 30 November , 2016

**Tonye Cole**
**Director**
**FRC/2014/IODN/00000008873**

**Ade Odunsi**
**Director**
**FRC/2013/ICAN/00000005046**

Deloitte.

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Nigeria

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Nigeria

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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 2015, 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 misstatement.

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 audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **Egbin Power Plc** as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, 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 14.2 to the financial statements regarding the Directors' assessment of recoverability and provision made for the trade receivables due from the Operator of Nigerian Electricity Market and Nigeria Bulk Electricity Trader balance as at year end. Our opinion is not qualified in respect of this matter.

### Other reporting responsibilities

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) 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
36/ICAN
0069223

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 2015 N'000 | 2014 N'000 | 2015 US$'000 | 2014 US$'000 |
|---|---|---|---|---|---|
| Revenue | 5 | 51,587,140 | 43,451,220 | 259,545 | 277,733 |
| Cost of sales | 6 | (51,111,674) | (39,538,665) | (257,152) | (252,723) |
| **Gross profit** | | **475,466** | **3,912,555** | **2,393** | **25,010** |
| Administrative expenses | 8 | (14,903,722) | (3,177,123) | (74,981) | (20,310) |
| **Operating (loss)/profit** | | **(14,428,256)** | **735,432** | **(72,588)** | **4,700** |
| Finance income | 7.1 | 4,323,608 | 1,343,725 | 21,753 | 8,589 |
| Finance cost | 7.3 | (663,873) | (357,169) | (3,340) | (2,283) |
| Other gains | 7.4 | 180,918 | 119,236 | 911 | 762 |
| **(Loss)/profit before taxation** | | **(10,587,603)** | **1,841,224** | **(53,264)** | **11,768** |
| Taxation | 11 | 138,503 | (761,207) | 696 | (4,865) |
| **(Loss)/profit for the year** | | **(10,449,100)** | **1,080,017** | **(52,568)** | **6,903** |
| **Other comprehensive income** | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Translation difference | | - | - | (140,609) | (69,566) |
| **Total comprehensive (loss)/income for the year** | | **(10,449,100)** | **1,080,017** | **(193,177)** | **(62,663)** |
| (Loss)/earnings per share - Basic (Naira/US$) | 25 | **(1,044.91)** | **108.00** | **(5.26)** | **0.69** |

The explanatory notes on pages 7 to 33 form an integral part of these financial statements. Page 2 not used

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2015

| **ASSETS** | **Note** | **31 Dec 2015 N'000** | **31 Dec 2014 N'000** | **31 Dec 2015 US$'000** | **31 Dec 2014 US$'000** |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12a | 193,942,036 | 201,638,690 | 974,093 | 1,203,812 |
| Intangible assets | 12b | 23,363 | 7,217 | 118 | 43 |
| Other assets | 15 | 93 | - | - | - |
| Total non-current assets | | 193,965,492 | 201,645,907 | 974,211 | 1,203,855 |
| **Current assets** | | | | | |
| Inventory | 13 | 20,293 | 21,963 | 102 | 131 |
| Trade and other receivables | 14 | 42,595,869 | 29,218,542 | 213,943 | 174,439 |
| Other assets | 15 | 1,434,849 | 16,216 | 7,206 | 97 |
| Cash and cash equivalents | 16 | 1,451,928 | 1,692,522 | 7,293 | 10,105 |
| Total current assets | | 45,502,939 | 30,949,243 | 228,544 | 184,772 |
| **TOTAL ASSETS** | | **239,468,431** | **232,595,150** | **1,202,755** | **1,388,627** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 24 | 10,000 | 5,000 | 62 | 37 |
| Retained earnings | | 29,842,080 | 40,291,180 | 206,828 | 259,396 |
| Other reserves | | 108,187,924 | 108,187,924 | 696,742 | 696,742 |
| Cumulative translation adjustment | | - | - | (210,311) | (69,702) |
| Total equity | | **138,040,004** | **148,484,104** | **693,321** | **886,473** |
| **Non-current liabilities** | | | | | |
| Deferred taxation | 11 | 56,037,685 | 57,761,979 | 281,455 | 344,848 |
| Trade payables | 17 | 20,575,259 | - | 103,341 | - |
| Provision for decommissioning obligation | 20 | 3,338,175 | 2,948,918 | 16,766 | 17,605 |
| Total non-current liabilities | | 79,951,119 | 60,710,897 | 401,562 | 362,453 |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | 16,436,685 | 20,800,821 | 82,555 | 124,183 |
| Taxation | 11 | 4,185,119 | 2,599,328 | 21,020 | 15,518 |
| Borrowings | 19 | 855,504 | - | 4,297 | - |
| Total current liabilities | | 21,477,308 | 23,400,149 | 107,872 | 139,701 |
| **TOTAL LIABILITIES** | | **101,428,427** | **84,111,046** | **509,434** | **502,154** |
| **TOTAL EQUITY AND LIABILITIES** | | **239,468,431** | **232,595,150** | **1,202,755** | **1,388,627** |

The financial statements on pages 3 to 36 were approved by the Board of Directors of the Company on 30 November, 2016. They were signed on its behalf by:

| | | |
|---|---|---|
| **Tonye Cole** | **Ade Odunsi** | **Kola Adesina** |
| **Director** | **Director** | **Chairman** |
| FRC/2014/IODN/00000008873 | FRC/2013/ICAN/00000005046 | FRC/2016/CIIN/ 00000014687 |

The explanatory notes on pages 7 to 33 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

| | Note | Share Capital N'000 | Retained Earnings N'000 | Other Reserves N'000 | Total Equity N'000 |
|---|---|---|---|---|---|
| Balance at 1st January 2014 | | 5,000 | 39,211,163 | 108,187,924 | 147,404,087 |
| Profit for the year | | - | 1,080,017 | - | 1,080,017 |
| **Balance at 31st December 2014** | | **5,000** | **40,291,180** | **108,187,924** | **148,484,104** |
| Increase in share capital | 24 | 5,000 | - | - | 5,000 |
| Loss for the year | | - | (10,449,100) | - | (10,449,100) |
| **Balance at 31st December 2015** | | **10,000** | **29,842,080** | **108,187,924** | **138,040,004** |

| | Note | Share Capital US$'000 | Retained Earnings US$'000 | Other Reserves US$'000 | Cumulative translation adjustment US$'000 | Total Equity US$'000 |
|---|---|---|---|---|---|---|
| Balance at 1st January 2014 | | 37 | 252,493 | 696,742 | 497 | 949,769 |
| Profit for the year | | - | 6,903 | - | - | 6,903 |
| Other comprehensive income for the year | | - | - | - | (70,199) | (70,199) |
| **Balance at 31st December 2014** | | **37** | **259,396** | **696,742** | **(69,702)** | **886,473** |
| Increase in share capital | 24 | 25 | - | - | - | 25 |
| Loss for the year | | - | (52,568) | - | - | (52,568) |
| Other comprehensive income for the year | | - | - | - | (140,609) | (140,609) |
| **Balance at 31st December 2015** | | **62** | **206,828** | **696,742** | **(210,311)** | **693,321** |

The explanatory notes on pages 7 to 33 form an integral part of these financial statements. Page 2 not used

## STATEMENT OF CASH FLOWS

| | Notes | 2015 N'000 | 2014 N'000 | 2015 US$'000 | 2014 US$'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| (Loss)/profit for the year | | (10,449,100) | 1,080,017 | (52,568) | 6,903 |
| **Adjustments for:** | | | | | |
| Depreciation on generation assets | 6 | 7,560,699 | 7,626,286 | 38,039 | 48,745 |
| Depreciation on non-generation assets | 8 | 635,058 | 636,477 | 3,195 | 4,068 |
| Provisions for doubtful debts | 8 | 12,413,613 | 996,160 | 62,455 | 6,367 |
| Accretion expense | 20 | 389,257 | 343,867 | 1,958 | 2,198 |
| Interest on loans | 7.3 | 197,395 | 6,668 | 993 | 43 |
| Gain on assets disposal | 7.4 | (714) | (1,119) | (4) | (7) |
| Interest on fixed deposit | 7.1 | (133,359) | (117,278) | (671) | (750) |
| Other assets | 15 | (93) | - | - | - |
| Deferred tax | 11 | (1,724,294) | (1,838,121) | (8,675) | (11,749) |
| Translation effect on generation asset | 12a | - | - | 170,579 | 84,615 |
| Translation effect on non-generation asset | 12a | - | - | 20,418 | 10,196 |
| Translation effect on intangible assets | 12b | - | - | 6 | 3 |
| Translation effect on borrowings | 19 | - | - | (8) | (18) |
| Translation effect on decommissioning | 20 | - | - | (2,797) | (1,378) |
| Translation effect on taxation | 11 | - | - | (57,195) | (29,153) |
| Translation effect on trade and other receivables | | - | - | (1,804) | 1,231 |
| Cumulative translation adjustment | | - | - | (140,609) | (69,566) |
| | | **19,337,562** | **7,652,940** | **85,880** | **44,845** |
| **Movements in working capital** | | | | | |
| Increase in trade and other receivables | 14 | (25,790,941) | (23,771,765) | (100,156) | (138,207) |
| Increase in other assets | 15 | (1,418,663) | (16,216) | (7,109) | (97) |
| Decrease in inventory | 13 | 1,670 | 8,809 | 29 | 67 |
| Increase in trade and other payables | 17 | 16,211,123 | 14,913,981 | 61,713 | 86,252 |
| Increase in taxation | 11 | 1,585,791 | 2,599,328 | 7,979 | 15,285 |
| **Total adjustments and movements** | | **9,926,572** | **1,387,077** | **48,336** | **8,145** |
| **Net cash (used in)/generated from operating activities** | | **(522,528)** | **2,467,094** | **(4,232)** | **15,048** |
| **Cash flows from investing activities** | | | | | |
| Purchase of fixed assets | 12 | (526,427) | (664,286) | (2,648) | (4,245) |
| Interest income on fixed deposits | 7.1 | 133,359 | 117,278 | 671 | 750 |
| Proceeds from disposal of fixed assets | | 11,893 | 3,308 | 60 | 21 |
| **Net cash used in investing activities** | | **(381,175)** | **(543,700)** | **(1,917)** | **(3,474)** |
| **Cash flows from financing activities** | | | | | |
| Increase in share capital | 24 | 5,000 | - | 25 | - |
| Loan received | 19 | 2,550,000 | - | 12,830 | - |
| Interest paid | 19 | (197,395) | (6,668) | (993) | (43) |
| Loan repayment | 19 | (1,694,496) | (344,897) | (8,525) | (2,204) |
| **Net cash generated from/(used in) financing activities** | | **663,109** | **(351,565)** | **3,337** | **(2,247)** |
| Net increase in cash and cash equivalents | | (240,594) | 1,571,829 | (2,812) | 9,327 |
| Cash and cash equivalents at beginning of the year | 16 | 1,692,522 | 120,693 | 10,105 | 778 |
| **Cash and cash equivalents at end of the year** | | **1,451,928** | **1,692,522** | **7,293** | **10,105** |

The explanatory notes on pages 7 to 33 form an integral part of these financial statements. Page 2 not used

## 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 privatisation 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 Company ("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 N1 each | 7,000 | 70 |
| *BPE* | | |
| 2,400,000 ordinary shares of N1 each | 2,400 | 24 |
| *Ministry of Finance Incorporated* | | |
| 600,000 ordinary shares of N1 each | 600 | 6 |
| ***Total issued ordinary shares*** | **10,000** | **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 to sell to Nigerian Bulk Electricity Trader. The Company has installed capacity of 1,320 megawatts and utilizes natural gas to generate electricity.

### 1.3 Financial period

These financial statements cover the financial year from 1 January 2015 to 31 December 2015, with comparative figures for the financial year ended 31 December 2014.

### 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 requirements of the Company and Allied Matters ("CAMA") includes:

(i) Value added statement
(ii) Five-year 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

### 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 2015.

The financial statements have been prepared on a historical cost basis except for the fixed assets 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 fixed assets.

**Accounting policies**
The financial statements have been prepared in accordance with the Company's accounting policies 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 are generally depreciated using the unit of production method based on the machine usage hours over the estimated operating capacity of the assets.

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-core assets are 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-operating assets include land, administrative office building, furniture and fittings, motor vehicles, etc. 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.

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 |
|---|---|---|
| **Generation assets** | | |
| Plant and machineries | Unit of production method based on machine usage hours | Capacity Utilisation |
| Generation plant buildings | 30 | Estimated Useful life |
| **Non-generation 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. Operating assets are assessed for impairment when they are reclassified to property, plant and equipment (PP&E), 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)

### Accounting policies (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 loans.

**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 the 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 the statement of profit or loss. The losses arising from impairment are recognised in the 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)**

**Accounting policies (cont'd)**

**D. Financial instruments**

**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 has 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.

**NOTES TO THE FINANCIAL STATEMENTS**

## 3. BASIS OF PREPARATION (CONT'D)

### Accounting policies (cont'd)

#### D. Financial instruments

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

## 3. BASIS OF PREPARATION (CONT'D)

### Accounting policies (cont'd)

### D. Financial instruments

**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.

**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, trade receivables and financial instruments through profit or loss.

**Retirement benefit costs**
The Company maintains a defined contribution pension scheme in accordance with the new Pension Reform Act, 2014. The contribution by the employer and employee is 10% and 8% respectively of the employees' monthly basic salary, transport and housing allowances. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

**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.)

**NOTES TO THE FINANCIAL STATEMENTS**

## 3. BASIS OF PREPARATION (CONT'D)

### Accounting policies (cont'd)

### D. Financial instruments

**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.

### 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 by our projects in provision of their services 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.

**NOTES TO THE FINANCIAL STATEMENTS**

## 3. BASIS OF PREPARATION (CONT'D)

### Accounting policies (cont'd)

#### 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 the 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 the 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)

### Accounting policies (cont'd)

**G. Foreign currencies**

The functional currency of the Company is the Nigerian Naira ("NGN"), 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. BASIS OF PREPARATION (CONT'D)**

**Accounting policies (cont'd)**

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

## 4. CRITICAL ACCOUNTING JUDGEMENTS 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.

**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.

| 5 Revenue | 2015<br>N'000 | 2014<br>N'000 | 2015<br>US$'000 | 2014<br>US$'000 |
|---|---|---|---|---|
| Sale of electricity (Note 5.1) | 51,032,931 | 43,122,398 | 256,757 | 275,631 |
| Ancillary services (Note 5.2) | 548,040 | 328,822 | 2,757 | 2,102 |
| Other electricity bills (Note 5.3) | 6,169 | - | 31 | - |
| | **51,587,140** | **43,451,220** | **259,545** | **277,733** |

**5.1** The revenue recorded represents the total value of the energy received and capacity certified by the Market Operator/Nigerian Bulk Electricity Trader for energy generated by Egbin Power Plc. as recorded on the monthly settlement statement for the year between both parties.

## NOTES TO THE FINANCIAL STATEMENTS

**5.2** The revenue earned from ancillary services represents the invoices for spinning reserves and black start services rendered to National Control Centre 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, while black start is charge for the Company's ability to jumpstart the grid in the event of grid collapse.

**5.3** Other electricity bills represents billings to third parties for usage of portion of energy imported by the Company from the National Grid.

| **6 Cost of sales** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|
| Operation and maintenance service fee contract (Note 6.1) | 26,973,200 | 19,915,831 | 135,707 | 127,298 |
| Gas consumed (Note 6.3) | 14,609,084 | 9,296,723 | 73,501 | 59,423 |
| Depreciation on generating assets | 7,560,699 | 7,626,286 | 38,039 | 48,745 |
| Salaries and benefits | 1,780,083 | 1,655,838 | 8,956 | 10,584 |
| Other plant maintenance cost | 110,389 | 23,252 | 555 | 149 |
| Energy import (Note 6.2) | 78,219 | 1,020,735 | 394 | 6,524 |
| | **51,111,674** | **39,538,665** | **257,152** | **252,723** |

**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 consumed** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|
| Gas purchased | 14,609,084 | 10,292,883 | 73,501 | 65,790 |
| Gas supplied to AES | - | (996,160) | - | (6,367) |
| | **14,609,084** | **9,296,723** | **73,501** | **59,423** |

| **7 Net finance income** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|
| **7.1 Finance income** | | | | |
| Interest income (Note 7.2) | 4,190,249 | 1,226,447 | 21,082 | 7,839 |
| Interest on short term deposits | 133,359 | 117,278 | 671 | 750 |
| | **4,323,608** | **1,343,725** | **21,753** | **8,589** |

**7.2** The interest income represents amount receivable by the Company on outstanding invoice amounts yet to be paid by the Market Operator ("MO")/Nigerian Bulk Electricity Trading ("NBET") Company.

| **7.3 Finance cost** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|
| Accretion expense (Note 20) | 389,257 | 343,867 | 1,958 | 2,198 |
| Interest on loans | 197,395 | 6,668 | 993 | 43 |
| Letters of credit charges | 77,221 | 6,634 | 389 | 42 |
| | **663,873** | **357,169** | **3,340** | **2,283** |

**NOTES TO THE FINANCIAL STATEMENTS**

| **7.4** | **Other gains** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|---|
| | School income | 174,242 | 117,211 | 877 | 749 |
| | Other income | 5,962 | 906 | 30 | 6 |
| | Gain on fixed asset disposal | 714 | 1,119 | 4 | 7 |
| | | **180,918** | **119,236** | **911** | **762** |

| **8** | **Administrative expenses** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|---|
| | Provisions for doubtful debts | 12,413,613 | 996,160 | 62,455 | 6,367 |
| | Depreciation on non-generation assets | 635,058 | 636,477 | 3,195 | 4,068 |
| | Salaries and benefits | 501,154 | 698,839 | 2,521 | 4,467 |
| | Other staff welfare | 330,970 | 251,488 | 1,665 | 1,607 |
| | Repairs and maintenance | 209,031 | 55,960 | 1,052 | 358 |
| | Other professional fees (Note 9.2) | 120,988 | 162,369 | 609 | 1,038 |
| | Safety & security | 145,296 | 61,259 | 731 | 392 |
| | Motor running expenses | 118,948 | 42,487 | 598 | 272 |
| | Regulatory expenses | 112,740 | - | 567 | - |
| | Entertainment and advertisement | 53,509 | 50,147 | 269 | 321 |
| | Travelling and transportation | 51,596 | 34,201 | 260 | 219 |
| | Community-related expenses | 48,365 | 16,517 | 243 | 106 |
| | Office & IT consumables | 42,536 | 39,148 | 214 | 250 |
| | Directors fees and expenses | 36,634 | 50,518 | 184 | 323 |
| | Audit fee (Note 9.1) | 36,000 | 36,000 | 181 | 230 |
| | Bank charges | 16,787 | 12,301 | 84 | 79 |
| | Other expenses | 30,497 | 33,252 | 153 | 213 |
| | | **14,903,722** | **3,177,123** | **74,981** | **20,310** |

| **9** | **Professional fees** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|---|
| **9.1** | Audit fees | 36,000 | 36,000 | 181 | 230 |
| | | **36,000** | **36,000** | **181** | **230** |
| **9.2** | **Other professional fees** | | | | |
| | - Consultancy fees | 55,888 | 123,072 | 281 | 787 |
| | - Legal services | 65,100 | 39,297 | 328 | 251 |
| | | **120,988** | **162,369** | **609** | **1,038** |

| **10** | **Profit before taxation** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|---|
| | This is stated after charging: | | | | |
| | Auditor's remuneration | 36,000 | 36,000 | 181 | 230 |
| | Depreciation | 8,195,757 | 8,262,763 | 41,234 | 52,814 |
| | Other gains | 180,918 | 119,236 | 911 | 762 |

| **11** | **Taxation** | **2015 N'000** | **2014 N'000** | **2015 US$'000** | **2014 US$'000** |
|---|---|---|---|---|---|
| | Income tax | 1,432,618 | 2,390,405 | 7,208 | 15,279 |
| | Education tax | 153,173 | 208,923 | 771 | 1,335 |
| | | 1,585,791 | 2,599,328 | 7,979 | 16,614 |
| | Deferred tax (Note 11.1) | (1,724,294) | (1,838,121) | (8,675) | (11,749) |
| | | **(138,503)** | **761,207** | **(696)** | **4,865** |

**NOTES TO THE FINANCIAL STATEMENTS**

| **11.1 Current and deferred tax liabilities** | **31 Dec 2015 N'000** | **31 Dec 2014 N'000** | **31 Dec 2015 US$'000** | **31 Dec 2014 US$'000** |
|---|---|---|---|---|
| **Current tax** | | | | |
| At 1 January | 2,599,328 | - | 15,518 | - |
| Tax charged for the year | 1,585,791 | 2,599,328 | 7,979 | 16,614 |
| Payment during the year | - | - | - | - |
| Translation effects | - | - | (2,477) | (1,096) |
| At 31 December | **4,185,119** | **2,599,328** | **21,020** | **15,518** |
| **Deferred tax** | | | | |
| At 1 January | 57,761,979 | 59,600,100 | 344,848 | 384,021 |
| Recognised in income statement | (1,724,294) | (1,838,121) | (8,675) | (11,749) |
| Translation effect | - | - | (54,518) | (27,424) |
| At 31 December | **56,037,685** | **57,761,979** | **281,455** | **344,848** |

## NOTES TO THE FINANCIAL STATEMENTS

### 12 Property, plant and equipment

| | GENERATION ASSETS | | | NON - GENERATION ASSETS | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Plant and machinery | Buildings (Plant) | ARO Asset cost | Equipment (Non plant) | Furniture & fittings | Motor vehicles | Freehold Land | Buildings (Non plant) | Capital Work in Progress | Total |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| **Cost or valuation** | | | | | | | | | | |
| **At 1 January 2014** | **260,975,251** | **29,808,000** | **2,301,282** | **-** | **27,447** | **45,650** | **6,735,000** | **14,832,342** | **-** | **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 1 January 2015** | **260,975,251** | **29,808,862** | **2,301,282** | **12,883** | **26,089** | **61,760** | **6,735,000** | **14,837,676** | **616,642** | **315,375,445** |
| Additions | - | - | - | 27,695 | 32,715 | 17,368 | - | 41,882 | 400,546 | 520,206 |
| Transfers | 387,548 | - | - | - | 85,239 | - | - | 244,791 | (730,097) | (12,519) |
| Disposals | (2,481) | - | - | - | (25,757) | (17,660) | - | - | - | (45,898) |
| **At 31 December 2015** | **261,360,318** | **29,808,862** | **2,301,282** | **40,578** | **118,286** | **61,468** | **6,735,000** | **15,124,349** | **287,091** | **315,837,234** |
| **Accumulated depreciation** | | | | | | | | | | |
| **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 |
| Disposals | - | - | - | - | (1,449) | (2,031) | - | - | - | (3,480) |
| **At 1 January 2015** | **95,771,413** | **16,998,058** | **229,613** | **1,690** | **25,450** | **20,494** | **-** | **690,037** | **-** | **113,736,755** |
| Charge for the year | 6,858,681 | 596,166 | 105,852 | 6,131 | 18,757 | 20,366 | - | 587,210 | - | 8,193,163 |
| Disposals | (861) | - | - | - | (25,757) | (8,102) | - | - | - | (34,720) |
| **At 31 December 2015** | **102,629,233** | **17,594,224** | **335,465** | **7,821** | **18,450** | **32,758** | **-** | **1,277,247** | **-** | **121,895,198** |
| **Carrying amount** | | | | | | | | | | |
| **At 31 December 2015** | **158,731,085** | **12,214,638** | **1,965,817** | **32,757** | **99,836** | **28,710** | **6,735,000** | **13,847,102** | **287,091** | **193,942,036** |
| **At 31 December 2014** | **165,203,838** | **12,810,804** | **2,071,669** | **11,193** | **639** | **41,266** | **6,735,000** | **14,147,639** | **616,642** | **201,638,690** |

**12.1** Management at the reporting date has 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 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 exist 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 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 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Plant and machinery US$'000 | Buildings (Plant) US$'000 | ARO Asset costs US$'000 | Equipment (Non plant) US$'000 | Furniture & fittings US$'000 | Motor vehicles US$'000 | Freehold Land US$'000 | Buildings (Non plant) US$'000 | Capital Work in Progress US$'000 | Total US$'000 |
| **Cost or valuation** | | | | | | | | | | |
| **At 1 January 2014** | **1,681,542** | **192,062** | **14,828** | - | **177** | **294** | **43,396** | **95,569** | - | **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) | (3,187) | (7,020) | (260) | (149,187) |
| **At 1 January 2015** | **1,558,061** | **177,963** | **13,739** | **77** | **156** | **369** | **40,209** | **88,583** | **3,681** | **1,882,838** |
| Additions | - | - | - | 139 | 165 | 87 | - | 211 | 2,015 | 2,617 |
| Transfers | 1,950 | - | - | - | 429 | - | - | 1,231 | (3,673) | (63) |
| Disposals | (12) | - | - | - | (130) | (89) | - | - | - | (231) |
| Translation effects | (247,290) | (28,245) | (2,181) | (12) | (26) | (58) | (6,382) | (14,061) | (581) | (298,836) |
| **At 31 December 2015** | **1,312,709** | **149,718** | **11,558** | **204** | **594** | **309** | **33,827** | **75,964** | **1,442** | **1,586,325** |
| **Accumulated depreciation and impairment** | | | | | | | | | | |
| **At 1 January 2014** | **572,539** | **105,682** | **726** | - | **25** | **21** | - | **635** | - | **679,628** |
| Additions | 44,189 | 3,811 | 748 | 11 | 147 | 124 | - | 3,781 | - | 52,811 |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | (9) | (13) | - | - | - | (22) |
| Translation effects | (44,958) | (8,012) | (103) | (1) | (11) | (10) | - | (296) | - | (53,391) |
| **At 1 January 2015** | **571,770** | **101,481** | **1,371** | **10** | **152** | **122** | - | **4,120** | - | **679,026** |
| Charge for the year | 34,507 | 2,999 | 533 | 31 | 94 | 102 | - | 2,954 | - | 41,220 |
| Disposals | (4) | - | - | - | (130) | (41) | - | - | - | (175) |
| Translation effects | (90,807) | (16,111) | (219) | (2) | (23) | (18) | - | (659) | - | (107,839) |
| **At 31 December 2015** | **515,466** | **88,369** | **1,685** | **39** | **93** | **165** | - | **6,415** | - | **612,232** |
| **Carrying amount** | | | | | | | | | | |
| At 31 December 2015 | **797,243** | **61,349** | **9,873** | **165** | **501** | **144** | **33,827** | **69,549** | **1,442** | **974,093** |
| At 31 December 2014 | **986,293** | **76,482** | **12,368** | **67** | **4** | **245** | **40,209** | **84,463** | **3,681** | **1,203,812** |

## NOTES TO THE FINANCIAL STATEMENTS

### 12b Intangible assets

| | Software 2015 N'000 | Software 2014 N'000 |
|---|---|---|
| **Cost or valuation** | | |
| At 1 January | **7,873** | - |
| Additions | 6,221 | 7,873 |
| Transfers from work-in-progress | 12,519 | - |
| At 31 December | **26,613** | **7,873** |
| **Accumulated depreciation and impairment** | | |
| At 1 January | 656 | - |
| Charge for the year | 2,594 | 656 |
| At 31 December | **3,250** | **656** |
| **Carrying amount** | | |
| At 31 December | **23,363** | **7,217** |

| | Software 2015 US$'000 | Software 2014 US$'000 |
|---|---|---|
| **Cost or valuation** | | |
| At 1 January | **47** | - |
| Additions | 31 | 50 |
| Transfers from work-in-progress | 63 | - |
| Translation effect | (7) | (3) |
| At 31 December | **134** | **47** |
| **Accumulated depreciation and impairment** | | |
| At 1 January | **4** | - |
| Charge for the year | 13 | 4 |
| Translation effect | (1) | - |
| At 31 December | **16** | **4** |
| **Carrying amount** | | |
| At 31 December | **118** | **43** |

### 13 Inventory

| | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|
| PMS | 617 | 883 | 3 | 5 |
| AGO | 19,676 | 21,080 | 99 | 126 |
| | **20,293** | **21,963** | **102** | **131** |

### 14 Trade and other receivables

| | | | | |
|---|---|---|---|---|
| Trade receivables | 49,046,296 | 27,878,389 | 246,340 | 166,438 |
| Interest and other receivables | 5,945,660 | 1,324,156 | 29,863 | 7,905 |
| AES/CYREX receivables (Note 14.1) | 1,789,832 | 1,789,832 | 8,990 | 10,686 |
| BPE receivables | 12,527 | 12,527 | 63 | 75 |
| Unpaid share capital | 5,000 | - | 25 | - |
| Amount due from related parties (Note 18.3) | - | 3,470 | - | 21 |
| | **56,799,315** | **31,008,374** | **285,281** | **185,125** |
| Provision for doubtful debt (Note 14.2) | (14,203,446) | (1,789,832) | (71,338) | (10,686) |
| **Net trade and other receivables** | **42,595,869** | **29,218,542** | **213,943** | **174,439** |

## NOTES TO THE FINANCIAL STATEMENTS

**14.1** Amount represents receivables due from CYREX [formerly known as AES Barge Nigeria Limited (AES)] in respect of rebilled invoices on gas supplied to it by Nigeria Gas Company ("NGC"), but which NGC billed the Company directly due to its gas pipeline infrastructure, and which have been settled by the Company. There are currently ongoing discussions between the Company, CYREX, NERC, NGC and Transmission Company on settlement by CYREX of its due expenses.

**14.2** The Company continues to witness increasing receivable balance as a result of irregular and insufficient payments on account basis upon which recoverability risks exists. The directors having made their assessment have made the provision of N9.6 billion in respect of amount considered at risk after adjusting for post year end receipts, the Central Bank of Nigeria (CBN) payment commitment to the Nigerian Gas Company (NGC) on behalf of the Company and CBN Intervention funds etc. in respect of the outstanding ONEM/NBET receivables. The provisions made represent the Directors' best estimate as at the date of approval of these financial statements 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.

Amount also includes provisions made for receivables which are considered doubtful of recovery on AES/CYREX receivables of N1.8 billion and provisions of N2.8 billion on interest receivable due from NBET/MO receivables.

| | | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|---|
| **15** | **Other assets** | | | | |
| | Restricted cash (Note 15.2) | 1,364,691 | - | 6,854 | - |
| | Current assets (Note 15.1) | 70,251 | 16,216 | 352 | 97 |
| | | **1,434,942** | **16,216** | **7,206** | **97** |
| **15.1** | Restricted cash | 1,364,691 | - | 6,854 | - |
| | Current - Prepayments | 70,158 | 16,216 | 352 | 97 |
| | | **1,434,849** | **16,216** | **7,206** | **97** |
| | Non-current - Prepayments | 93 | - | - | - |
| | | **1,434,942** | **16,216** | **7,206** | **97** |

**15.2** Restricted cash relates to cash cover for bank guarantees in respect of letter of credit items.

| | | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|---|
| **16** | **Cash and cash equivalents** | | | | |
| | Investment in fixed deposit (Note 16.1) | 1,061,132 | 1,580,951 | 5,330 | 9,439 |
| | Cash in bank | 385,968 | 110,322 | 1,939 | 659 |
| | Cash at hand | 4,828 | 1,249 | 24 | 7 |
| | | **1,451,928** | **1,692,522** | **7,293** | **10,105** |

**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 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|---|
| **17** | **Trade and other payables** | | | | |
| | Amount due to related parties (Note 18.1) | 17,016,018 | 8,014,276 | 85,465 | 47,846 |
| | Trade creditors | 14,400,979 | 6,633,749 | 72,330 | 39,604 |
| | Accruals and other creditors | 5,594,947 | 6,152,796 | 28,101 | 36,733 |
| | | **37,011,944** | **20,800,821** | **185,896** | **124,183** |
| | Current | 16,436,685 | 20,800,821 | 82,555 | 124,183 |
| | Non-current | 20,575,259 | - | 103,341 | - |
| | | **37,011,944** | **20,800,821** | **185,896** | **124,183** |

**NOTES TO THE FINANCIAL STATEMENTS**

## 18 Related party transactions

**18.1 Amounts due to related companies**

| | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|
| Korean Electric Power Company (Note 18.2) | 16,837,890 | 7,837,900 | 84,570 | 46,793 |
| KEPCO Energy Resource Limited | 102,231 | 102,231 | 513 | 610 |
| Sahara Group Limited | 75,897 | 19,947 | 382 | - |
| NG Power Limited | - | 34,376 | - | 205 |
| Sahara Energy Resource Limited | - | 13,893 | - | 83 |
| SO Energy | - | 4,109 | - | 25 |
| Sahara Power Limited | - | 1,820 | - | 11 |
| | **17,016,018** | **8,014,276** | **85,465** | **47,846** |

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

**18.3 Amount due from related companies**

| | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'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**

| | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|
| **Term loan** | | | | |
| At 1 January | - | 344,897 | - | 2,222 |
| Drawn down during the year | 2,550,000 | - | 12,830 | - |
| Interest and charges | 197,395 | 6,668 | 993 | 43 |
| Repayment (principal and interest) | (1,891,891) | (351,565) | (9,518) | (2,247) |
| Translation effects | - | - | (8) | (18) |
| Total balance at 31 December | **855,504** | **-** | **4,297** | **-** |
| Less: due within one year | 855,504 | - | 4,297 | - |
| Balance due after more than one year | - | - | - | - |
| | **855,504** | **-** | **4,297** | **-** |

In April 2015, the Company entered into a loan facility agreement with the United Bank for Africa (UBA) for the sum of N2.550 billion. The facility attracts interest at a floating rate of 1.5% above the lending rate of 16.5% leading to a gross interest rate of 18% per annum with management fee of 0.5% per annum for a tenor period of 12 months. The security on the facility is the domiciliation of the collection account of Egbin Power Plc with the lender of the loan facility.

**NOTES TO THE FINANCIAL STATEMENTS**

## 20 Provision for decommissioning obligation

| | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|
| At 1 January | 2,948,918 | 2,605,051 | 17,605 | 16,785 |
| Accretion cost for the year | 389,257 | 343,867 | 1,958 | 2,198 |
| Translation effect | - | - | (2,797) | (1,378) |
| | **3,338,175** | **2,948,918** | **16,766** | **17,605** |

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, less expected scrap value of the steel components factoring 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 recognised. 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.

## 21 Capital risk management

The Company manages its capital to ensure that it 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 is not subject to any externally imposed capital requirements.

| **Gearing ratio** | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|---|
| The gearing ratio is as follows: | N'000 | N'000 | US$'000 | US$'000 |
| Debt | 855,504 | - | 4,297 | - |
| Cash and cash equivalents | (1,451,928) | (1,692,522) | (7,293) | (10,105) |
| Net debt | - | - | - | - |
| Equity | **138,040,004** | **148,484,104** | **693,321** | **886,473** |
| Net debt to equity ratio | - | - | - | - |

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:

**22.2.1 Financial assets (Loans and receivables)**

| | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|
| Trade and other receivables | 42,595,869 | 29,218,542 | 213,943 | 174,439 |
| Cash and cash equivalents | 1,451,928 | 1,692,522 | 7,293 | 10,105 |
| | 44,047,797 | 30,911,064 | 221,236 | 184,544 |

**22.2.2 Financial liabilities**

**Financial liabilities at amortised cost**

| | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|
| Trade and other payables | 35,206,773 | 20,124,552 | 176,830 | 120,147 |
| Borrowings | 855,504 | - | 4,297 | - |
| | 36,062,277 | 20,124,552 | 181,127 | 120,147 |

**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.

## 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 analyse 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 Sensitivity analysis

The Company enters into transactions denominated in foreign currencies related to its financing and its day-to-day operations. As a result, the statement of financial position can be affected by movements in foreign exchange rates.

The Company's exposures to foreign currency risk arise mainly from US Dollar. The Company makes payments in US Dollar for certain operating costs. Currently, Naira inflows are insufficient to make payments leading to Naira exposure against the US$. The Company converts Naira into US$ in order to make the necessary payments.

The following table details the Company's sensitivity to a 5% change in the Naira against the US$, with all other variables held constant. Management believes that a 5% movement in either direction is reasonably possible at the reporting date. A positive number below indicates an increase in profit and equity where the Naira strengthens against the US$. For a weakening of Naira against the US$, there would be an equal and opposite impact on the profit and the balances below would be negative.

| | 2015 N'000 | 2014 N'000 |
|---|---|---|
| **Profit/(loss)** | | |
| Nigerian Naira strengthens by 5% against the US Dollar | 522,455 | (54,001) |
| **Profit/(loss)** | | |
| Nigerian Naira weakens by 5% against the US Dollar | (522,455) | 54,001 |

**NOTES TO THE FINANCIAL STATEMENTS**

### 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 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 1,451,928 | 1,692,522 | 7,293 | 10,105 |
| Trade and other receivables | 42,595,869 | 29,218,542 | 213,943 | 174,439 |
| | **44,047,797** | **30,911,064** | **221,236** | **184,544** |

### 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 maintains 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 rates from the power assets. 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 reputable and well known commercial institutions.

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 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|
| 30 days | 3,749,045 | 2,437,720 | 18,830 | 14,554 |
| 60 days | 3,727,810 | 2,417,503 | 18,723 | 14,433 |
| 90 days | 2,464,628 | 2,299,079 | 12,379 | 13,726 |
| 90+ days | 26,120,794 | 12,970,250 | 131,195 | 77,434 |
| | **36,062,277** | **20,124,552** | **181,127** | **120,147** |

**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 2015, 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**23 Financial risk management (cont'd)**

**Financial risk management policy (cont'd)**

**(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 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 forward contracts, fixed exchange rate with suppliers, 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**

| | | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|---|
| 24 | **Share capital** | | | | |
| | ***Authorised, issued and fully paid*** | | | | |
| | 10,000,000 ordinary shares of N1 each (2014: 10,000,000 ordinary shares of N0.50k); converted at the historic exchange rate of N199 to US$1 (2015), N134.02 to US$1 (2014). | 10,000 | 5,000 | 62 | 37 |
| | **Shareholders** | **Unit** | **Unit** | **Unit** | **Unit** |
| | KEPCO Energy Resources 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 Resources 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 |

On the 5th March 2015, the Company changed the nominal value of its 10,000,000 ordinary shares from N0.50k to N1 per share. This increased the share capital of the Company from the initial N5m (US$37,308) to N10m (US$62,433). The increase in the share capital was converted to at the historic exchange ruling at the date of the increase in the nominal value of the shares.

| | | 31 Dec 2015 N'000 | 31 Dec 2014 N'000 | 31 Dec 2015 US$'000 | 31 Dec 2014 US$'000 |
|---|---|---|---|---|---|
| 25 | **(Loss)/earnings per share** | | | | |
| | **(Loss)/earnings** | | | | |
| | (Loss)/earnings for the purpose of basic (loss)/earnings per share is based on net (loss)/profit attributable to equity holders of the Company. | (10,449,100) | 1,080,017 | (52,568) | 6,903 |
| | | **31 Dec 2015 Number** | **31 Dec 2014 Number** | **31 Dec 2015 Number** | **31 Dec 2014 Number** |
| | **Number of shares** | | | | |
| | Number of ordinary shares for the purpose of basic (loss)/earnings per share | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| | | **31 Dec 2015 N'000** | **31 Dec 2014 N'000** | **31 Dec 2015 US$'000** | **31 Dec 2014 US$'000** |
| | (Loss)/earnings per share (Naira/US$) - Basic | (1,044.91) | 108.00 | (5.26) | 0.69 |

**NOTES TO THE FINANCIAL STATEMENTS**

## 26 Information regarding Directors and employees

| **26.1 Directors** | **31 Dec 2015 N'000** | **31 Dec 2014 N'000** | **31 Dec 2015 US$'000** | **31 Dec 2014 US$'000** |
|---|---|---|---|---|
| Directors' emoluments comprise: | | | | |
| Fees | 32,120 | 27,000 | 162 | 173 |
| Expenses | 4,514 | 23,518 | 22 | 150 |
| | **36,634** | **50,518** | **184** | **323** |

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

| | **31 Dec 2015 Number** | **31 Dec 2014 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.

### 26.2 Employees

| Total number of employees as at year-end: | **31 Dec 2015 Number** | **31 Dec 2014 Number** |
|---|---|---|
| Management | 19 | 10 |
| Senior | 141 | 149 |
| Junior | 333 | 310 |
| | **493** | **469** |

| **Aggregate staff costs:** | **31 Dec 2015 N'000** | **31 Dec 2014 N'000** | **31 Dec 2015 US$'000** | **31 Dec 2014 US$'000** |
|---|---|---|---|---|
| Salaries and wages | 2,281,237 | 2,354,677 | 11,477 | 15,051 |
| Other staff welfare | 330,970 | 251,488 | 1,665 | 1,607 |
| | **2,612,207** | **2,606,165** | **13,142** | **16,658** |

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

| | **31 Dec 2015 N'000** | **31 Dec 2014 N'000** |
|---|---|---|
| Below N1,000,000 | 19 | 32 |
| N1,000,000 - N2,000,000 | 102 | 94 |
| N2,000,001 - N5,000,000 | 230 | 222 |
| N5,000,001 - N10,000,000 | 111 | 105 |
| Above N10,000,000 | 31 | 16 |
| | **493** | **469** |

**NOTES TO THE FINANCIAL STATEMENTS**

## 27 Contingent liabilities

**(a)** 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.

**(b)** The Company has contingent liability in respect of letters of credit to various suppliers with financial institutions valued at about N1.364 billion as at year end. This amount is also guaranteed by restricted cash of equivalent value (Note 15).

## 28 Financial commitments

There were no capital commitments contracted by the Company or approved by the Board which had not been provided for as at the reporting date (2014: Nil)

## 29 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 2015, or on the net results for the year which have not been adequately provided for or disclosed in these financial statements.

## VALUE ADDED STATEMENT

| | 2015 N'000 | % | 2014 N'000 | % | 2015 US$'000 | % | 2014 US$'000 | % |
|---|---|---|---|---|---|---|---|---|
| Revenue | 51,587,140 | 9,324 | 43,451,220 | 339 | 259,545 | 9,324 | 277,733 | 339 |
| Bought in materials and services | | | | | | | | |
| - Imported | (26,973,200) | (4,875) | (19,915,831) | (155) | (135,707) | (4,875) | (127,298) | (155) |
| - Local | (24,060,676) | (4,349) | (10,719,556) | (84) | (121,051) | (4,349) | (68,520) | (84) |
| **Value added** | **553,264** | **100** | **12,815,833** | **100** | **2,787** | **100** | **81,915** | **100** |
| ***Distributed as follows:*** | | | | | | | | |
| **To pay employees** | | | | | | | | |
| Staff cost | 2,281,237 | 412 | 2,354,677 | 19 | 11,477 | 412 | 15,051 | 19 |
| **To pay Government** | | | | | | | | |
| Taxation | 1,585,791 | 286 | 2,599,328 | 20 | 7,979 | 286 | 16,614 | 20 |
| **To pay providers of finance** | | | | | | | | |
| Interest expense | 274,616 | 50 | 13,302 | - | 1,382 | 50 | 85 | - |
| **Maintenance of assets and future expansion** | | | | | | | | |
| Depreciation | 8,195,757 | 1,480 | 8,262,763 | 64 | 41,234 | 1,480 | 52,813 | 64 |
| Accretion expense | 389,257 | 70 | 343,867 | 3 | 1,958 | 70 | 2,198 | 3 |
| Deferred taxation | (1,724,294) | (312) | (1,838,121) | (14) | (8,675) | (312) | (11,749) | (14) |
| (Loss)/profit for the year | (10,449,100) | (1,886) | 1,080,017 | 8 | (52,568) | (1,886) | 6,903 | 8 |
| **Value added** | **553,264** | **100** | **12,815,833** | **100** | **2,787** | **100** | **81,915** | **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.

## 5-YEAR FINANCIAL SUMMARY (NAIRA)

| | 31 Dec 2015 N'000 (IFRS) | 31 Dec 2014 N'000 (IFRS) | 31 Dec 2013 N'000 (IFRS) | 31 Dec 2012 N'000 (NGAAP) | 31 Dec 2011 N'000 (NGAAP) |
|---|---|---|---|---|---|
| **Statement of financial position** | | | | | |
| **Assets employed** | | | | | |
| Property, plant and equipment | 193,942,036 | 201,638,690 | 209,246,844 | 11,919,408 | 9,621,751 |
| Intangible assets | 23,363 | 7,217 | - | - | - |
| Long-term prepayment | 93 | - | - | - | - |
| Net current assets | 24,025,631 | 7,549,094 | 362,394 | 40,199,002 | 33,194,515 |
| Deferred tax liability | (56,037,685) | (57,761,979) | (59,600,100) | (3,071,665) | - |
| Employee retirement benefits | - | - | - | (2,874,965) | - |
| Other long-term liabilities | (23,913,434) | (2,948,918) | (2,605,051) | - | (4,679,844) |
| **Net assets** | **138,040,004** | **148,484,104** | **147,404,087** | **46,171,780** | **38,136,422** |
| **Capital and reserves** | | | | | |
| Share capital | 10,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Federal government funding | - | - | - | 19,792,064 | 19,327,234 |
| Retained earnings | 29,842,080 | 40,291,180 | 39,211,163 | 26,374,716 | 18,804,188 |
| Other reserves | 108,187,924 | 108,187,924 | 108,187,924 | - | - |
| **Total equity** | **138,040,004** | **148,484,104** | **147,404,087** | **46,171,780** | **38,136,422** |
| **Statement of profit or loss and other comprehensive income** | | | | | |
| Revenue | 51,587,140 | 43,451,220 | 58,036,439 | 42,874,177 | 29,066,057 |
| (Loss)/profit before taxation | (10,587,603) | 1,841,224 | 18,777,495 | 11,153,108 | 12,675,702 |
| Taxation | 138,503 | (761,207) | (5,941,048) | (3,582,580) | (4,066,319) |
| (Loss)/profit for the year | (10,449,100) | 1,080,017 | 12,836,447 | 7,570,528 | 8,609,383 |
| Other comprehensive income | - | - | 88,395,860 | - | - |
| **Total comprehensive (loss)/income for the year** | **(10,449,100)** | **1,080,017** | **102,232,307** | **7,570,528** | **8,609,383** |
| (Loss)/earnings per share - Basic | (1,044.91) | 108.00 | 1,283.64 | 757.05 | 860.94 |
| Net assets per share | 13,804.00 | 14,848.41 | 14,740.41 | 4,617.18 | 3,813.64 |

**Notes**
(Loss)/earnings per share is based on the (loss)/earnings 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 are 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 (USD)**

| | 31 Dec 2015 US$'000 (IFRS) | 31 Dec 2014 US$'000 (IFRS) | 31 Dec 2013 US$'000 (IFRS) | 31 Dec 2012 US$'000 (IFRS) | 31 Dec 2011 US$'000 (NGAAP) |
|---|---|---|---|---|---|
| **Statement of financial position** | | | | | |
| **Assets employed** | | | | | |
| Property, plant and equipment | 974,093 | 1,203,812 | 1,348,240 | 76,765 | 61,599 |
| Intangible assets | 118 | 43 | - | - | - |
| Net current assets | 120,672 | 45,071 | 2,335 | 258,898 | 212,513 |
| Deferred tax liability | (281,455) | (344,848) | (384,021) | (19,783) | - |
| Employee retirement benefits | - | - | - | (18,516) | - |
| Other long-term liabilities | (120,107) | (17,605) | (16,785) | - | (29,961) |
| **Net assets** | **693,321** | **886,473** | **949,769** | **297,364** | **244,151** |
| **Capital and reserves** | | | | | |
| Share capital | 62 | 37 | 37 | 37 | 37 |
| Federal government funding | - | - | - | 127,469 | 123,734 |
| Retained earnings | 206,828 | 259,396 | 252,493 | 169,810 | 120,385 |
| Other reserves | 696,742 | 696,742 | 696,742 | - | - |
| Cumulative translation adjustment | (210,311) | (69,702) | 497 | 48 | (5) |
| **Total equity** | **693,321** | **886,473** | **949,769** | **297,364** | **244,151** |
| **Statement of profit or loss and other comprehensive income** | | | | | |
| Revenue | 259,545 | 277,733 | 373,826 | 275,825 | 191,451 |
| (Loss)/profit before taxation | (53,264) | 11,768 | 120,951 | 71,752 | 83,492 |
| Taxation | 696 | (4,865) | (38,268) | (23,048) | (26,784) |
| (Loss)/profit for the year | (52,568) | 6,903 | 82,683 | 48,704 | 56,708 |
| Other comprehensive (loss)/income | (140,609) | (69,566) | 569,722 | - | - |
| **Total comprehensive income for the year** | **(193,177)** | **(62,663)** | **652,405** | **48,704** | **56,708** |
| (Loss)/earnings per share - Basic | (5.26) | 0.69 | 8.27 | 4.87 | 5.67 |
| Net assets per share | 69.33 | 88.65 | 94.98 | 29.74 | 24.42 |

**Notes**

(Loss)/earnings per share is based on the (loss)/earnings 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 are 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$=N199 and US$=N134.02 (for 2015 and 2014 financial years respectively). All statement of profit or loss items were translated at the average exchange rate that ruled throughout the respective periods.