EGBIN POWER PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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Corporate information

Directors	Kola Adesina	(Nigerian)	Chairman
	Tonye Cole	(Nigerian)	Director
	Tope Shonubi	(Nigerian)	Director
	Ade Odunsi	(Nigerian)	Director
	Alex Okoh	(Nigerian)	Director
	Dr George Oluwande	(Nigerian)	Technical Adviser to the Board

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.
Awolowo road Ikoyi, Lagos

United Bank for Africa Plc.
57, Marina Lagos.

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

Sterling Bank Plc.
20, Marina Lagos, 15th Floor Sterling Tower

Access Bank Plc.
Oyin Jolayemi, Victoria Island, Lagos

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

Union Bank Plc.
36, Marina, Lagos

Wema Bank Plc.
54, Marina Lagos Island, 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
Chartered Accountants
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 2016.

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 finalized the bilateral agreement to supply 220MW to Ikeja Electricity Distribution Company Plc (Ikeja Electric) and Eko Electricity Distribution Company Plc (Eko Disco), a development that yielded additional power supply to Lagos, the nation's commercial nerve center. The Company however suspended supply of power to Eko Disco effective August 2016, due to failure to meet some of the terms of the bilateral agreement.

Operating results and dividend

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

	2016 N'000	2015 N'000
Revenue	78,242,055	51,587,140
Loss before tax	(19,850,784)	(10,587,603)
Income tax expense	11,608,879	138,503
Loss for the year	**(8,241,905)**	**(10,449,100)**

Dividend

No dividend was paid or proposed during the year (2015: 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.

Shareholding structure

The shareholding structure of the Company is as follows:

	2016		2015	
Names	**No of shares**	**%**	**No of shares**	**%**
KEPCO Energy Resource Limited	17,500,000	70	7,000,000	70
Bureau of Public Enterprises	6,000,000	24	2,400,000	24
Ministry of Finance Incorporated	1,500,000	6	600,000	6
Total	**25,000,000**	**100**	**10,000,000**	**100**

	2016 N'000	2015 N'000
Authorised		
100,000,000 ordinary shares of N1 each (2015: 10,000,000 ordinary shares of N1 each)	**100,000**	**10,000**
Issued		
25,000,000 ordinary shares of N1 each (2015: 10,000,000 ordinary shares of N1 each)	**25,000**	**10,000**

Directors' report (cont'd)

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. Alex Okoh	(Nigerian)	Director
6.	Dr. George Oluwande	(Nigerian)	Director & Technical Adviser

One of the directors (Mr Yeom Gyoo Chull), the erstwhile Managing Director of Korea Electric Power Nigeria Limited, a related company to KEPCO Electric Power Corporation (KEPCO), resigned his appointment in April 2017. Also in May 2017, Mr. Alex Okoh was appointed to the Board to replace Mr. Benjamin Dikki.

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 N1,980,050 to charitable institutions and organizations during the year (2015: N3,269,900).

Events after the reporting date
On 24 March 2017, the Corporate Affairs Commission (CAC) approved 15,000,000 additional share allotments by the Company. These shares were proportionately allocated to the Company's shareholders based on the existing shareholding percentage interest. There are no other 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 2016 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.

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

....
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 2016, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, 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 also responsible for:

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

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

The financial statements of the Company for the year ended 31 December 2016 were approved by management on , 2017.

________________________________	________________________________
Tonye Cole	**Ade Odunsi**
Director	**Director**
FRC/2014/IODN/00000008873	**FRC/2013/ICAN/00000005046**

Report of the Independent Auditors

To the members of Egbin Power Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Egbin Power Plc ("The Company") which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Egbin Power Plc as at 31 December 2016 and the financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Trade receivables recoverability assessment	
The Company's trade receivables balance is mainly due from one customer; the Market Operator (MO) and recently replaced by Nigerian Bulk Electricity Trading Plc (NBET); both of whom are government agencies. Historically, MO/NBET only pays a small portion of invoices sent; thus leaving the remaining receivables amount doubtful of recovery as at year end. The Company has no specific policy on provision for doubtful debts, hence, provisioning for account receivables balance is entirely subject to management's judgement and estimate.	In evaluating the valuation and recoverability of the trade receivables, we considered the following procedures: • Reviewed the basis of the receivables recorded during the year to ascertain the valuation as at year end. • Reviewed the Directors' position on the recoverability on the grounds that the debt is not in doubt as it may take a while since MO & NBET are both government agencies and may delay in payment. • Made an analysis of the receivables amount outstanding as at 31 December 2016 to identify outstanding non-current invoices.

This balance has continued to increase over the last three years due to the insufficient amounts being paid on account to offset outstanding invoices by MO/NBET. As the outstanding balance is significant to the financial statements and is subject to significant judgment of management, it is considered to be a key audit matter.	• Performed subsequent year end reviews to identify invoices that have been paid after year end. • Reviewed the adequacy of the provision made by the Directors on the non-current outstanding invoices. We found management estimate of provision made for unpaid portion of pre-2016 invoices as stated in Note 14.3 to be reasonable and adequate for the year and this has been appropriately disclosed in the financial statements.
Revaluation of generation assets	
The Company performed a revaluation of its generation assets in 2016 in line with its Revaluation model of recording its property, plants and equipment (PPE) as permitted by IAS 16. An independent expert was engaged to perform a revaluation of all the generation assets of Egbin Power Plc in order to estimate the carrying value of the assets as at year end. Appraisal and Valuation Consultants (AVC) Ltd was engaged to value the generation assets (turbines, transformers, boilers and plant buildings) using the replacement cost method. IAS 16:39-40 states that if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. The revaluation done by the Directors through an expert resulted in a significant increase in the carrying value of generation assets as at year end.	We focused our testing on the management expert report: • Evaluated the competence, capabilities and objectivity of the management expert. • Obtained and reviewed the expert report and basis of revaluation carried out (replacement cost basis). • Recomputed the revaluation surplus following management's revaluation and compared our expectation to management's computations. • Also performed an analysis of the revaluation adjustments to generation assets cost and accumulated depreciation. We found the expert revaluation to be appropriate and revaluation surplus properly recognised. Adequate disclosure has also been made in Note 12 to the financial statements on the revaluation.
Impairment of generation assets	
Generation assets represent a significant portion of the Company's total assets as disclosed in Note 12. As required by the applicable accounting standards, management conducts an annual impairment assessment to determine the existence of an impairment trigger and assesses the recoverability of the carrying value of the Property Plant and Equipment balance. This is performed using discounted cash flow model. During the year, the Directors identified an impairment trigger resulting from the poor operating performance of the Company which showed a gross loss performance in 2016, the revaluation of the generation assets which is domiciled in US Dollars (US$) and the rise in the foreign exchange rate of the US$ to the Nigerian Naira (NGN). Furthermore, some of the turbines and some key components of the entity's generation assets underwent a series of maintenance activities which limited its usage during the year. Also, there was disruption in activities due to non-availability of gas supply. Hence, the plant was not used to its full potential during the year and may have significant impact on the recoverable amount. The Directors have made a number of key judgments in determining the inputs into the impairment model: • cash generating unit identified; • capacity and energy price; • capacity availability, load factor and auxiliary consumption; • direct and indirect costs;	We focused our testing of the impairment assessment on the key assumptions made by the Directors. Our audit procedures included: • evaluating the appropriateness and the reasonableness of the model and inputs used by management and also to ascertain whether it complies with the requirements of IAS 36 Impairment of Assets. • challenging the assumptions used by the Directors regarding future developments and fiscal matters. • analysing the future projected cash flows used in the models to determine whether they are reasonable and consistent with the current operating environment and expectation of the plant and the power sector. We have reviewed the assumptions of the Directors' impairment assessment and going by the historical trend analysis, we are satisfied with the assumptions used in the model and found the carrying value recorded for the generation assets to be appropriate as at year end.

• useful life of generating assets; • forecasted technical transmission losses; • period covered by the cash flow projection; • the discount rates applied to the projected cash flows. Accordingly, the impairment test of these assets is considered to be a key audit matter. The Directors have performed a detailed analysis of the net present value of cash flows that may arise up to 2028.	

Responsibilities of the Directors for the Financial Statements
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements
In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

- 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.

- The Company has kept proper books of account, so far as appears from our examination of those books.

- The Company's 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
2017

Statement of profit or loss and other comprehensive income

	Note	2016 N'000	2015 N'000	2016 US$'000	2015 US$'000
Revenue	5	78,242,055	51,587,140	302,750	259,545
Cost of sales	6	(89,586,946)	(51,111,674)	(346,647)	(257,152)
Gross (loss)/profit		**(11,344,891)**	**475,466**	**(43,897)**	**2,393**
Administrative expenses	8	(19,927,626)	(14,903,722)	(77,110)	(74,981)
Operating loss		**(31,272,517)**	**(14,428,256)**	**(121,007)**	**(72,588)**
Finance income	7.1	11,599,239	4,323,608	44,882	21,753
Finance cost	7.3	(599,154)	(663,873)	(2,319)	(3,340)
Other gains	7.4	421,648	180,918	1,631	911
Loss before tax		**(19,850,784)**	**(10,587,603)**	**(76,813)**	**(53,264)**
Income tax expense	11	11,608,879	138,503	44,919	696
Loss for the year		**(8,241,905)**	**(10,449,100)**	**(31,894)**	**(52,568)**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluation of assets		119,027,410	-	460,566	-
Deferred tax on revaluation surplus	11.1	(35,708,223)	-	(138,170)	-
Items that may be reclassified subsequently to profit or loss					
Translation difference		-	-	(283,930)	(140,609)
Total comprehensive income/(loss) for the year		**75,077,282**	**(10,449,100)**	**6,572**	**(193,177)**
Weighted loss per share - Basic (Naira/ US$)	25	**(715.67)**	**(1,044.91)**	**(2.77)**	**(5.26)**

The explanatory notes on pages 9 to 39 form an integral part of these financial statements.

Statement of financial position
As at 31 December 2016

	Note(s)	2016 N'000	2015 N'000	2016 US$'000	2015 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12,12a	307,805,528	193,942,036	1,010,856	974,093
Intangible assets	12b	16,710	23,363	54	118
Other assets	15	39	93	-	-
Total non-current assets		307,822,277	193,965,492	1,010,910	974,211
Current assets					
Inventories	13	20,800	20,293	68	102
Trade and other receivables	14	76,941,181	42,596,532	252,680	213,946
Other assets	15	5,166,397	1,434,849	16,967	7,206
Cash and cash equivalents	16	6,939,571	1,451,928	22,789	7,293
Total current assets		89,067,949	45,503,602	292,504	228,547
TOTAL ASSETS		**396,890,226**	**239,469,094**	**1,303,414**	**1,202,758**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24	25,000	10,000	111	62
Retained earnings		21,600,175	29,842,080	174,934	206,828
Other reserves		191,507,112	108,187,924	1,019,138	696,742
Cumulative translation adjustment		-	-	(494,241)	(210,311)
Total equity		**213,132,287**	**138,040,004**	**699,942**	**693,321**
Non-current liabilities					
Deferred tax liabilities	11.1	80,137,029	56,037,685	263,176	281,455
Trade and other payables	17	39,768,140	20,575,259	130,599	103,341
Provision for decommissioning obligation	20	4,636,946	3,338,175	15,228	16,766
Total non-current liabilities		124,542,115	79,951,119	409,003	401,562
Current liabilities					
Trade and other payables	17	55,030,705	16,437,348	180,725	82,558
Current tax liabilities	11.1	4,185,119	4,185,119	13,744	21,020
Borrowings and term loans	19	-	855,504	-	4,297
Total current liabilities		59,215,824	21,477,971	194,469	107,875
TOTAL LIABILITIES		**183,757,939**	**101,429,090**	**603,472**	**509,437**
TOTAL EQUITY AND LIABILITIES		**396,890,226**	**239,469,094**	**1,303,414**	**1,202,758**

The financial statements on pages 5 to 42 were approved by the Board of Directors of the Company on 2017. 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 9 to 39 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 2015		**5,000**	**40,291,180**	**108,187,924**	**148,484,104**
Increase in share capital		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**
Increase in share capital	24	15,000	-	-	15,000
Revaluation reserve		-	-	119,027,411	119,027,411
Deferred tax on revaluation surplus		-	-	(35,708,223)	(35,708,223)
Loss for the year		-	(8,241,905)	-	(8,241,905)
Balance at 31st December 2016		**25,000**	**21,600,175**	**191,507,112**	**213,132,287**

	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 2015		**37**	**259,396**	**696,742**	**(69,702)**	**886,473**
Increase in share capital		25	-	-	-	25
Loss for the year		-	(52,568)	-	-	(52,568)
Translation difference		-	-	-	(140,609)	(140,609)
Balance at 31st December 2015		**62**	**206,828**	**696,742**	**(210,311)**	**693,321**
Increase in share capital	24	49	-	-	-	49
Revaluation reserve		-	-	460,566	-	460,566
Deferred tax on revaluation surplus				(138,170)	-	(138,170)
Loss for the year		-	(31,894)	-	-	(31,894)
Translation difference		-	-	-	(283,930)	(283,930)
Balance at 31st December 2016		**111**	**174,934**	**1,019,138**	**(494,241)**	**699,942**

The explanatory notes on pages 9 to 39 form an integral part of these financial statements.

Statement of cash flows

	Notes	2016	2015	2016	2015
Cash flows from operating activities		**N'000**	**N'000**	**US$'000**	**US$'000**
Net loss from operations		(8,241,905)	(10,449,100)	(31,894)	(52,568)
Adjustments for:					
Depreciation on generation assets	6	5,762,414	7,560,699	22,297	38,039
Depreciation on non-generation assets	8	643,234	635,058	2,489	3,195
Provisions for doubtful debts	8	16,806,707	12,413,613	65,032	62,455
Accretion expense	7.3	440,639	389,257	1,705	1,958
Interest on loan	7.3	21,071	197,395	82	993
Gain on assets disposal	7.4	-	(714)	-	(4)
Interest on fixed deposit	7.1	(553,547)	(133,359)	(2,142)	(671)
Deferred tax	11	(11,608,879)	(1,724,294)	(44,919)	(8,675)
Translation effect on generation assets	12a	-	-	367,401	170,579
Translation effect on non-generation assets	12a	-	-	36,422	20,418
Translation effect on intangible assets	12b	-	-	38	6
Translation effect on borrowings	19	-	-	(987)	(8)
Translation effect on decommissioning obligation	20	-	-	(6,563)	(2,797)
Translation effect on taxation	11.1	-	-	(118,806)	(57,195)
Translation effect on trade and other receivables		-	-	(34,530)	(1,804)
Translation adjustment for the year		-	-	(283,930)	(140,609)
		11,511,639	**19,337,655**	**3,589**	**85,880**
Movements in working capital					
Increase in trade and other receivables	14	(51,151,356)	(25,791,604)	(69,236)	(100,162)
Increase in other assets	15	(3,731,494)	(1,418,726)	(9,761)	(7,109)
(Increase)/decrease in inventories	13	(507)	1,670	34	29
Increase in trade and other payables	17	57,786,238	16,211,786	125,425	61,719
Increase in taxation	11	-	1,585,791	-	7,979
Total adjustments and movements		**14,414,520**	**9,926,572**	**50,051**	**48,336**
Net cash generated from/(used in) operating activities		**6,172,615**	**(522,528)**	**18,157**	**(4,232)**
Cash flows from investing activities					
Purchase of fixed assets	12	(393,596)	(526,427)	(1,524)	(2,648)
Interest income on fixed deposits	7.1	553,547	133,359	2,142	671
Proceeds from disposal of fixed assets		16,652	11,893	64	60
Net cash generated from/(used in) investing activities		**176,603**	**(381,175)**	**682**	**(1,917)**
Cash flows from financing activities					
Increase in share capital	24	15,000	5,000	49	25
Loan received	19	-	2,550,000	-	12,830
Interest paid	19	(21,071)	(197,395)	(82)	(993)
Loan repayment	19	(855,504)	(1,694,496)	(3,310)	(8,525)
Net cash (used in)/generated from financing activities		**(861,575)**	**663,109**	**(3,343)**	**3,337**
Net increase/(decrease) in cash and cash equivalents		5,487,643	(240,594)	15,496	(2,812)
Cash and cash equivalents at beginning of the year	16	1,451,928	1,692,522	7,293	10,105
Cash and cash equivalents at end of the year		**6,939,571**	**1,451,928**	**22,789**	**7,293**

The explanatory notes on pages 9 to 39 form an integral part of these financial statements.

Notes to the financial statements

1.0 The Company

Egbin Power Plc ("the Company") was one of the unbundled companies from the defunct Power Holdings Company of Nigeria (PHCN). The Company was in the generating sector of the PHCN which was a state-owned Electric Power Company. During the Federal Government's 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 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		
17,500,000 ordinary shares of N1 each	17,500	70
BPE		
6,000,000 ordinary shares of N1 each	6,000	24
Ministry of Finance Incorporated		
1,500,000 ordinary shares of N1 each	1,500	6
Total issued ordinary shares	**25,000**	**100**

1.2 Principal activities

The Company's principal activity is to generate power and to sell to the Nigerian Bulk Electricity Trading Plc (NBET). The Company has installed capacity of 1,320 megawatts and utilizes thermal plant to generate electricity.

1.3 Financial period

These financial statements cover the financial year from 1 January 2016 to 31 December 2016, with comparative figures for the financial year ended 31 December 2015.

1.4 Composition of 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 transactions. 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 includes:

(i) Value added statement
(ii) Financial summary

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.

Notes to the financial statements

2. ADOPTION OF NEW AND REVISED IFRS STANDARDS AND INTEPRETATIONS BY THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

2.1 Accounting standards and interpretations effective in the current year

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments further clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

This amendment is not applicable because the Company is not an investment entity.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes, regarding recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

This amendment is not applicable because the Company is not in any joint arrangement.

Amendments to IAS 1 Disclosure Initiative

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgements. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions;
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material;
- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items;
- The share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified subsequently to profit of loss; and
- The share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified subsequently to profit or loss.

The application of this amendment does not have any impact on the disclosures or amounts recognised in the Company's financial statements.

Notes to the financial statements

2.1 Accounting standards and interpretations effective in the current year (cont'd)

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- When the intangible asset is expressed as a measure of revenue; or
- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The application of this amendment does not have any impact on the disclosures or amounts recognised in the Company's financial statements, and the company does not have any intangible assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

This amendment is not applicable since the Company does not have asset classified as bearer plant.

Amendments to IAS 27 Equity Method in Separate Financial Statements
The amendments focus on separate financial statements and allow the use of equity method in such statement. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or
- Using equity method as described in IAS 28 Investments in Associates or Joint Ventures

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The application of this amendment does not have any impact on the disclosures or amounts recognised in the Company's financial statements.

Annual Improvements to IFRSs 2012 – 2014 Cycle
The annual improvements include amendments to a number of IFRSs, which have been summarised below:

IFRS 5 Non-Current Assets Held for sale and Discontinued Operations
The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (for disposal group) from held for sale to held for distribution to owners (or vice versa), or when held for distribution accounting is discontinued.

This amendment is not applicable since the Company does not have any asset classified as Non-Current Asset held for sale.

IFRS 7 Financial Instruments: Disclosure (with consequential amendments to IFRS 1)
The amendments (i) provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred asset; and (ii) clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to company with IAS 34 Interim Financial Reporting.

The application of this amendment does not have any impact on the disclosures or amounts recognised in the Company's financial statements.

Notes to the financial statements

2.1 Accounting standards and interpretations effective in the current year (cont'd)

IAS 19 Employee Benefits
The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

The amendment is not applicable to the Company since they do not have a defined benefit plan.

IAS 34 Interim Financial Reporting
The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The amendment is not applicable to the Company because they do not prepare interim financial report.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 specifies the accounting for regulatory deferral account balances that arises from rate-regulated activities. The Standard is available only to First-Time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

This amendment is not applicable to the Company because they are neither in a rate-regulated industry nor have recognised regulatory deferral account balances under previous GAAP.

2.2 Accounting standards and interpretations issued but not yet effective

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

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

Pronouncement	Nature of Change	Required to be implemented for periods beginning on or after
IFRS 9 Financial Instruments (as revised in 2014)	IFRS 9 (as revised) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. One major change from IAS 39 relates to the presentation of changes in fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. IFRS 9 contains specific transitional provisions for (i) classification and measurement of financial assets; (ii) impairment of financial assets; and (iii) hedge accounting.	Applies to annual periods beginning on or after 1 January 2018
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a single comprehensive model for entities to use for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date: IAS 18: Revenue; IAS 11: Construction Contracts; IFRIC 13: Customer Loyalty Programmes; IFRIC 15: Agreements for the Construction of Real Estate IFRIC 18: Transfer of Assets from Customers; and SIC 31: Revenue-Barter Transactions Involving Advertising Services. The standard's core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	Applies to annual periods beginning on or after 1 January 2018
IFRS 16 Leases	IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date: - IAS 17 Leases; - IFRIS 4 Determining whether an Arrangement contains a Lease; - SIC-15 Operating Leases – Incentives; - SIC-27 Evaluating the substance of Transactions Involving the Legal Form IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosures are also required by the new Standard.	Reporting periods beginning on or after 1 January 2019

Notes to the financial statements

2.2 Accounting standards and interpretations issued but not yet effective (cont'd)

Pronouncement	Nature of Change	Required to be implemented for periods beginning on or after
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	The amendments clarify the following: - In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments. - Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is the remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a net settlement feature, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. - A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: (i) the original liability is derecognised; (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.	Annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an investor and its Associate or Joint Venture	The amendments deal with situation where there is a sale or contribution of assets between an investor and its associate or joint venture IAS 28 and IFRS 10 are amended as follows: IAS 28: - Gains and losses resulting from transactions involving assets that do not constitute a business an investor and its associate or joint venture are recognised; - Gains and losses resulting from downstream transactions involving assets that constitute a business an investor and its associate or joint venture should be recognised in full in the investor's financial statements. IFRS 10: - Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investor's interests in that associate or joint venture.	Indefinitely pending the outcome of its research project on the equity method of accounting.
Amendments to IAS 7 Disclosure Initiative	The amendments require an entity to provide disclosures that enable users of financial statement to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. An entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.	Annual periods beginning on or after 1 January 2017 with earlier application permitted.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendments clarify the following: 1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt by sale of by use, or whether it is probable that the issuer will pay all the contractual cash flows; 2. When an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, and the tax law restricts the utilization of losses to deduction against income of a specific type, an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences; 3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and 4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from reversal of those deductible temporary differences.	Annual periods beginning on or after 1 January 2017

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 2016.

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, the agreed capacity tariff, and the value acknowledged by the Nigerian Bulk Electricity Trading Plc (NBET); units are based on energy volumes that are actually received by NBET. The Company also recognises additional revenue based on a compensating fee received from the System Operator (NCC) in respect of spinning reserves. This arises in situations when the Company has been requested to step down its supply of power to the National grid in order to prevent damage to the national grid.

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 operating assets which the Company uses in carrying out its normal course of business; generating power to NBET. These assets include the generating plants, turbines, plant spares, and the plant's buildings.

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

2. Non-generation assets

The Company's non-generation assets 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-generation assets include land, administrative office building, furniture and fittings, motor vehicles, etc. Land is not depreciated.

Notes to the financial statements

3. BASIS OF PREPARATION (CONT'D)

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

2. Non-generation assets (cont'd)

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

Asset Class	Rate/Useful life (yrs)	Basis
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. Generation assets are assessed for impairment when they are reclassified from construction in progress 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)

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)

D. Financial instruments (cont'd)

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

- The right to receive cash flows from the asset 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.

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

Notes to the financial statements

3. BASIS OF PREPARATION (CONT'D)

D. Financial instruments (cont'd)

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

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

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

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

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

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.

Notes to the financial statements

3. BASIS OF PREPARATION (CONT'D)

D. Financial instruments (cont'd)

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.)

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 inventory to their present location and condition.

Specific identification entails assigning cost of inventory 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)

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. The Company recognises neither the deferred tax asset regarding the temporary difference on the decommissioning liability nor the corresponding deferred tax liability regarding the temporary difference on a decommissioning asset.

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. The company has adopted the Central Bank of Nigeria's published rates (closing and average) for its presentation currency as follows:

2016: Closing rate - N304.50; Average rate - N258.44
2015: Closing rate - N199.10; Average rate - N198.76

Notes to the financial statements

3. BASIS OF PREPARATION (CONT'D)

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 through the liability method.

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

I. Intangible assets

1. Licences

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

2. Computer software

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

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

3. BASIS OF PREPARATION (CONT'D)

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 2016, the Company has been exposed to energy market risk, credit risk, foreign currency exchange risk, and treasury risk.

(a) Energy market risk

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

(b) Credit risk

The Company is exposed to both settlement risk defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered. Credit risk is mitigated by active engagement and reconciliation of energy supplied to the market operator and promotion of compliance with the MYTO agreement. 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 recoverability provision.

(c) Treasury risk

Treasury risk is comprised of liquidity, market and interest rate risks.

(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 and related parties, financial institutions and when required long term debt to finance core expansion projects.

(ii) Treasury market risk

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

(iii) Interest rate risk

The Company's interest rate exposure 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.

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 in Note 1.

(a) Revenue

Billed revenue comprises of capacity and energy charges generated and valued based on the Multi-Year Tariff Order (MYTO) structure and recognised in the Statement of profit or loss and Statement of financial position as Revenue and Trade Receivables respectively, based on the value of capacity and energy charge NBET received, subject to both parties' reconciled amounts.

(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, liquidity matters amongst the market participants and related government policies and plans. These estimates and assumptions may 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 as matters relating to gas supply, grid capacity, and load capacity factor which relate to the existing operating turbines and projected plans are used in developing these estimates. The tariff on Capacity and Energy are also susceptible to changes in variable elements of the MYTO 2.0 model. The Directors estimates and assumptions are based on reasonable and operational plan of the Company and existing or planned government policies.

(d) Contingencies

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

(e) Decommissioning and environmental liability

The Company periodically revises the estimates made concerning the costs to be incurred in the decommissioning of the Company's power generating plants and its constructive obligation to restore the station sites over the course of their operational lives.

Notes to the financial statements

5	**Revenue**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
	Sale of electricity (Note 5.1)	78,214,138	51,032,931	302,642	256,757
	Ancillary services (Note 5.2)	18,000	548,040	70	2,757
	Other electricity bills (Note 5.3)	9,917	6,169	38	31
		78,242,055	**51,587,140**	**302,750**	**259,545**

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

5.2 The revenue earned from ancillary services represents the invoices for spinning reserves and blackstart services rendered to National Control Centre (NCC) Oshogbo. The spinning reserve is the unused capacity set aside on an agreement with System Operator (NCC) which can be activated on decision of the NCC to either increase or reduce supply of power to the grid, while blackstart is charge for the Company's ability to jumpstart the grid in the event of grid collapse.

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

6	**Cost of sales**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
	Operations & maintenance and implementation service fees (Note 6.1)	43,365,899	26,973,200	167,800	135,707
	Gas consumed	35,745,774	14,609,084	138,315	73,501
	Depreciation on generation assets	5,762,414	7,560,699	22,297	38,039
	Salaries and benefits	1,650,961	1,654,998	6,388	8,327
	Regulatory charges (Note 6.2)	1,581,495	-	6,119	-
	Other staff welfare	126,331	125,085	489	629
	Other plant maintenance cost	1,354,072	188,608	5,239	949
		89,586,946	**51,111,674**	**346,647**	**257,152**

6.1 This relates to Operations and Maintenance (O&M) service cost to Korea Electric Power Corporation ("KEPCO"); a related party appointed as Technical Partner to operate and maintain the plant over a period of five years from November 2013. It also includes the Operations and Implementation (O&I) cost to Lithia Consultants Limited ("Lithia"), for financial and technical monitoring of the O&M services, facilities maintenance, and other ancillary support services. The fees were charged in line with the O&M/O&I contracts between the Company and KEPCO/Lithia respectively.

6.2 Amount represents regulatory charges due to the Nigerian Electric Regulatory Commission under the provisions of the NERC (License and Operations fee) Regulations, 2010, and is calculated as 1.5% of licensee's charges/kWh over a period. The Company got the demand notice for the charges in the current year and the costs have not been charged in previous years, hence this amount includes the cost from date of handover till year end i.e. the two-month period ended 31 December 2013 – N49.7m, years ended 31 December 2014 – N342.5m, 2015 – N418.4m and 2016 – N770.9m.

7	**Finance income/cost**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
7.1	**Finance income**				
	Interest income (Note 7.2)	11,045,692	4,190,249	42,740	21,082
	Interest on short term deposits	553,547	133,359	2,142	671
		11,599,239	**4,323,608**	**44,882**	**21,753**

Notes to the financial statements

7.2 The interest income represents amount receivable by the Company on outstanding invoice amounts yet to be paid by the Market Operator/Nigerian Bulk Electricity Trading Plc. This interest is in line with the supplementary order on the commencement of the Transitional Electricity Market (TEM) issued by NERC, and is charged at NIBOR + 10%.

7.3	**Finance cost**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
	Accretion expense (Note 20)	440,639	389,257	1,705	1,958
	Interest on loan (Note 19)	21,071	197,395	82	993
	Letters of credit charges	137,444	77,221	532	389
		599,154	**663,873**	**2,319**	**3,340**

7.4	**Other gains**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
	School income - Powerfield	203,662	174,242	788	877
	Other income	217,986	5,962	843	30
	Gain on fixed asset disposal	-	714	-	4
		421,648	**180,918**	**1,631**	**911**

8	**Administrative expenses**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
	Provisions for doubtful debts	16,806,707	12,413,613	65,032	62,455
	Repairs and maintenance	720,806	209,031	2,789	1,052
	Depreciation on non-generation assets	643,234	635,058	2,489	3,195
	Salaries and benefits	567,435	501,154	2,196	2,521
	Other professional fees (Note 9.2)	264,000	120,988	1,022	609
	Motor running expenses	192,328	118,948	744	598
	Safety & security	151,716	145,296	587	731
	Community expenses/CSR	126,551	48,365	490	243
	Other staff welfare	107,433	330,970	416	1,665
	Travelling and transportation	61,505	51,596	238	260
	Office & IT consumables	57,383	42,536	222	214
	Directors fees and expenses	45,703	36,634	177	184
	Audit fees (Note 9.1)	45,000	36,000	174	181
	Entertainment and advertisement	29,598	53,509	115	269
	Insurance	21,632	2,100	84	11
	Regulatory expenses	18,098	112,740	70	567
	Bank charges	13,880	16,787	54	84
	Other expenses	54,617	28,397	211	142
		19,927,626	**14,903,722**	**77,110**	**74,981**

9	**Professional fees**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
9.1	Audit fees	45,000	36,000	174	181
		45,000	**36,000**	**174**	**181**
9.2	**Other professional fees**				
	- Consultancy fees	199,004	55,888	770	281
	- Legal services	64,996	65,100	252	328
		264,000	**120,988**	**1,022**	**609**

Notes to the financial statements

10	**Loss before tax**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
	This is stated after charging:				
	Auditor's remuneration	45,000	36,000	174	181
	Depreciation	6,405,648	8,195,757	24,786	41,234
	Other gains	421,648	180,918	1,631	911

11	**Income tax expense**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
	Income tax	-	1,432,618	-	7,208
	Education tax	-	153,173	-	771
		-	1,585,791	-	7,979
	Deferred tax (Note 11.1)	(11,608,879)	(1,724,294)	(44,919)	(8,675)
		(11,608,879)	**(138,503)**	**(44,919)**	**(696)**

11.1	**Current and deferred tax liabilities**	**2016 N'000**	**2015 N'000**	**2016 US$'000**	**2015 US$'000**
	Current tax				
	At 1 January	4,185,119	2,599,328	21,020	15,518
	Tax charged for the year	-	1,585,791	-	7,978
	Translation effects	-	-	(7,276)	(2,476)
	At 31 December	**4,185,119**	**4,185,119**	**13,744**	**21,020**
	Deferred tax				
	At 1 January	56,037,685	57,761,979	281,455	344,848
	Recognised in statement of profit or loss	(11,608,879)	(1,724,294)	(44,919)	(8,675)
	Recognised in other comprehensive income	35,708,223	-	138,170	-
	Translation effects	-	-	(111,530)	(54,718)
	At 31 December	**80,137,029**	**56,037,685**	**263,176**	**281,455**

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

Notes to the financial statements

12 Property, Plant and Equipment

	GENERATION ASSETS			NON - GENERATION ASSETS					CAPITAL WORK IN PROGRESS	
	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 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**
At 1 January 2016	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
Revaluation adjustment (Note 12.1)	301,978,063	34,892,818	-	-	-	-	-	-	-	336,870,881
Additions	-	-	858,132	28,372	64,008	567	-	28,851	271,798	1,251,728
Transfers	-	-	-	345,587	-	-	-	-	(345,587)	-
Disposals	-	(40,819)	-	-	-	-	-	-	-	(40,819)
At 31 December 2016	**563,338,381**	**64,660,861**	**3,159,414**	**414,537**	**182,294**	**62,035**	**6,735,000**	**15,153,200**	**213,302**	**653,919,024**
Accumulated depreciation										
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**
At 1 January 2016	102,629,233	17,594,224	335,465	7,821	18,450	32,758	-	1,277,247	-	121,895,198
Revaluation adjustment (Note 12.1)	196,545,004	21,298,467	-	-	-	-	-	-	-	217,843,471
Charge for the year	5,093,507	595,392	73,515	12,725	27,409	10,495	-	585,952	-	6,398,995
Disposals	-	(24,168)	-	-	-	-	-	-	-	(24,168)
At 31 December 2016	**304,267,744**	**39,463,915**	**408,980**	**20,546**	**45,859**	**43,253**	**-**	**1,863,199**	**-**	**346,113,496**
Carrying amount										
At 31 December 2016	**259,070,637**	**25,196,946**	**2,750,434**	**393,991**	**136,435**	**18,782**	**6,735,000**	**13,290,001**	**213,302**	**307,805,528**
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**

12.1 Revaluation surplus adjustment represents excess of the carrying amount of generation assets of the entity based on the revaluation exercise carried out by the Directors through independent valuers (Appraisal & Valuation Consultant Ltd (AVC)) as at 31st December 2016. The generation assets were revalued using the "Replacement as New" cost method. This excess has been reflected in the respective assets' account and also in the equity section of the statement of financial position as part of "Other reserves". The Company has also made an election not to unwind this surplus into retained earnings but to be left as part of "other reserves" in the statement of financial position until the derecognition of the asset either through disposal or retirement upon which the revaluation surplus will be transferred to retained earnings. The last revaluation of assets exercise was carried out by AVC in November 2013.

12.2 The Directors at the reporting date have considered possible impairment triggers in respect of the operations of the Company based on industry events. 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. The Directors believe that the estimates and assumptions made are appropriate and reasonable and based on best available information for both planning and operational purposes. The Directors acknowledge 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					CAPITAL WORK IN PROGRESS	
	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**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Cost or valuation										
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	-	-	1,232	(3,673)	(62)
Disposals	(12)	-	-	-	(130)	(89)	-	-	-	(231)
Translation effects	(247,290)	(28,245)	(2,181)	(12)	(26)	(58)	(6,382)	(14,062)	(581)	(298,837)
At 31 December 2015	**1,312,709**	**149,718**	**11,558**	**204**	**594**	**309**	**33,827**	**75,964**	**1,442**	**1,586,325**
At 1 January 2016	1,312,709	149,718	11,558	204	594	309	33,827	75,964	1,442	1,586,325
Revaluation adjustment (Note 12.1)	1,168,476	135,015	-	-	-	-	-	-	-	1,303,491
Additions	-	-	3,320	110	248	2	-	112	1,052	4,844
Transfers	-	-	-	1,337	-	-	-	-	(1,337)	-
Disposals	-	(158)	-	-	-	-	-	-	-	(158)
Translation effects	(631,141)	(72,224)	(4,502)	(290)	(243)	(107)	(11,709)	(26,312)	(457)	(746,985)
At 31 December 2016	**1,850,044**	**212,351**	**10,376**	**1,361**	**599**	**204**	**22,118**	**49,764**	**700**	**2,147,517**
Accumulated depreciation and impairment										
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**
At 1 January 2016	515,466	88,369	1,685	39	93	165	-	6,415	-	612,232
Charge for the year	19,709	2,304	284	49	106	41	-	2,267	-	24,760
Revaluation adjustment (Note 12.1)	760,513	82,412	-	-	-	-	-	-	-	842,925
Disposals	-	(94)	-	-	-	-	-	-	-	(94)
Translation effects	(296,451)	(43,389)	(626)	(21)	(48)	(64)	-	(2,563)	-	(343,162)
At 31 December 2016	**999,237**	**129,602**	**1,343**	**67**	**151**	**142**	**-**	**6,119**	**-**	**1,136,661**
Carrying amount										
At 31 December 2016	**850,807**	**82,749**	**9,033**	**1,294**	**448**	**62**	**22,118**	**43,645**	**700**	**1,010,856**
At 31 December 2015	**797,243**	**61,349**	**9,873**	**165**	**501**	**144**	**33,827**	**69,549**	**1,442**	**974,093**

Notes to the financial statements

12b Intangible assets

	Software 31 Dec 2016 N'000	Software 31 Dec 2015 N'000
Cost or valuation		
At 1 January	**26,613**	**7,873**
Additions	-	6,221
Transfers from work-in-progress	-	12,519
At 31 December	**26,613**	**26,613**
Accumulated depreciation and impairment		
At 1 January	3,250	656
Charge for the year	6,653	2,594
At 31 December	**9,903**	**3,250**
Carrying amount		
At 31 December	**16,710**	**23,363**

	Software 31 Dec 2016 US$'000	Software 31 Dec 2015 US$'000
Cost or valuation		
At 1 January	**134**	**47**
Additions	-	31
Transfers from work-in-progress	-	63
Translation effect	(47)	(7)
At 31 December	**87**	**134**
Accumulated depreciation and impairment		
At 1 January	**16**	**-**
Charge for the year	26	13
Translation effect	(9)	**3**
At 31 December	**33**	**16**
Carrying amount		
At 31 December	**54**	**118**

13 Inventories

	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
PMS	2,278	617	7	3
AGO	18,522	19,676	61	99
	20,800	**20,293**	**68**	**102**

Notes to the financial statements

14	Trade and other receivables	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
	Trade receivables	82,832,866	49,046,296	272,029	246,340
	Amounts due from related parties (Note 18.1)	6,470,426	-	21,249	-
	Interest and other receivables	16,825,683	5,946,323	55,257	29,866
	AES/CYREX receivables (Note 14.1)	1,789,832	1,789,832	5,878	8,990
	BPE receivables (Note 14.2)	12,527	12,527	41	63
	Unpaid share capital	20,000	5,000	66	25
		107,951,334	**56,799,978**	**354,520**	**285,284**
	Provisions for doubtful debts (Note 14.3)	(31,010,153)	(14,203,446)	(101,840)	(71,338)
	Net trade and other receivables	**76,941,181**	**42,596,532**	**252,680**	**213,946**

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 Nigerian 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.

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

14.3 Amount represents total provisions based on Directors' assessment of receivables which are doubtful of recovery, due to age of debt. The Directors provided for outstanding payments/receivables due from ONEM/ NBET on invoices issued between November 2013 and December 2015 which have not been settled as at the date of approval of these financial statements. The Directors consider this to be the best estimate and most reasonable basis for assessment. No provision has been made on 2016 invoices as these have been assessed to be current.

15	Other assets	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
	Restricted cash (Note 15.2)	3,880,502	1,364,691	12,744	6,854
	Advances and prepayments (Note 15.1)	1,285,934	70,251	4,223	352
		5,166,436	**1,434,942**	**16,967**	**7,206**
15.1	Restricted cash	3,880,502	1,364,691	12,744	6,854
	Current - Advances and prepayments	1,285,895	70,158	4,223	352
		5,166,397	1,434,849	16,967	7,206
	Non-current - Advances and prepayments	39	93	-	-
		5,166,436	**1,434,942**	**16,967**	**7,206**

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

Notes to the financial statements

16	Cash and cash equivalents	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
	Investment in fixed deposit (Note 16.1)	5,858,632	1,061,132	19,240	5,330
	Cash in bank	1,074,707	385,968	3,529	1,939
	Cash at hand	6,232	4,828	20	24
		6,939,571	**1,451,928**	**22,789**	**7,293**

16.1 Investment in fixed deposit represents 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.

17	Trade and other payables	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
	Amounts due to related parties (Note 18.2)	45,244,175	17,016,681	148,585	85,468
	Trade creditors	38,143,716	14,400,979	125,267	72,330
	Accruals and other creditors	11,410,954	5,594,947	37,472	28,101
		94,798,845	**37,012,607**	**311,324**	**185,899**
	Current	55,030,705	16,437,348	180,725	82,558
	Non-current	39,768,140	20,575,259	130,599	103,341
		94,798,845	**37,012,607**	**311,324**	**185,899**

18 Related party transactions

18.1 Amounts due from related parties

Amount represents receivables due from Comercio Electricity Exchange Limited, a related entity appointed by the Company to act as its collection agent and administrator with respect to the supply of excess power to Ikeja Electric and Eko Disco under the bilateral arrangement.

18.2	Amounts due to related parties	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
	Korea Electric Power Corporation (Note 18.3)	39,768,143	16,837,890	130,601	84,570
	Sahara Group Limited (Note 18.4)	5,370,901	76,560	17,638	385
	KEPCO Energy Resource Limited (Note 18.5)	102,231	102,231	336	513
	Sahara Power Group Limited (Note 18.6)	2,900	-	10	-
		45,244,175	**17,016,681**	**148,585**	**85,468**

18.3 This affiliated company provides technical and logistics support services to the Company under the terms of an Operations and Maintenance Agreement signed between the parties. Total transactions with this affiliate during the year amounted to N20.58 billion, while total payments amounted to N4.26 billion. An outstanding amount of N39.77 billion was due to the affiliated company as at year end (2015: N16.84 billion).

18.4 During the year, this affiliated company provided professional and administrative support services to the Company amounting to N12.99 million, total payments amounted to N3 million, while a sum of N4.48 billion ($17.33 million) was re-assigned from Korea Electric Power Corporation. Total amount due to this affiliate as at year end was N5.37 billion (2015: N76.56 million).

18.5 This affiliated Company owns 70% in the entity. There were no transactions with this affiliated Company during the year, while an outstanding amount of N102.23 million was due to the affiliate as at year end (2015: N102.23 million).

Notes to the financial statements

18.6 This affiliated company provided administrative support services amounting to N545.64 million during the year, while total payments amounted to N542.74 million. Total amount due to this affiliate as at year end was N2.90 million (2015: Nil).

19 Borrowings and term loans

Secured borrowing	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Term loan				
At 1 January	855,504	-	4,297	-
Drawn down during the year	-	2,550,000	-	12,830
Interest and charges	21,071	197,395	82	993
Repayment (principal and interest)	(876,575)	(1,891,891)	(3,392)	(9,518)
Translation effect	-	-	(987)	(8)
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 of Africa (UBA) for the sum of N2.55 billion. The facility attracted 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. This facility was fully paid off in February 2016.

20 Provision for decommissioning obligation	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
At 1 January	3,338,175	2,948,918	16,766	17,605
Revision in estimate	858,132	-	3,320	-
Accretion cost for the year	440,639	389,257	1,705	1,958
Translation effect	-	-	(6,563)	(2,797)
				-
	4,636,946	**3,338,175**	**15,228**	**16,766**

Decommissioning provision represents the present value of estimated future decommissioning costs relating to the generation assets, which are expected to be incurred up to year 2028, based on its operating life. This provision has been created based on the management's best estimates as at reporting date. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. The estimate for the decommissioning liability was based on 30% of the 10-year net book value of the generation assets, expected scrap value of the steel components factoring the Federal Government of Nigeria (FGN) 10-year tenor bond at the rate of 16.8% (2015: 13.2%) per annum. The assumptions and judgements 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.

Notes to the financial statements

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 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
The gearing ratio is as follows:	**N'000**	**N'000**	**US$'000**	**US$'000**
Debt	-	855,504	-	4,297
Cash and cash equivalents	(6,939,571)	(1,451,928)	(22,789)	(7,293)
Net debt	**-**	**(596,424)**	**-**	**(2,996)**
Equity	**213,132,287**	**138,040,004**	**699,942**	**693,321**
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 basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

22.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

	31 Dec 2016 N'000	**31 Dec 2015 N'000**	**31 Dec 2016 US$'000**	**31 Dec 2015 US$'000**
22.2.1 Financial assets (Loans and receivables)				
Trade and other receivables	76,892,212	42,580,235	252,520	213,864
Cash and cash equivalents	6,939,571	1,451,928	22,789	7,293
	83,831,783	**44,032,163**	**275,309**	**221,157**

22.2.2 Financial liabilities	**31 Dec 2016 N'000**	**31 Dec 2015 N'000**	**31 Dec 2016 US$'000**	**31 Dec 2015 US$'000**
Financial liabilities at amortised cost				
Trade and other payables	89,616,128	35,236,453	294,306	176,979
Borrowings	-	855,504	-	4,297
	89,616,128	**36,091,957**	**294,306**	**181,276**

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$. The Company makes payments in US$ 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$, with all other variables held constant. The Directors believe that a 5% movement in either direction is reasonably possible at the reporting date. A positive number below indicates an increase in profit and equity where the Naira strengthens against the US$. 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.

	2016 N'000	2015 N'000
Profit		
Nigerian Naira strengthens by 5% against the US$	412,095	522,455
Loss		
Nigerian Naira weakens by 5% against the US$	(412,095)	(522,455)

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, while the trade receivables have been adjusted for those considered doubtful.

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

	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Cash and cash equivalents	6,939,571	1,451,928	22,789	7,293
Trade and other receivables	76,892,212	42,580,235	252,520	213,864
	83,831,783	**44,032,163**	**275,309**	**221,157**

Notes to the financial statements

23.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have 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 adequate 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 analysis run for different scenarios including but not limited to changes in energy tariff, capacity availability and load factor from the generation assets. On this basis, the Company's forecasts, considering possible changes as described above, shows that the Company will be able to operate and has sufficient financial headroom.

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 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
30 days	4,770,495	3,749,045	15,667	18,830
60 days	4,772,562	3,727,810	15,673	18,723
90 days	5,873,593	2,464,628	19,289	12,379
90+ days	74,199,478	26,150,474	243,677	131,344
	89,616,128	**36,091,957**	**294,306**	**181,276**

23.5 Financial risk management policy

The Company's financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's working capital needs alongside other working capital items such as trade and other receivables, and cash and short-term deposits that arise directly from its operations. During the year ended 31 December 2016, 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. This is compounded by energy loss risk of power generated caused by unplanned changes in the load, output of its 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 System Operator if reduction in generation is at their instance.

(b) Credit risk

The Company is exposed to both settlement risk defined as the risk of a counterparty failing to pay for energy and/or services which have been delivered. Credit risk is mitigated by active engagement and reconciliation of energy supplied to the Nigerian Bulk Electricity Trading Plc and promotion of compliance with the Power Purchase 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.

Notes to the financial statements

23.5 Financial risk management policy (cont'd)

(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, local purchases and/or denomination of capital expenses in Naira where feasible.

(iii) Interest rate risk
The Company's interest rate exposure 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.

	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
24 Share capital				
Authorised				
100,000,000 ordinary shares of N1 each; converted at the historic exchange rates of N304.75/US$1 (2016: 90 million units at N1 per share), N199/US$1 (2015: 10million units at N1 per share), N134.02/US$1 (2013:10 million units at 0.50k per share)	**100,000**	**10,000**	**357**	**62**
Issued				
25,000,000 ordinary shares of N1 each converted at the historic exchange rates of N304.75/US$1 (2016: 15 million units at N1 per share), N199/US$1 (2015: 10 million units at N1 per share), N134.02/US$1 (2013:10 million units at 0.50k per share)	**25,000**	**10,000**	**111**	**62**
Shareholders - Units	**Unit**	**Unit**	**Unit**	**Unit**
KEPCO Energy Resource Limited	17,500,000	7,000,000	17,500,000	7,000,000
Bureau of Public Enterprises	6,000,000	2,400,000	6,000,000	2,400,000
Ministry of Finance Incorporated	1,500,000	600,000	1,500,000	600,000
	25,000,000	**10,000,000**	**25,000,000**	**10,000,000**
Shareholders - % interest	**%**	**%**	**%**	**%**
KEPCO Energy Resource Limited	70	70	70	70
Bureau of Public Enterprises	24	24	24	24
Ministry of Finance Incorporated	6	6	6	6
	100	**100**	**100**	**100**

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. On the 25th November 2016, the Company's board proposed and passed a resolution to issue 15 million additional ordinary shares. This resolution was subsequently registered with the Corporate Affairs Commission.

Notes to the financial statements

25 Loss per share

	2016 N'000	2015 N'000	2016 US$'000	2015 US$'000
Loss for the purpose of basic loss per share is based on net loss attributable to equity holders of the Company.	**(8,241,905)**	**(10,449,100)**	**(31,894)**	**(52,568)**

Number of shares	2016 Number	2015 Number	2016 Number	2015 Number
Number of ranking ordinary shares for the purpose of basic loss per share (weighted).	**11,516,393**	**10,000,000**	**11,516,393**	**10,000,000**

	N'000	N'000	US$'000	US$'000
Weighted loss per share (Naira/US$) - Basic	**(715.67)**	**(1,044.91)**	**(2.77)**	**(5.26)**

26 Information regarding Directors and employees

26.1 Directors

	2016 N'000	2015 N'000	2016 US$'000	2015 US$'000
Directors' emoluments comprise:				
Fees	30,990	32,120	120	162
Expenses	14,713	4,514	57	22
	45,703	**36,634**	**177**	**184**

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

	2016 Number	2015 Number
Up to N 4,000,000	4	5
N 4,000,001 to N 5,000,000	2	2
	6	**7**

The Directors have no interests in contracts executed by the Company during the year ended 31 December 2016.

Notes to the financial statements

26.2 Employees

Total number of employees as at year-end:	2016 Number	2015 Number
Management	22	19
Senior	145	141
Junior	317	333
	484	**493**

Aggregate staff costs:	2016 N'000	2015 N'000	2016 US$'000	2015 US$'000
Salaries and wages	2,218,396	2,156,152	8,584	10,848
Other staff welfare	233,764	456,055	905	2,294
	2,452,160	**2,612,207**	**9,489**	**13,142**

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

	2016 N'000	2015 N'000
Below N1,000,000	15	19
N1,000,000 - N2,000,000	103	102
N2,000,001 - N5,000,000	248	230
N5,000,001 - N10,000,000	100	111
Above N10,000,000	18	31
	484	**493**

27 Contingent liabilities

a. There is a pending litigation and claims amounting to N100bn as at 31 December 2016. The suit was instituted against the Company by members of the host community over the land on which the Company's power station is located. However, the Directors on the representation and advise of the legal advisers are of the view and confident that the Company will suffer no material losses as the suit is likely to be decided in their favour.

b. As part of prerequisites for handing over the Company to new owners, Nigerian Electricity Regulatory Commission (NERC) mandated all Generating Companies to engage a technical partner to operate and maintain the plants for effectiveness. In this vein, the Company engaged Korea Electric Power Corporation (KEPCO) to operate and maintain the plant and Lithia Consultants Limited to ensure implementation of the former's agreement with the Company. Historically, the related costs incurred on these services since handover date have always been allowed for tax computation. There is a contingent liability in respect of Company Income tax for the related periods amounting cumulatively to N30.011 billion should the amount be disallowed by the tax authorities on grounds of non-registration of the agreement with the National Office for Technology Acquisition and Promotion (NOTAP) in line with the Act of its establishment.

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 (2015: Nil)

29 Subsequent events

In March 2017, the Company successfully filed an application with the Corporate Affairs Commission to increase its issued shares capital from 10,000,000 ordinary shares to 25,000,000 ordinary shares.

There were no other significant post balance sheet events that could have a material effect on the state of affairs of the Company as at 31 December 2016, or on the loss for the year which have not been adequately provided for or disclosed in these financial statements.

Value added statement

	2016 N'000	%	2015 N'000	%	2016 US$'000	%	2015 US$'000	%
Revenue	78,242,055	(753)	51,587,140	5,830	302,750	(753)	259,545	5,830
Bought in materials and services								
- Imported	(43,365,899)	417	(26,973,200)	(3,048)	(167,800)	417	(135,707)	(3,048)
- Local	(45,269,978)	436	(23,729,706)	(2,682)	(175,169)	436	(119,386)	(2,682)
Value (eroded)/added	**(10,393,822)**	**100**	**884,234**	**100**	**(40,219)**	**100**	**4,452**	**100**
Distributed as follows:								
To pay employees								
Staff cost	2,452,160	(23)	2,612,207	295	9,489	(23)	13,142	295
To pay Government								
Taxation	-	-	1,585,791	179	-	-	7,979	179
To pay providers of finance								
Interest expense	158,515	(1)	274,616	31	614	(1)	1,382	31
Maintenance of assets and future expansion								
Depreciation	6,405,648	(61)	8,195,757	927	24,786	(61)	41,234	927
Accretion expense	440,639	(4)	389,257	44	1,705	(4)	1,958	44
Deferred taxation	(11,608,879)	110	(1,724,294)	(195)	(44,919)	110	(8,675)	(195)
Loss for the year	(8,241,905)	79	(10,449,100)	(1,181)	(31,894)	79	(52,568)	(1,181)
Value (eroded)/added	**(10,393,822)**	**100**	**884,234**	**100**	**(40,219)**	**100**	**4,452**	**100**

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

Financial summary (Naira)

	31 Dec 2016 N'000 (IFRS)	31 Dec 2015 N'000 (IFRS)	31 Dec 2014 N'000 (IFRS)	31 Dec 2013 N'000 (IFRS)	31 Dec 2012 N'000 (NGAAP)
Statement of financial position					
Assets employed					
Property, plant and equipment	307,805,528	193,942,036	201,638,690	209,246,844	11,919,408
Intangible assets	16,710	23,363	7,217	-	-
Long-term prepayment	39	93	-	-	-
Net current assets	29,852,125	24,025,631	7,549,094	362,394	40,199,002
Deferred tax	(80,137,029)	(56,037,685)	(57,761,979)	(59,600,100)	(3,071,665)
Employee retirement benefits	-	-	-	-	(2,874,965)
Other long-term liabilities	(44,405,086)	(23,913,434)	(2,948,918)	(2,605,051)	-
Net assets	**213,132,287**	**138,040,004**	**148,484,104**	**147,404,087**	**46,171,780**
Capital and reserves					
Share capital	25,000	10,000	5,000	5,000	5,000
Federal government funding	-	-	-	-	19,792,064
Retained earnings	21,600,175	29,842,080	40,291,180	39,211,163	26,374,716
Other reserves	191,507,112	108,187,924	108,187,924	108,187,924	-
Total equity	**213,132,287**	**138,040,004**	**148,484,104**	**147,404,087**	**46,171,780**
Statement of profit or loss and other comprehensive income					
Revenue	78,242,055	51,587,140	43,451,220	58,036,439	42,874,177
(Loss)/profit before taxation	(19,850,784)	(10,587,603)	1,841,224	18,777,495	11,153,108
Taxation	11,608,879	138,503	(761,207)	(5,941,048)	(3,582,580)
(Loss)/profit for the year	(8,241,905)	(10,449,100)	1,080,017	12,836,447	7,570,528
Other comprehensive income	-	-	-	88,395,860	-
Total comprehensive income for the year	**(8,241,905)**	**(10,449,100)**	**1,080,017**	**101,232,307**	**7,570,528**
Weighted (loss)/earnings per share - Basic	(715.67)	(1,044.91)	108.00	1,283.64	757.05
Net assets per share	18,506.86	13,804.00	14,848.41	14,740.41	4,617.18

Notes

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

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

Financial summary (USD)

	31 Dec 2016 US$'000 (IFRS)	31 Dec 2015 US$'000 (IFRS)	31 Dec 2014 US$'000 (IFRS)	31 Dec 2013 US$'000 (IFRS)	31 Dec 2012 US$'000 (NGAAP)
Statement of financial position					
Assets employed					
Property, plant and equipment	1,010,856	974,093	1,203,812	1,348,240	76,765
Intangible assets	54	118	43	-	-
Net current assets	98,035	120,672	45,071	2,335	258,898
Deferred tax	(263,176)	(281,455)	(344,848)	(384,021)	(19,783)
Employee retirement benefits	-	-	-	-	(18,516)
Other long-term liabilities	(145,827)	(120,107)	(17,605)	(16,785)	-
Net assets	**699,942**	**693,321**	**886,473**	**949,769**	**297,364**
Capital and reserves					
Share capital	111	62	37	37	37
Federal government funding	-	-	-	-	127,469
Retained earnings	174,934	206,828	259,396	252,493	169,810
Other reserves	1,019,138	696,742	696,742	696,742	-
Cumulative translation adjustment	(494,241)	(210,311)	(69,702)	497	48
Total equity	**699,942**	**693,321**	**886,473**	**949,769**	**297,364**
Statement of profit or loss and other comprehensive income					
Revenue	302,750	259,545	277,733	373,826	275,825
(Loss)/profit before taxation	(76,813)	(53,264)	11,768	120,951	71,752
Taxation	44,919	696	(4,865)	(38,268)	(23,048)
(Loss)/profit for the year	(31,894)	(52,568)	6,903	82,683	48,704
Other comprehensive income	(283,930)	(140,609)	(69,566)	569,722	-
Total comprehensive income for the year	**(315,824)**	**(193,177)**	**(62,663)**	**652,405**	**48,704**
Weighted (loss)/earnings per share - Basic	(2.77)	(5.26)	0.69	8.27	4.87
Net assets per share	69.99	69.33	88.65	94.98	29.74

Notes

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

Net assets per share is based on the net assets and the weighted 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 rates of US$=N304.50, US$=N199 and US$=N134.02 (for 2016, 2015 and 2013 financial years respectively). All statement of profit or loss items were translated at the average exchange rate that ruled throughout the respective periods.