EGBIN POWER PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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CORPORATE INFORMATION

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

Chief Executive officer Dallas Peavey

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.
15th Floor Sterling Towers,20,Marina
Lagos

Access Bank Plc.
Oyin Jolayemi street, Victoria Island,
Lagos

Ecobank Limited
Plot 21, Ahmadu Bello Way, Lagos

Union Bank Plc.
36, Marina, Lagos

Wema Bank Plc.
54, Marina Lagos Island,
Lagos

FSDH Merchant Bank
limited
1/5 Odunlami St, Lagos Island, Lagos

Solicitors

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

Consolex Legal
62, Awolowo Road, Ikoyi, Lagos

Auditors

Deloitte & Touche
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 2017.

Principal Activity and Business Review

EGBIN Power Plc 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.

During the year 2017, the Company successfully completed the Major Overhaul of one of its units (Unit 4). This is to further strengthen the existing capacity and resultant improvement in power generation. The company also procured and installed new Gas and Energy meters, to enhance efficiency in gas and energy readings.

Also in 2017, a "Payment Assurance Facility" worth N701 Billion was approved by the Federal Government to address liquidity issues in the power sector. The facility is intended to cater for 80% of Power invoices effective January 2017, and will cover a maximum period of 2 years.

Operating results and dividend

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

	2017 N'000	**2016 N' 000**	**2017 US$'000**	**2016 US$'000**
Revenue	76,746,317	78,242,055	236,623	302,750
Loss before taxation	(9,533,664)	(19,850,784)	(29,390)	(76,813)
Taxation	1,773,165	11,608,879	5,467	44,919
Loss for the year	(7,760,499)	(8,241,905)	(23,923)	(31,894)

Dividend

No dividend was paid or proposed during the year (2016: Nil).

Property, Plant and Equipment

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

DIRECTORS' REPORT (Cont'd)

Shareholding Structure

The shareholding structure of the Company is as follows:

Names	2017 No of shares	%	2016 No of shares	%
KEPCO Energy Resource Limited	17,500,000	70	17,500,000	70
Bureau of Public Enterprises	6,000,000	24	6,000,000	24
Ministry of Finance Incorporated	1,500,000	6	1,500,000	6
Total	**25,000,000**	**100**	**25,000,000**	**100**

	2017 N'000	2016 N'000
Authorised		
100,000,000 ordinary shares of N1 each (2016: 100,000,000 ordinary shares of N1 each)	**100,000**	**100,000**
Issued		
25,000,000 ordinary shares of N1 each (2016: 25,000,000 ordinary shares of N1 each)	**25,000**	**25,000**

Directors and their interests

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

1.	Kola Adesina	(Nigerian)	Chairman
2.	Tonye Cole	(Nigerian)	Non- Executive Director
3.	Tope Shonubi	(Nigerian)	Non- Executive Director
4.	Ade Odunsi	(Nigerian)	Non- Executive Director
5.	Mr. Alex Okoh	(Nigerian)	Non- Executive Director
6.	Dr. George Oluwande	(Nigerian)	Director & Technical Adviser

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 N2,162,499 to charitable institutions and organizations during the year (2016: N1,980,050).

Events after the reporting date

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 2017 and the net results for the year ended, which have not been adequately provided for or disclosed in these financial statements.

DIRECTORS' REPORT (Cont'd)

Employee Health, Safety and Welfare

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

The Company places considerable value on the involvement of its employees in major policy matters and maintains a practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through meetings with the employees.

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

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

Auditors

In accordance with Section 357 (2) of Companies and Allied Matters Act of Nigeria, Messrs Deloitte & Touche have indicated their interest to continue in office as External auditors of the Company.

On behalf of the Board

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Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors of Egbin Power Plc are responsible for the preparation of financial statements that give a true and fair view of the financial position of the Company as at 31 December 2017, 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 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 2017 were approved by management on   2018.

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Kola Adeshina
Director
FRC/2016/CIIN/00000014687

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Ade Odunsi
Director
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 which comprise the statement of financial position as at 31 December 2017, 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 2017 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.

Material uncertainty related to going concern
We draw attention to Note 1.6 in the financial statements, which indicates that the Company had loss for the year of N7.8 billion (2016: N8.2 billion) and working capital deficiency of N12.5 billion (2016: N9.9 billion) as a result of low revenue occasioned by gas constraint ,unplanned plant shut down (maintenance) and grid constraints. These conditions, which are prevalent in the industry, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. . In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report

Key Audit Matter	How the matter was addressed in the audit
Trade receivables recoverability assessment	
The Company has a trade receivable balance of N105.5 billion as disclosed in note 14 to the financial statements. Significant portion of these receivables were owed by Government agencies: Market Operator and Nigerian Bulk Electricity Trading Plc (NBET). In 2017 government introduced a payment guarantee, which took effect in January 2017. Under this arrangement, Federal Government guaranteed the payment of 80% of invoices issued to NBET. This leaves the balance of 20% together with other receivables doubtful of recovery. Under International Accounting Standard 39 paragraph 58, the Company is required to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment of account receivables balance is subject to management's judgement and estimate which is based on the age of the receivables. This area is significant to our audit because of the subjectivity of the assessment process and the significance of the amount involved.	In evaluating the valuation and recoverability of the trade receivables, our audit approach included, among others, the following procedures: • Reviewed the basis of the receivables recorded during the year to ascertain the valuation as at year end. • Obtained and reviewed receivable balances per customer. • Reviewed and challenged the Directors' judgement on recoverability of the receivables on a customer by customer basis. • Obtained and reviewed ageing of the receivables. • Performed subsequent year end reviews to identify invoices that have been paid after year end. • We compared the receivables from NBET and MO to the Company's liability to another Government agency to ascertain Company's exposure in event of default by MO and NBET. We considered the impairment made for outstanding receivables adequate.
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 2017. 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; • 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.	We focused our testing of the impairment assessment on the key assumptions made by the Directors. our audit approach included, among others, the following procedures: • Evaluated the appropriateness and the reasonableness of the model and inputs used by management. • Challenged the assumptions used by the Directors regarding future developments and fiscal matters. • Analysed 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.

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

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.

We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
Revenue	5	76,746,317	78,242,055	236,623	302,750
Cost of sales	6	(78,314,616)	(89,586,946)	(241,457)	(346,647)
Gross loss		**(1,568,299)**	**(11,344,891)**	**(4,834)**	**(43,897)**
Administrative expenses	8	(32,267,651)	(19,859,080)	(99,486)	(76,845)
Operating loss		**(33,835,950)**	**(31,203,971)**	**(104,320)**	**(120,742)**
Finance income	7.1	25,274,701	11,599,239	77,927	44,882
Finance cost	7.3	(576,627)	(599,154)	(1,777)	(2,319)
Other gains and (losses)	7.4	(395,788)	353,102	(1,220)	1,366
Loss before taxation		**(9,533,664)**	**(19,850,784)**	**(29,390)**	**(76,813)**
Taxation	11	1,773,165	11,608,879	5,467	44,919
Loss for the year		**(7,760,499)**	**(8,241,905)**	**(23,923)**	**(31,894)**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluation of assets		-	119,027,411	-	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		-	-	(55,860)	(283,930)
Total comprehensive (loss)/income for the year		**(7,760,499)**	**75,077,283**	**(79,783)**	**6,572**
Loss per share -(Naira/ US$)	26	**(310.42)**	**(715.67)**	**(0.96)**	**(2.77)**

The explanatory notes on pages 9 to 42 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12,12a	300,297,714	307,805,528	906,805	1,010,856
Intangible assets	12b	12,155	16,710	37	54
Other assets	15	619	39	2	-
Total non-current assets		300,310,488	307,822,277	906,844	1,010,910
Current assets					
Inventories	13	18,259	20,800	55	68
Trade and other receivables	14	100,517,052	76,941,181	303,530	252,680
Other assets	15	1,674,556	1,285,895	5,057	4,223
Restricted cash	16	4,390,739	3,880,502	13,261	12,744
Cash and cash equivalents	17	14,708,085	6,939,571	44,413	22,789
Total current assets		121,308,691	89,067,949	366,316	292,504
TOTAL ASSETS		**421,619,179**	**396,890,226**	**1,273,160**	**1,303,414**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	25	25,000	25,000	111	111
Retained earnings		13,839,676	21,600,175	151,011	174,934
Other reserves		191,507,112	191,507,112	1,019,138	1,019,138
Cumulative translation adjustment		-	-	(550,101)	(494,241)
Total equity		**205,371,788**	**213,132,287**	**620,159**	**699,942**
Non-current liabilities					
Deferred tax liabilities	11.1	77,235,431	80,137,029	233,227	263,176
Provision for decommissioning obligation	21	5,167,727	4,636,946	15,605	15,228
Total non-current liabilities		82,403,158	84,773,975	248,832	278,404
Current liabilities					
Trade and other payables	18	128,642,531	94,798,845	388,461	311,324
Current tax liabilities	11.1	5,201,702	4,185,119	15,708	13,744
Total current liabilities		133,844,233	98,983,964	404,169	325,068
TOTAL LIABILITIES		**216,247,391**	**183,757,939**	**653,001**	**603,472**
TOTAL EQUITY AND LIABILITIES		**421,619,179**	**396,890,226**	**1,273,160**	**1,303,414**

The financial statements on pages 5 to 45 were approved by the Board of Directors of the Company on 2018.
They were signed on its behalf by:

Dallas Peavey
Chief Executive Officer (CEO)
FRC/2016/IODN/00000015387

Seqinah Akinwunmi
Head, Finance
FRC/2018/ICAN/00000018751

Kola Adesina
Chairman
FRC/2016/CIIN/00000014687

Ade Odunsi
Director
FRC/2013/ICAN/00000005046

The explanatory notes on pages 9 to 42 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 1 January 2016		**10,000**	**29,842,080**	**108,187,924**	**138,040,004**
Increase in share capital	25	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 31 December 2016		**25,000**	**21,600,175**	**191,507,112**	**213,132,287**
Loss for the year		-	(7,760,499)	-	(7,760,499)
Balance at 31 December 2017		**25,000**	**13,839,676**	**191,507,112**	**205,371,788**

	Share Capital US$'000	Retained Earnings US$'000	Other Reserves US$'000	Cumulative translation adjustment US$'000	Total Equity US$'000
Balance at 1 January 2016	**62**	**206,828**	**696,742**	**(210,311)**	**693,321**
Increase in share capital	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 31 December 2016	**111**	**174,934**	**1,019,138**	**(494,241)**	**699,942**
Loss for the year	-	(23,923)	-	-	(23,923)
Translation difference	-	-	-	(55,860)	(55,860)
Balance at 31 December 2017	**111**	**151,011**	**1,019,138**	**(550,101)**	**620,159**

The explanatory notes on pages 9 to 42 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
Cash flows from operating activities					
Net loss from operations		(7,760,499)	(8,241,905)	(23,923)	(31,894)
Adjustments for:					
Depreciation on generation assets	6	9,011,126	5,762,414	27,783	22,297
Depreciation on non generation assets	8	694,828	643,234	2,142	2,489
Provisions for doubtful debts	8	29,362,096	16,806,707	90,529	65,032
Bad debt written off		(3,242)	-	(10)	-
Accretion expense	7.3	530,781	440,639	1,636	1,705
Interest on loan	7.3	-	21,071	-	82
Interest on fixed deposit	7.1	(1,125,012)	(553,547)	(3,469)	(2,142)
Deferred tax	11	(2,901,598)	(11,608,879)	(8,946)	(44,919)
Translation effect on generation assets	12a	-	-	75,375	367,401
Translation effect on non generation assets	12a	-	-	5,524	36,422
Translation effect on intangible assets	12b	-	-	3	38
Translation effect on borrowings	20	-	-	-	(987)
Translation effect on decommissioning obligation	20	-	-	(1,259)	(6,563)
Translation effect on taxation	11.1	-	-	(22,173)	(118,806)
Translation effect on trade and other receivables		-	-	(10,063)	(34,530)
Cumulative translation adjustment		-	-	(55,860)	(283,930)
		35,568,979	**11,511,639**	**101,212**	**3,589**
Movements in working capital					
Increase in trade and other receivables		(52,934,725)	(51,151,356)	(131,306)	(69,236)
Increase in other assets		(389,240)	(2,515,811)	(834)	(5,890)
Increase in restricted cash		(510,237)	(1,215,683)	(515)	(3,871)
Decrease/(increase) in inventories		2,541	(507)	13	34
Increase in trade and other payables		33,843,685	57,786,238	77,137	125,425
Increase in taxation		1,128,433	-	3,479	-
Total adjustments and movements		**16,709,437**	**14,414,520**	**49,186**	**50,051**
Income taxes paid	11.1	(111,851)	-	(345)	-
Net cash generated from operating activities		**8,837,086**	**6,172,615**	**24,918**	**18,157**
Cash flows from investing activities					
Purchase of PPE and Intangible assets	12a,12b	(2,193,584)	(393,596)	(6,763)	(1,524)
Interest income on fixed deposits	7.1	1,125,012	553,547	3,469	2,142
Proceeds from disposal of fixed assets		-	16,652	-	64
Net cash (used in)/generated from investing activities		**(1,068,572)**	**176,603**	**(3,294)**	**682**
Cash flows from financing activities					
Increase in share capital		-	15,000	-	49
Interest paid	20	-	(21,071)	-	(82)
Loan repayment	20	-	(855,504)	-	(3,310)
Net cash used in financing activities		**-**	**(861,575)**	**-**	**(3,343)**
Net increase in cash and cash equivalents		7,768,514	5,487,643	21,624	15,496
Cash and cash equivalents at beginning of the year		6,939,571	1,451,928	22,789	7,293
Cash and cash equivalents at end of the year	17	**14,708,085**	**6,939,571**	**44,413**	**22,789**

The explanatory notes on pages 9 to 42 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.0 The Company

Egbin Power Plc 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 2017 to 31 December 2017, with comparative figures for the financial year ended 31 December 2016.

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) Five-year 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

1.6 Going concern

As at 31 December 2017, the Company had a working capital deficiency of N12.5 billion (2016:N9.9 billion) and loss for the year of N7.8 billion (2016:N8.2 billion) as a result of low revenue occasioned by gas constraint ,unplanned plant shut down (maintenance) and grid constraints. These conditions, which are prevalent in the industry, cast doubt on the ability of the Company to continue as a going concern.

The Directors however prepared the financial statements on going concern based on the following considerations: The Company is currently undergoing major overhauls of the generating plants, which will increase durability and efficiency, and in turn extend the life of the plant. ST04 was successfully restored in 2017 and the major restoration of ST03 has also commenced, with planned overhaul of ST02 and ST05. In addition, the Company is about concluding the process of activation of Gas Supply Agreements (GSA) with individual gas companies (Chevron, Pan Ocean, NPDC, and NGC), which will lead to increase in gas supply hence increased power generation. Increased revenue generated from increase in power generation will be used to settle outstanding liabilities owed to Gas suppliers.

The Directors have considered the future energy generation efforts being made by Company and believe that the positive net cash flows from this operation will reverse the working capital deficiency and put the Company in a profitable position.

Based on the Directors' assessment, there are no threat which could curtail the existence of the Company in the foreseeable future.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

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.

2.1 Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2017

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.
The following amendments to IFRSs became mandatorily effective in the current year. The amendments generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

- Amendments to IAS 7 Disclosure Initiative;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses; and
- Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014-2016 Cycle.

(Effective for annual periods beginning on or after 1 January 2017)
The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

The application of this amendment does not have any impact on the Company’s financial statements as it does not have any liability arising from financing activities.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017)

NOTES TO THE FINANCIAL STATEMENTS

2.1 Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2017 (Cont'd)

Amendments to IAS 7 Disclosure Initiative

1. Unrealised losses on a 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 instrument by sale or 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 utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction ag against income of a specific type (e.g. capital losses can only be set off against capital gains), 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 the reversal of those deductible temporary differences.

The amendments apply retrospectively.

This amendment is not applicable to the Company as it does not have Deferred Tax Assets.

Amendments to IFRS 12 included in the 2014-2016 Annual Improvements Cycle (Effective for annual periods beginning on or after 1 January 2017)

The 2014-2016 Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after 1 January 2017. See section 1B below for a summary of the other amendments included in this package that are not yet effective.

Standard	**Subject of amendment**	**Details**
IFRS 12: Disclosure of Interests in Other Entities	Clarification of the scope of the Standard	IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale.
		The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.
		The amendments apply retrospectively.

These amendments are not applicable to the Company as it has no interests in other entities.

NOTES TO THE FINANCIAL STATEMENTS

2.2 Accounting standards and interpretations issued but not yet effective

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

Pronouncement	Nature of Change	Required to be implemented for periods beginning on or after
IFRS 9 Financial Instruments (as revised in 2015)	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 IFRS9, such changes is 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. An analysis of historical write-offs of receivables towards customers over the last years demonstrated that no material uncollectible amounts have been written off. No deterioration in credit quality of the trade receivables in the next reporting period is expected. As a result management concludes that the application of IFRS 9 does not have a material impact on the Company's financial statements at the date of initial application of IFRS 9.	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 Programs; 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 recognize 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. The Company applies the modified retrospective approach for implementing this new standard meaning that the opening balance of the equity at the 1st of January 2018 is adjusted without adjusting the prior year comparatives. Under this approach, IFRS 15 is applied to contracts that are not yet completed at the date of initial application and those contracts are evaluated as if the Company had always applied IFRS 15 The Company is not involved in contracts where each party to the contract would have a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party or parties.	Annual periods beginning on or after 1 January 2018.

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
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 This is not applicable as the Company is not involved in any lease arrangement.	Annual periods beginning on or after 1 January 2019.
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 derecognized; (ii) the equity-settled share-based payment is recognized 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 recognized in equity should be recognized in profit or loss immediately. This is not applicable as the Company does not have share based payment transactions.	Annual periods beginning on or after 1 January 2018.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application. This is not applicable as the Company does not have non-monetary assets and liabilities.	Annual periods beginning on or after 1 January 2018

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 IAS 40 Transfers of Investment Property	The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply. This is not applicable as the Company does not have investment property.	Annual periods beginning on or after 1 January 2018
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 situations 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 has been amended to reflect the following: · Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture. · Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements. IFRS 10 has been amended to reflect the following: · 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 the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in them new associate or joint venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted. This is not applicable as the Company does not have an associate and is not involved in a joint venture.	Annual periods beginning on or after 1 January 2017

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
Annual Improvements to IFRSs 2014 – 2016 Cycle	The Annual Improvements include amendments to a number of IFRSs, which have been summarised below: IFRS 1 First time Adoption of International Financial Reporting Standards - The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable. IAS 28 Investments in Associates and Joint Ventures - The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted. These are not applicable as the Company is not a first time adopter of IFRS and does not have an associate and is not involved in a joint venture.	Annual periods beginning on or after 1 January 2017

3. Basis of preparation and measurements

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 2017.

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.

3.1 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.

NOTES TO THE FINANCIAL STATEMENTS

3.2 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.

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

3.3 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").

3.4 Impairment of property, plant and equipment (Cont')

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.

3.5 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.

NOTES TO THE FINANCIAL STATEMENTS

3.5 Financial instruments (Cont'd)

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.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.5 Financial instruments (Cont'd)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.5 Financial instruments (Cont'd)

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.

3.6 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.

3.7 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.

3.8 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.

NOTES TO THE FINANCIAL STATEMENTS

3.9 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.)

3.10 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.

3.11 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.

3.12 Operating Leases

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

3.13 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

3.14 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.

3.15 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.

3.16 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.

NOTES TO THE FINANCIAL STATEMENTS

3.16 Foreign currencies (Cont'd)

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 Nigerian Interbank foreign exchange fixing rates and Central Bank of Nigeria's published rates respectively (closing and average) for its presentation currency as follows:

2017: Closing rate - N331.16; Average rate - N324.34
2016: Closing rate - N304.50; Average rate - N258.44

3.17 Taxation

1. Company income tax

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

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

2. Deferred tax

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

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

3.18 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.

3.19 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.

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 2017, 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 and market risk. The company's cash management and short-term financing activity.

NOTES TO THE FINANCIAL STATEMENTS

3.19 Borrowing costs (Cont'd)

(c) Treasury risk (Cont'd)
(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 or denomination of capital expenses in Naira where feasible.

(iii) Interest Rate Risk
The Company's interest rate exposures is subject to the commercial fluctuations in the financial market in which the loan is being sourced. Exposures are limited by funding foreign currency purchases with foreign currency loans and local purchases with local finance. Also, the Company adequately and 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 at 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.

NOTES TO THE FINANCIAL STATEMENTS

4. Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

(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.

5 Revenue	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
Sale of electricity (Note 5.1)	76,678,549	78,214,138	236,414	302,642
Ancillary services (Note 5.2)	59,030	18,000	182	70
Other electricity bills (Note 5.3)	8,738	9,917	27	38
	76,746,317	**78,242,055**	**236,623**	**302,750**

5.1 The revenue recorded represents the total value of the energy received and capacity certified by the Market Operator/Nigeria Bulk Electricity Trader 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 systems operator which can be activated on decision of the system operator (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 represents billings to third parties for usage of portion of energy imported by the Company from the National Grid.

NOTES TO THE FINANCIAL STATEMENTS

6	Cost of sales	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
	Operations & maintenance and implementation service fees (Note 6.1)	28,571,232	43,365,899	88,090	167,800
	Gas consumed	36,260,069	35,745,774	111,796	138,315
	Depreciation on generation assets	9,011,126	5,762,414	27,783	22,297
	Salaries and benefits	1,718,635	1,650,961	5,299	6,388
	Regulatory charges (Note 6.2)	756,482	1,581,495	2,332	6,119
	Other staff welfare	124,201	126,331	383	489
	Other plant maintenance cost	1,872,871	1,354,072	5,774	5,239
		78,314,616	**89,586,946**	**241,457**	**346,647**

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, 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.

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.

7	Finance income/cost	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
7.1	**Finance income**				
	Interest income (Note 7.2)	24,149,689	11,045,692	74,458	42,740
	Interest on short term deposits	1,125,012	553,547	3,469	2,142
		25,274,701	**11,599,239**	**77,927**	**44,882**

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 Company. This interest is in line with the supplementary order on the commencement of the transitional stage electricity market (TEM) issued by NERC, and is charged at NIBOR + 10%.

7.3	Finance cost	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
	Accretion expense (Note 21)	530,781	440,639	1,636	1,705
	Interest on loan (Note 20)	-	21,071	-	82
	Letters of credit charges	45,846	137,444	141	532
		576,627	**599,154**	**1,777**	**2,319**
7.4	**Other gains and losses**				
	School income - Powerfield	199,761	203,662	616	788
	Net foreign exchange (losses)/gains	(607,785)	136,511	(1,874)	528
	Other income	12,236	12,929	38	50
		(395,788)	**353,102**	**(1,220)**	**1,366**

NOTES TO THE FINANCIAL STATEMENTS

		2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
8	**Administrative expenses**				
	Allowance for doubtful debts	29,362,096	16,806,707	90,529	65,032
	Depreciation on non-generation assets	694,828	643,234	2,142	2,489
	Salaries and benefits	629,143	567,435	1,940	2,196
	Repairs and maintenance	568,299	720,806	1,752	2,789
	Motor running expenses	192,140	192,328	592	744
	Safety & security	165,372	151,716	510	587
	Other staff welfare	95,068	107,433	293	416
	Other professional fees (Note 9.2)	91,726	264,000	283	1,022
	Community expenses/CSR	69,295	58,005	214	225
	Travelling and transportation	54,258	61,505	167	238
	Bank charges	49,236	13,880	152	54
	Office & IT consumables	48,682	57,383	150	222
	Audit fees (Note 9.1)	55,000	45,000	170	174
	Directors fees and expenses	35,070	45,703	108	177
	Entertainment and advertisement	32,212	29,598	99	115
	Insurance	20,853	21,632	64	84
	Regulatory expenses	52,318	18,098	161	70
	School expenses	50,329	52,544	155	203
	Other expenses	1,725	2073	5	8
		32,267,651	**19,859,080**	**99,486**	**76,845**
9	**Professional fees**				
9.1	Audit fees	**55,000**	**45,000**	**170**	**174**
9.2	**Other professional fees**				
	- Consultancy fees	50,826	199,004	157	770
	- Legal services	40,900	64,996	126	251
		91,726	**264,000**	**283**	**1,021**

		2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
10	**Loss before tax**				
	This is stated after charging:				
	Auditor's remuneration	55,000	45,000	170	174
	Depreciation	9,705,954	6,405,648	29,925	24,786
	Other gains and losses	(395,788)	353,102	(1,220)	1,366
11	**Income tax expense**				
	Income tax	1,128,433	-	3,479	-
	Education tax	-	-	-	-
		1,128,433	-	3,479	-
	Deferred tax (Note 11.1)	(2,901,598)	(11,608,879)	(8,946)	(44,919)
		(1,773,165)	**(11,608,879)**	**(5,467)**	**(44,919)**
11.1	**Current and deferred tax liabilities**				
	Current tax				
	At 1 January	4,185,119	4,185,119	13,744	21,020
	Tax charged for the year	1,128,434	-	3,479	-
	Payments during the year	(111,851)	-	(345)	-
	Translation effects	-	-	(1,170)	(7,276)
	At 31 December	**5,201,702**	**4,185,119**	**15,708**	**13,744**
	Deferred tax				
	At 1 January	80,137,029	56,037,685	263,176	281,455
	Recognised in statement of profit or loss	(2,901,598)	(11,608,879)	(8,946)	(44,919)
	Recognised in other comprehensive income	-	35,708,223	-	138,170
	Translation effects	-	-	(21,003)	(111,530)
	At 31 December	**77,235,431**	**80,137,029**	**233,227**	**263,176**

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 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**
At 1 January 2017	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
Additions	-	-	-	62,337	22,280	-	-	17,954	2,088,461	2,191,032
Transfers	994,408	-	-	27,883	-	-	-	57,588	(1,079,879)	-
At 31 December 2017	**564,332,789**	**64,660,861**	**3,159,414**	**504,757**	**204,574**	**62,035**	**6,735,000**	**15,228,742**	**1,221,884**	**656,110,056**
Accumulated depreciation										
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**
At 1 January 2017	304,267,744	39,463,915	408,980	20,546	45,859	43,253	-	1,863,199	-	346,113,496
Charge for the year	7,612,160	1,293,229	105,737	50,581	39,096	10,113	-	587,930	-	9,698,846
At 31 December 2017	**311,879,904**	**40,757,144**	**514,717**	**71,127**	**84,955**	**53,366**	**-**	**2,451,129**	**-**	**355,812,342**
Carrying amount										
At 31 December 2017	**252,452,885**	**23,903,717**	**2,644,697**	**433,630**	**119,619**	**8,669**	**6,735,000**	**12,777,613**	**1,221,884**	**300,297,714**
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**

NOTES TO THE FINANCIAL STATEMENTS

12 Property, Plant and Equipment (Cont'd)

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 suplus 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 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**
At 1 January 2017	1,850,044	212,351	10,376	1,361	599	204	22,118	49,764	700	2,147,517
Additions	-	-	-	192	69	-	-	55	6,439	6,755
Transfers	3,066	-	-	86	-	-	-	178	(3,329)	1
Disposals	-	-	-	-	-	-	-	-	-	-
Translation effects	(149,001)	(17,095)	(836)	(115)	(50)	(17)	(1,780)	(4,011)	(120)	(173,025)
At 31 December 2017	**1,704,109**	**195,256**	**9,540**	**1,524**	**618**	**187**	**20,338**	**45,986**	**3,690**	**1,981,248**
Accumulated depreciation and impairment										
At 1 January 2016	515,466	88,369	1,685	39	93	165	-	6,415	-	612,232
Revaluation adjustment (Note 12.1)	760,513	82,412	-	-	-	-	-	-	-	842,925
Charge for the year	19,709	2,304	284	49	106	41	-	2,267	-	24,760
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**
At 1 January 2017	999,237	129,602	1,343	67	151	142	-	6,119	-	1,136,661
Charge for the year	23,470	3,987	326	156	121	31	-	1,813	-	29,904
Disposals	-	-	-	-	-	-	-	-	-	-
Translation effects	(80,927)	(10,515)	(115)	(8)	(15)	(12)	-	(530)	-	(92,122)
At 31 December 2017	**941,780**	**123,074**	**1,554**	**215**	**257**	**161**	**-**	**7,402**	**-**	**1,074,443**
Carrying amount										
At 31 December 2017	**762,329**	**72,182**	**7,986**	**1,309**	**361**	**26**	**20,338**	**38,584**	**3,690**	**906,805**
At 31 December 2016	**850,807**	**82,749**	**9,033**	**1,294**	**448**	**62**	**22,118**	**43,645**	**700**	**1,010,856**

NOTES TO THE FINANCIAL STATEMENTS

12b Intangible assets

	Software 31 Dec 2017 N'000	Software 31 Dec 2016 N'000
Cost or valuation		
At 1 January	**26,613**	**26,613**
Additions	2,552	-
At 31 December	**29,165**	**26,613**
Accumulated depreciation and impairment		
At 1 January	9,903	3,250
Charge for the year	7,107	6,653
At 31 December	**17,010**	**9,903**
Carrying amount		
At 31 December	**12,155**	**16,710**

	Software 31 Dec 2017 US$'000	Software 31 Dec 2016 US$'000
Cost or valuation		
At 1 January	**87**	**134**
Additions	8	-
Translation effect	(7)	(47)
At 31 December	**88**	**87**
Accumulated depreciation and impairment		
At 1 January	**33**	**50**
Charge for the year	22	-
Translation effect	(4)	**(17)**
At 31 December	**51**	**33**
Carrying amount		
At 31 December	**37**	**54**

13 Inventories

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2017 US$'000	31 Dec 2016 US$'000
Premium motor spirit	245	2,278	1	7
Automotive gas oil	18,014	18,522	54	61
	18,259	**20,800**	**55**	**68**

NOTES TO THE FINANCIAL STATEMENTS

14	**Trade and other receivables**	**31 Dec 2017 N'000**	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
	Trade receivables (Note 14.1)	105,472,075	82,832,866	318,493	272,029
	Amounts due from related parties (Note 19.1)	12,475,139	6,470,426	37,671	21,249
	Interest and other receivables	41,116,486	16,825,683	124,159	55,257
	AES/ CYREX receivables (Note 14.3)	1,789,832	1,789,832	5,405	5,878
	BPE receivables (Note 14.4)	12,527	12,527	38	41
	Unpaid share capital	20,000	20,000	60	66
		160,886,059	**107,951,334**	**485,826**	**354,520**
	Allowance for doubtful debts (Note 14.2)	(60,369,007)	(31,010,153)	(182,296)	(101,840)
	Net trade and other receivables	**100,517,052**	**76,941,181**	**303,530**	**252,680**

14.1 The average credit days on sales of electricity is 45 days. No interest is charged on trade receivables for the first 45 days from the date of the invoice. Thereafter, interest is charged at 10% per annum (plus 3 months Nibor rate) on the outstanding balance. The Company did not receive any security in respect of the receivables. Allowances for doubtful debts are recognised against trade receivables above 45 days based on estimated recoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position

Age of receivables that are past due but not impaired

	31 Dec 2017 N'000	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
60-90 days	4,491,948	6,472,782	13,564	21,257
91-180 days	9,570,179	12,102,140	28,899	39,744
181-364 days	4,927,100	24,182,362	14,878	79,417
364+ days	56,537,344	31,195,756	167,525	36,452
Total	**75,526,572**	**73,953,039**	**224,867**	**176,870**

14.2 Amount represents total provisions based on Directors' assessment of receivables which are doubtful of recovery, due to age of debt.

Movement in the allowance for doubtful debts	**31 Dec 2017 N'000**	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
Balance as at 1 January	31,010,153	14,203,446	93,641	46,645
Impairment losses recognised	31,151,599	16,806,707	94,069	55,194
Amounts written off as uncollectible	(2,913)	-	(9)	-
Impairment losses reversed	(1,789,832)	-	(5,405)	-
Balance as at 31 December	**60,369,007**	**31,010,153**	**182,296**	**101,840**
Age of impaired receivables				
60-90 days	33,646	-	102	-
91-180 days	222,251	-	671	-
181-364 days	569,016	-	1,718	-
364+ days	15,499,531	20,096,082	46,804	65,997
Total	**16,324,444**	**20,096,082**	**49,295**	**65,997**

14.3 Amount represents receivables due from CYREX [fomerly 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.

14.4 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.

NOTES TO THE FINANCIAL STATEMENTS

15 Other assets	**31 Dec 2017 N'000**	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
Advances	1,499,323	1,203,234	4,527	3,952
Prepayments	175,852	82,700	531	271
	1,675,175	**1,285,934**	**5,058**	**4,223**
Current	1,674,556	1,285,895	5,057	4,223
Non-current	619	39	2	-
	1,675,175	**1,285,934**	**5,059**	**4,223**

16 Restricted cash	**31 Dec 2017 N'000**	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
Cash cover for bank guarantees (Note 16.1)	4,005,341	3,880,502	12,095	12,744
Deliverable forward contracts (Note 16.2)	385,398	-	1,166	-
	4,390,739	**3,880,502**	**13,261**	**12,744**

16.1 This relates to cash cover for bank guarantees in respect of letter of credit items.

16.2 Deliverable forward contracts represents cash swap arrangements with the Central Bank of Nigeria for the settlement of Operations and Maintenance obligations, at a predetermined future date.

17 Cash and cash equivalents	**31 Dec 2017 N'000**	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
Investment in fixed deposit (Note 17.1)	13,218,411	5,858,632	39,915	19,240
Cash in bank	1,482,400	1,074,707	4,476	3,529
Cash at hand	7,274	6,232	22	20
	14,708,085	**6,939,571**	**44,413**	**22,789**

17.1 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.

18 Trade and other payables	**31 Dec 2017 N'000**	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
Amounts due to related parties (Note 19.4)	56,182,490	45,244,175	169,654	148,585
Trade creditors	56,922,408	38,143,716	171,888	125,267
Accruals and other creditors	15,537,633	11,410,954	46,919	37,472
	128,642,531	**94,798,845**	**388,461**	**311,324**

18.1 Staff Pension

At 1 January	18,546	18,617	61	94
Additions	230,790	218,720	712	846
Accruals and other creditors	(230,696)	(218,791)	(711)	(847)
Balance at 31 December	**18,639**	**18,546**	**61**	**93**

The Company operates a defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Company as payments are made to respective pension fund administrators selected by individual members of staff.

19 Related party transactions

19.1 Amounts due from related companies

Comercio Electricity Exchange Limited (Note 19.2)	12,451,925	6,470,426	37,601	21,249
Sahara Energy Resources Limited (Note 19.3)	23,214	-	70	-
	12,475,139	**6,470,426**	**37,671**	**21,249**

NOTES TO THE FINANCIAL STATEMENTS

19 Related party transactions (Cont'd)

19.2 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 Distribution companies under the bilateral arrangement. Total transactions with this affiliate during the year amounted to N11.52 billion (2016: N11.66 million), while total payments amounted to N5.54 billion (2016: N5.19 billion). An outstanding amount of N12.45 billion was due from this affiliate as at year end (2016: N6.47 billion).

19.3 Amount represents monies dues from Sahara Energy Resources Limited on cash swap transactions. Total transactions with this affiliate during the period amounted to N121.04 million (2016: Nil), while total payments made on our behalf amounted to N97.72 million (2016: Nil). An outstanding amount of N23.21 million was due from this affiliate as at year end (2016: Nil).

19.4 Amounts due to related companies	**31 Dec 2017 N'000**	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
Korean Electric Power Company (Note 19.5)	50,247,510	39,768,143	151,732	130,601
Sahara Group Limited (Note 19.6)	5,824,142	5,370,901	17,587	17,638
KEPCO Energy Resources Limited (Note 19.7)	102,231	102,231	309	336
Sahara Power Limited (Note 19.8)	8,607	2,900	26	10
	56,182,490	**45,244,175**	**169,654**	**148,585**

19.5 This affiliated company provides technical and logistics support services to the Company under the terms of a Technical Service Agreement signed between the parties. Total transactions with this affiliate during the year amounted to $37.72 million (N12.49 billion), while total payments amounted to $16.38 million (N5.42 billion). An outstanding amount of $151.73 million (N50.25 billion) was due to the affiliated company as at year end ($130.60 million (2016: N39.77 billion)).

19.6 This affiliated company provides professional and administrative support services to the Company. There were no transactions with this affiliate during the year (2016: Total amount due to this affiliate as at year end was N5.82 billion (2016: N5.37 billion).

19.7 This affiliated company owns 70% in the entity. There were no transactions with this affiliated company during the course of the year, while an outstanding amount of N102.23 million was due to the affiliate as at year end (2016: N102.23 million).

19.8 This affiliated company provides administrative support services to the Company. Total transactions with this affiliate during the year amounted to N5.71m. An outstanding amount of N8.61 million was due to this affiliate as at year end (2016: N2.90 million).

20 Borrowings and term loans

Secured borrowing	**31 Dec 2017 N'000**	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
Term loan				
At 1 January	-	855,504	-	4,297
Interest and charges	-	21,071	-	82
Repayment (principal and interest)	-	(876,575)	-	(3,392)
Translation effects	-	-	-	(987)
Total balance at 31 December	**-**	**-**	**-**	**-**

21 Provision for decommissioning obligation

At 1 January	4,636,946	3,338,175	15,228	16,766
Revision in estimate	-	858,132	-	3,320
Accretion cost for the year	530,781	440,639	1,636	1,705
Translation effect	-	-	(1,259)	(6,563)
				-
	5,167,727	**4,636,946**	**15,605**	**15,228**

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 13.98% (2016: 16.8%) 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

22 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, and the reserves in the statement of changes in equity.

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

Gearing ratio The gearing ratio is as follows:	**31 Dec 2017** **N'000**	**31 Dec 2016** **N'000**	**31 Dec 2017** **US$'000**	**31 Dec 2016** **US$'000**
Debt	-	-	-	-
Cash and cash equivalents	(14,708,085)	(6,939,571)	(44,413)	(22,789)
Net debt	**-**	**-**	**-**	**-**
Equity	**205,371,788**	**213,132,287**	**620,159**	**699,942**
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.

23 Financial instruments

23.1 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.

23.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

		31 Dec 2017 **N'000**	**31 Dec 2016** **N'000**	**31 Dec 2017** **US$'000**	**31 Dec 2016** **US$'000**
23.2.1	**Financial assets (Loans and receivables)**				
	Trade and other receivables	100,408,687	76,892,212	303,203	252,520
	Cash and cash equivalents	14,708,085	6,939,571	44,413	22,789
		115,116,772	**83,831,783**	**347,616**	**275,309**
23.2.2	**Financial liabilities**				
	Financial liabilities at amortised cost				
	Trade and other payables	122,899,205	89,616,128	371,117	294,306
		122,899,205	**89,616,128**	**371,117**	**294,306**

23.2.3 Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

24 Financial risk management

24.1 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.

24.2 Sensitivity analysis

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

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

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

	2017 N'000	**2016 N'000**
Profit/(loss)		
Nigerian Naira strengthens by 5% against the US Dollar	388,025	412,095
Profit/(loss)		
Nigerian Naira weakens by 5% against the US Dollar	(388,025)	(412,095)

24.3 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 2017 N'000	**31 Dec 2016 N'000**	**31 Dec 2017 US$'000**	**31 Dec 2016 US$'000**
Cash and cash equivalents	14,708,085	6,939,571	44,413	22,789
Trade and other receivables	100,408,687	76,892,212	303,203	252,520
	115,116,772	**83,831,783**	**347,616**	**275,309**

24.4 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.

NOTES TO THE FINANCIAL STATEMENTS

24.4 Liquidity risk management (Cont'd)

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, taking into account reasonably possible changes as described above, shows that the company 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 2017 N'000	31 Dec 2016 N'000	31 Dec 2017 US$'000	31 Dec 2016 US$'000
30 days	7,738,692	4,770,495	23,368	15,667
60 days	5,853,114	4,772,562	17,675	15,673
90 days	5,479,373	5,873,593	16,546	19,289
90+ days	103,828,025	74,199,478	313,528	243,677
	122,899,205	**89,616,128**	**371,117**	**294,306**

24.5 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 ass trade and other receivables, and cash and short-term deposits that arise directly from its operations. During the year ended 31 December 2017, 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 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

24.5 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, through local purchases or denomination of capital expenses in Naira where feasible.

(iii) Interest Rate Risk

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

		31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2017 US$'000	31 Dec 2016 US$'000
25	**Share capital**				
	Authorised				
	100,000,000 ordinary shares of N1 each; converted at the historic exchange rates of N304.75/US$1 (2016: 100 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**	**100,000**	**357**	**357**
	Issued				
	25,000,000 ordinary shares of N1 each converted at the historic exchange rates of N304.75/US$1 (2016: 25 million units at N1 per share), N199/US$1 (2015: 10 million units at N1 per share), N134.02/US$1 (2013: 10 million units at 0.50k per share)	**25,000**	**25,000**	**111**	**111**
	Shareholders - Units	**Unit**	**Unit**	**Unit**	**Unit**
	KEPCO Energy Resources Limited	17,500,000	17,500,000	17,500,000	17,500,000
	Bureau of Public Enterprises	6,000,000	6,000,000	6,000,000	6,000,000
	Ministry of Finance Incorporated	1,500,000	1,500,000	1,500,000	1,500,000
		25,000,000	**25,000,000**	**25,000,000**	**25,000,000**
	Shareholders - % interest	**%**	**%**	**%**	**%**
	KEPCO Energy Resources Limited	70	70	70	70
	Bureau of Public Enterprises	24	24	24	24
	Ministry of Finance Incorporated	6	6	6	6
		100	**100**	**100**	**100**
26	**Loss per share**	**2017 N'000**	**2016 N'000**	**2017 US$'000**	**2016 US$'000**
	Loss for the purpose of basic loss per share is based on net loss attributable to equity holders of the Company.	**(7,760,499)**	**(8,241,905)**	**(23,923)**	**(31,894)**
	Number of shares	**2017 Number**	**2016 Number**	**2017 Number**	**2016 Number**
	Number of ranking ordinary shares for the purpose of basic loss per share (weighted).	**25,000,000**	**11,516,393**	**25,000,000**	**11,516,393**
		2017	**2016**	**2017**	**2016**
	Weighted loss per share (Naira/US$) -	**(310.42)**	**(715.67)**	**(0.96)**	**(2.77)**

NOTES TO THE FINANCIAL STATEMENTS

27 Information regarding Directors and employees

27.1 Directors

Directors	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
Directors' emoluments comprise:				
Fees	26,860	30,990	83	120
Expenses	8,210	14,713	25	57
	35,070	**45,703**	**108**	**177**

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

	2017 Number	2016 Number
Up to NGN 4,000,000	4	4
NGN 4,000,001 to N 5,000,000	2	2
	6	**6**

The Directors have no interests in contracts executed by the Company during the year ended 31 December 2017.

27.2 Employees

Total number of employees as at year-end:	2017 Number	2016 Number
Management	9	10
Senior	282	287
Junior	192	198
	484	**496**

Aggregate staff costs:	2017 N'000	2016 N'000	2017 US$'000	2016 US$'000
Salaries and wages	2,347,778	2,218,396	7,239	8,584
Other staff welfare	219,269	233,764	676	905
	2,567,047	**2,452,160**	**7,915**	**9,489**

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

	2017 N'000	2016 N'000
Below N1,000,000	16	15
N1,000,000 - N2,000,000	97	102
N2,000,001 - N5,000,000	221	225
N5,000,001 - N10,000,000	108	110
Above N10,000,000	31	32
	473	**484**

NOTES TO THE FINANCIAL STATEMENTS

28 Contingent liabilities

There is a pending litigation and claims amounting to N520bn as at 31 December 2017. The suit was instituted against the Company, the Federal Government of Nigeria and other Power Holding Company of Nigeria (PHCN) successor companies by National Union of Electricity Employees (NUEE) for breach of agreements signed during the handover of PHCN to the successor companies. 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.

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 N33.54 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.

29 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 (2016: Nil)

30 Subsequent events

There were no other significant events after the reporting date that could have a material effect on the state of affairs of the Company as at 31 December 2017, or on the profit for the year which have not been adequately provided for or disclosed in these financial statements.

31 Comparative figures

Certain prior year comparatives have been adjusted to properly reflect current year presentation format.

VALUE ADDED STATEMENT

	2017		2016		2017		2016	
	N'000	**%**	**N'000**	**%**	**US$'000**	**%**	**US$'000**	**%**
Revenue	76,746,317	2,314	78,242,055	(753)	236,623	2,314	302,750	(753)
Bought in materials and services								
- Imported	(28,571,232)	(862)	(43,365,899)	417	(88,090)	(862)	(167,800)	417
- Local	(44,859,121)	(1,352)	(45,269,978)	436	(138,306)	(1,352)	(175,169)	436
Value (eroded)/added	**3,315,964**	**100**	**(10,393,822)**	**100**	**10,227**	**100**	**(40,219)**	**100**
Distributed as follows:								
To pay employees								
Staff cost	2,567,047	77	2,452,160	(24)	7,915	77	9,489	(24)
To pay Government								
Taxation	1,128,433	34	-	-	3,479	34	-	-
To pay providers of finance								
Interest expense	45,846	1	158,515	(2)	141	1	614	(2)
Maintenance of assets and future expansion								
Depreciation	9,705,954	292	6,405,648	(62)	29,925	292	24,786	(62)
Accretion expense	530,781	16	440,639	(4)	1,636	16	1,705	(4)
Deferred taxation	(2,901,598)	(88)	(11,608,879)	112	(8,946)	(88)	(44,919)	112
Loss for the year	(7,760,499)	(232)	(8,241,905)	80	(23,923)	(232)	(31,894)	80
Value (eroded)/added	**3,315,964**	**100**	**(10,393,822)**	**100**	**10,227**	**100**	**(40,219)**	**100**

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

5-YEAR FINANCIAL SUMMARY (NAIRA)

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000
Statement of financial position					
Assets employed					
Property, plant and equipment	300,297,714	307,805,528	201,638,690	209,246,844	11,919,408
Intangible assets	12,155	16,710	7,217	-	-
Other assets	619	39	-	-	-
Net current (liabilities)/assets	(12,535,542)	(9,916,015)	7,549,094	362,394	40,199,002
Deferred tax	(77,235,431)	(80,137,029)	(57,761,979)	(59,600,100)	(3,071,665)
Employee retirement benefits	-	-	-	-	(2,874,965)
Other long-term liabilities	(5,167,727)	(4,636,946)	(2,948,918)	(2,605,051)	-
Net assets	**205,371,788**	**213,132,287**	**148,484,104**	**147,404,087**	**46,171,780**
Capital and reserves					
Share capital	25,000	25,000	5,000	5,000	5,000
Federal government funding	-	-	-	-	19,792,064
Retained earnings	13,839,676	21,600,175	40,291,180	39,211,163	26,374,716
Other reserves	191,507,112	191,507,112	108,187,924	108,187,924	-
Total equity	**205,371,788**	**213,132,287**	**148,484,104**	**147,404,087**	**46,171,780**
Statement of profit or loss and other comprehensive income	**2017**	**2016**	**2015**	**2014**	**2013**
Revenue	76,746,317	78,242,055	43,451,220	58,036,439	42,874,177
(Loss)/profit before taxation	(9,533,664)	(19,850,784)	1,841,224	18,777,495	11,153,108
Taxation	1,773,165	11,608,879	(761,207)	(5,941,048)	(3,582,580)
(Loss)/profit for the year	(7,760,499)	(8,241,905)	1,080,017	12,836,447	7,570,528
Other comprehensive income	-	83,319,187	-	88,395,860	-
Total comprehensive income for the year	**(7,760,499)**	**75,077,282**	**1,080,017**	**101,232,307**	**7,570,528**
Weighted (loss)/earnings per share (Naira)	(310.42)	(715.67)	108.00	1,283.64	757.05
Net assets per share (Naira)	8,216.07	18,506.86	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.

5-YEAR FINANCIAL SUMMARY (USD)

	31 Dec 2017 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2014 US$'000	31 Dec 2013 US$'000
Statement of financial position					
Assets employed					
Property, plant and equipment	906,805	1,010,856	1,203,812	1,348,240	76,765
Intangible assets	37	54	43	-	-
Other assets	2	-	-	-	-
Net current assets/(liabilities)	(37,853)	(32,564)	45,071	2,335	258,898
Deferred tax	(233,227)	(263,176)	(344,848)	(384,021)	(19,783)
Employee retirement benefits	-	-	-	-	(18,516)
Other long-term liabilities	(15,605)	(15,228)	(17,605)	(16,785)	-
Net assets	**620,159**	**699,942**	**886,473**	**949,769**	**297,364**
Capital and reserves					
Share capital	111	111	37	37	37
Federal government funding	-	-	-	-	127,469
Retained earnings	151,011	174,934	259,396	252,493	169,810
Other reserves	1,019,138	1,019,138	696,742	696,742	-
Cumulative translation adjustment	(550,101)	(494,241)	(69,702)	497	48
Total equity	**620,159**	**699,942**	**886,473**	**949,769**	**297,364**
Statement of profit or loss and other comprehensive income	**2017**	**2016**	**2015**	**2014**	**2013**
Revenue	236,623	302,750	277,733	373,826	275,825
(Loss)/profit before taxation	(29,390)	(76,813)	11,768	120,951	71,752
Taxation	5,467	44,919	(4,865)	(38,268)	(23,048)
(Loss)/profit for the year	(23,923)	(31,894)	6,903	82,683	48,704
Other comprehensive income	(55,860)	38,466	(69,566)	569,722	-
Total comprehensive income for the year	**(79,783)**	**6,572**	**(62,663)**	**652,405**	**48,704**
Weighted (loss)/earnings per share (US$)	(0.96)	(2.77)	0.69	8.27	4.87
Net assets per share (US$)	62.02	69.99	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.