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EGBIN POWER PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Table of Contents

Corporate information

Directors	Temitope Shonubi	(Nigerian)	Chairman
	Kola Adesina	(Nigerian)	Director
	Ade Odunsi	(Nigerian)	Director
	Attahir Yusuf	(Nigerian)	Director (Appointed 21st March 2019)
	Alex Okoh	(Nigerian)	Director
	Sang-Woo Park	(Korean)	Director (Appointed 21st March 2019)

Registered Office

Egbin Power Station
Egbin Town,
Ikorodu,
Lagos State, Nigeria

Bankers

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

Fidelity Bank Plc.
Awolowo road Ikoyi, Lagos

United Bank For Africa Plc.
57, Marina, Lagos.

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

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

Access Bank Plc.
Oyin Jolayemi, Victoria Island, Lagos

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

Union Bank of Nigeria Plc.
36, Marina, Lagos

Wema Bank Plc.
54, Marina Lagos Island, Lagos

FSDH Merchant Bank Ltd.
1/5 Odunlami St, Lagos Island, Lagos

Solicitors

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

Consolex Legal
62, Awolowo Road, Ikoyi, Lagos.

Auditor

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 2019.

Principal Activity

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

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

Operating results and dividend

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

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Revenue	78,899,186	91,713,176	218,205	264,314
(Loss)/profit before taxation	(1,071,860)	3,658,647	(2,964)	10,544
Taxation	6,758,263	(881,382)	18,690	(2,540)
Profit for the year	5,686,403	2,777,265	15,726	8,004

Dividend

No dividend was paid or proposed during the year (2018: Nil).

Property, Plant and Equipment

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

Shareholding Structure

The shareholding structure of the Company is as follows:

Names	2019 No of shares	%	2018 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

	2019 N'000	2018 N'000
Authorised		
100,000,000 ordinary shares of N1 each (2018: 100,000,000 ordinary shares of N1 each)	100,000	100,000
Issued		
25,000,000 ordinary shares of N1 each (2018: 25,000,000 ordinary shares of N1 each)	25,000	25,000

Directors' Report (cont'd)

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

Temitope Shonubi	(Nigerian)	Chairman
Kola Adesina	(Nigerian)	Director
Ade Odunsi	(Nigerian)	Director
Attahir Yusuf	(Nigerian)	Director (Appointed 21st March 2019)
Alex Okoh	(Nigerian)	Director
Sang-Woo Park	(Korean)	Director (Appointed 21st March 2019)

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 N11,077,841 to charitable institutions and organizations during the year (2018: N3,300,131).

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 2019 and the net results for the year ended, which have not been adequately provided for or disclosed in these financial statements.

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

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

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

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

COVID-19
The novel Coronavirus, (COVID-19) pandemic outbreak in Nigeria has caused the Company to assess the impact of the virus and various guidelines and restriction imposed to contain the effect it may have on the business, as such, the management of Egbin Power Plc has concluded that the operations of the company will not cease or be significantly impacted. Furthermore, the company has put in place appropriate health and safety measures to mitigate the risk of employees' exposure to the virus.

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

On behalf of the Board

Company Secretary
Ejiro Gray

Statement of Directors' Responsibilities

The Directors of Egbin Power Plc ("The Company") are responsible for the preparation of financial statements that give a true and fair view of the financial position of the Company as at 31 December 2019, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, and the Financial Reporting Council of Nigeria Act, 2011.

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

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

The Directors are responsible for:

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

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

The financial statements of the Company for the year ended 31 December 2019 were approved by Directors on ....10 July..,2020

Temitope Shonubi
Chairman
FRC/2018/IODN/00000018969

Ade Odunsi
Director
FRC/2013/ICAN/00000005046

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P.O. Box 965
Marina
Lagos
Nigeria

Deloitte & Touche
Civic Towers
Plot GA 1, Ozumba Mbadiwe Avenue
Victoria Island
Lagos
Nigeria

Tel: +234 (1) 904 1700
www.deloitte.com.ng

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 2019, 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 2019 and the financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

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

Other information

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

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

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

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

Key Audit Matter

Key Audit Matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. This matter was 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 this matter. We have determined the matter described below to be the key audit matter to be communicated in our report.

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Key Audit Matter	How the matter was addressed in the audit
Trade receivables' expected credit loss assessment	
The Company has a trade receivable balance of N115 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. The payment guarantee was extended in 2019 to guarantee the payment of 100% of invoices issued to NBET from January 2019 onwards. Under International Financial Reporting Standard (IFRS) 9, the Company is required to recognize allowance for expected credit losses on its financial assets. Expected credit loss determination is subject to management's judgement and estimate which is based on the age of the receivables and historical loss rate. This area is significant to our audit because of the subjectivity of the assessment process and the significance of the amount involved, accordingly we have identified the determination of impairment loss allowance using expected credit loss model as a key audit matter.	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 at year end. • Obtained and reviewed receivable balances per customer. • Reviewed and challenged management judgements and approach on making provisions and checked for reasonableness in line with the provisions of IFRS 9. • Obtained and reviewed ageing of the receivables. • Reviewed the calculation of the expected credit loss (ECL), loss given default (LGD) and the exposure at default. Based on the audit procedures performed, we considered the impairment loss allowance made for outstanding receivables adequate.

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.

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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 the matter that was of most significance in the audit of the financial statements of the current year and is therefore the key audit matter. We describe the matter 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
10 July **2020**

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0554683

Statement of profit or loss and other comprehensive income

	Note	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Revenue	5	78,899,186	91,713,176	218,205	264,314
Cost of sales	6	(77,414,305)	(85,733,434)	(214,098)	(247,080)
Gross profit		1,484,881	5,979,742	4,107	17,234
Administrative expenses	8	(4,160,733)	(25,748,143)	(11,506)	(74,206)
Operating loss		(2,675,852)	(19,768,401)	(7,399)	(56,972)
Finance income	7.1	1,366,813	22,820,988	3,780	65,769
Finance cost	7.3	(851,360)	(680,296)	(2,355)	(1,961)
Other gains/(losses)	7.4	1,088,539	1,286,356	3,010	3,708
(Loss)/profit before taxation		(1,071,860)	3,658,647	(2,964)	10,544
Taxation	11	6,758,263	(881,382)	18,690	(2,540)
Profit for the year		5,686,403	2,777,265	15,726	8,004
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Changes in Decommissioning estimate	20	(2,322,786)	717,968	(6,424)	2,069
Items that may be reclassified subsequently to profit or loss					
Translation difference		-	-	(8,530)	(41,645)
Total comprehensive income/(loss) for the year		3,363,617	3,495,233	772	(31,572)
Earnings per share - Basic (Naira/ US$)	25	227.46	111.09	0.63	0.32

The explanatory notes on pages 8 to 44 form an integral part of these financial statements.

Statement of financial position
As at 31 December 2019

	Note	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12,12a	278,392,172	289,502,105	763,347	806,884
Intangible assets	12b	450	5,460	1	15
Total non-current assets		278,392,622	289,507,565	763,348	806,899
Current assets					
Inventories	13	17,978	21,759	49	60
Trade and other receivables	14	89,775,478	78,742,253	246,162	219,467
Other assets	15	736,433	2,867,104	2,019	7,991
Restricted cash	16	4,227,320	4,114,834	11,591	11,469
Cash and cash equivalents	17	2,450,472	26,389,555	6,719	73,552
Total current assets		97,207,681	112,135,505	266,540	312,539
TOTAL ASSETS		**375,600,303**	**401,643,070**	**1,029,888**	**1,119,438**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24	25,000	25,000	111	111
Retained earnings		531,928	(5,154,475)	107,616	91,890
Other reserves		189,902,294	192,225,080	1,014,783	1,021,207
Cumulative translation adjustment		-	-	(600,276)	(591,746)
Total equity		**190,459,222**	**187,095,605**	**522,234**	**521,462**
Non-current liabilities					
Deferred tax liabilities	11.1	75,079,301	80,730,471	205,866	225,008
Provision for overhauls and maintenance	18	8,623,191	44,424,301	23,645	123,817
Provision for decommissioning obligation	20	8,165,123	5,069,712	22,389	14,130
Total non-current liabilities		91,867,615	130,224,484	251,900	362,955
Current liabilities					
Trade and other payables	18	92,375,947	81,997,002	253,293	228,538
Current tax liabilities	11.1	897,519	2,325,979	2,461	6,483
Total current liabilities		93,273,466	84,322,981	255,754	235,021
TOTAL LIABILITIES		**185,141,081**	**214,547,465**	**507,654**	**597,976**
TOTAL EQUITY AND LIABILITIES		**375,600,303**	**401,643,070**	**1,029,888**	**1,119,438**

The financial statements on pages 4 to 47 were approved by the Board of Directors of the Company on 10 July 2020. They were signed on its behalf by:

Paul Harriman
Acting Chief Executive Officer*

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

Temitope Shonubi
Chairman
FRC/2018/IODN/00000018969

Ade Odunsi
Director
FRC/2013/ICAN/00000005046

The explanatory notes on pages 8 to 44 form an integral part of these financial statements.

*Waiver obtained from Financial Reporting Council of Nigeria.

Statement of changes in equity

	Share Capital N'000	Retained Earnings N'000	Other Reserves N'000	Total Equity N'000
Balance at 1 January 2018	25,000	13,839,676	191,507,112	205,371,788
Adjustment on initial application of IFRS 9	-	(21,771,416)	-	(21,771,416)
Changes in Decommissioning estimate	-	-	717,968	717,968
Profit for the year 2018	-	2,777,265	-	2,777,265
Balance at 31 December 2018	25,000	(5,154,475)	192,225,080	187,095,605
Changes in Decommissioning estimate	-	-	(2,322,786)	(2,322,786)
Profit for the year 2019	-	5,686,403	-	5,686,403
Balance at 31 December 2019	25,000	531,928	189,902,294	190,459,222

	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 2018	111	151,011	1,019,138	(550,101)	620,159
Adjustment on initial application of IFRS 9	-	(67,125)	-	-	(67,125)
Profit for the year	-	8,004	-	-	8,004
Changes in decommissioning estimate	-	-	2,069	-	2,069
Translation difference	-	-	-	(41,645)	(41,645)
Balance at 31 December 2018	111	91,890	1,021,207	(591,746)	521,462
Profit for the year	-	15,726	-	-	15,726
Changes in decommissioning estimate	-	-	(6,424)	-	(6,424)
Translation difference	-	-	-	(8,530)	(8,530)
Balance at 31 December 2019	111	107,616	1,014,783	(600,276)	522,234

The explanatory notes on pages 8 to 44 form an integral part of these financial statements.

Statement of cash flows

	Notes	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Cash flows from operating activities					
Profit after tax		5,686,403	2,777,265	15,726	8,004
Adjustments for:					
Depreciation on generation assets	6	11,019,348	12,005,657	30,475	34,600
Depreciation on non-generation assets	8	708,614	677,446	1,960	1,952
Provisions for doubtful debts	8	89,430	21,896,133	247	63,164
Bad debt written off		12,527	(162)	35	-
Accretion expense	7.3	772,624	619,953	2,137	1,787
Gain on assets disposal	7.4	-	(1,750)	-	(5)
Interest on fixed deposit	7.1	(1,366,813)	(2,189,882)	(3,780)	(6,311)
Deferred tax	11	(5,651,170)	3,495,040	(15,629)	10,073
Translation effect on generation assets	12a	-	-	12,318	63,990
Translation effect on non-generation assets	12a	-	-	890	4,747
Translation effect on intangible assets	12b	-	-	-	3
Translation effect on decommissioning obligation	20	-	-	(302)	(1,193)
Translation effect on taxation	11.1	-	-	(3,593)	(31,316)
Translation effect on trade and other receivables		-	-	(3,575)	(23,435)
Cumulative translation adjustment		-	-	(8,530)	(28,698)
		5,584,560	36,502,435	12,653	89,358
Movements in working capital					
Increase in trade and other receivables		(11,135,181)	(21,892,585)	(23,799)	(23,606)
Decrease/(increase) in other assets		2,130,671	(1,191,929)	5,972	(2,932)
(increase)/decrease in restricted cash		(112,486)	275,905	(122)	1,792
Decrease/(increase) in inventories		3,781	(3,500)	11	(5)
Decrease in trade and other payables		(25,422,165)	(2,221,225)	(75,417)	(36,105)
Decrease in taxation		(1,107,093)	(2,613,658)	(3,061)	(7,532)
Total adjustments and movements		(30,057,913)	8,855,443	(83,763)	20,970
Income taxes paid	11.1	(322,367)	(262,065)	(881)	(730)
(Net cash used in)/ generated from operating activities		(24,692,877)	11,370,643	(68,918)	28,244
Cash flows from investing activities					
Purchase of fixed assets	12	(613,019)	(1,880,805)	(1,695)	(5,421)
Interest income on fixed deposits	7.1	1,366,813	2,189,882	3,780	6,311
Proceeds from disposal of fixed assets		-	1,750	-	5
Net cash generated from investing activities		753,794	310,827	2,085	895
Cash flows from financing activities		-	-	-	-
Net cash (used in) financing activities		-	-	-	-
Net (decrease)/increase in cash and cash equivalents		(23,939,083)	11,681,470	(66,833)	29,139
Cash and cash equivalents at beginning of the year	17	26,389,555	14,708,085	73,552	44,413
Cash and cash equivalents at end of the year		2,450,472	26,389,555	6,719	73,552

The explanatory notes on pages 8 to 44 form an integral part of these financial statements.

Notes to the financial statements

1.0 The Company

Egbin Power Plc ("the Company") was one of the unbundled companies from the defunct Power Holdings Company of Nigeria (PHCN). The Company was in the generating sector of the PHCN which was a state-owned Electric Power Company. During the Federal Government's privatisation program, the Company was sold to KEPCO Energy Resource Limited (KERL) in 2007 as part of the privatization of the electric power sector. The sale was authorized by the Bureau of Public Enterprises (BPE). Effective from 1st November 2013 (referred to as the handover date), the Federal Government of Nigeria (FGN) handed over the Company and other unbundled assets to their new owners. The Company entered into an operation and maintenance agreement with KEPCO in November 2013 to provide operation and maintenance services on its plant. The contract was terminated in December 2017.

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 2019 to 31 December 2019, with comparative figures for the financial year ended 31 December 2018.

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) Statement of value added
(ii) Five-year financial summary

Notes to the financial statements

1.5 Going Concern

The management of Egbin Power Plc ("EGBIN" or "the Company") has continually assessed the going concern of the Company and as at the end of the financial year 2019, the management have no plans or intentions to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

The management further considered that the going concern of the Company is not threatened in any form having reviewed the going concern assumption under the following contexts; financial, operational, other possible indicators and strategic growth plans.

1.5.1 Impact of COVID 19 and management plan to mitigate the risk

Egbin Power Plc business operation is mainly power generation, which, is part of the essential services granted exemption to continue operations during the lockdown imposed by the federal government premised by the increased cases of Covid-19 outbreak in the country, as such, the operations of the company has not ceased or significantly impacted. Notwithstanding, the management of Egbin Power Plc has assessed the impact of the current Covid-19 pandemic on its operations and has summarized them as follows;

1. **Planned Maintenance & Technical Services Advisory**
   - There is an expected impact on this activity largely due to work/production, travel, and logistics restrictions around the world. This may mostly affect human expertise and the lead time for the supply of the ordered spares and equipment due to work and production restrictions observed globally. It is a bit early to provide specifics at the moment as the cycle is yet to peak in the country at the moment.
   - The travel restrictions in the country and other nations have affected the normal rotation cycle of the Technical Services Advisors (TSAs); these are foreign nationals engaged by the Company, thereby slowing down the response to key task deliverables. If this trend continues, we foresee an increase in the cost of technical services in the short term and delay in planned maintenance due to the pandemic in most nations.

2. **Electricity Generation & Gas Availability**
   - At the moment generation is not constrained and we do not foresee an immediate or future constraint as a result of the Covid-19 pandemic. We do not foresee any constraint in this regard, as the System Operators (TCN) are part of essential service providers exempted by the Federal Government during the lockdown.
   - We have had adequate gas nominations so far this year with our gas suppliers (Chevron & NPDC), and relatively stable gas deliveries by the gas transportation company. There is no anticipated gas constraint on account of Covid-19.

3. **Business Continuity and Sustainability**
   - We have deployed a number of safety and security protocols to significantly reduce the possibility of the Covid-19 virus penetrating our facility. Movement in/out of the facility is highly restricted to third parties. However, in the event of such an occurrence we have a business continuity plan for our operations and maintenance that will guarantee limited disruptions to our capacity to generate provided all gas availability and evacuation infrastructures remain available with limited equipment breakdown.

4. **Manpower Management**
   - A large percentage of the employee stay within the facility provided by the organization, as such, we run a hitch free operation daily, with a good level of social distancing observed. Also, the few employees resident outside the organization's premises have embraced technology to work remotely, with easy access to the organization's domain.

5. **Material sourcing and Procurement Process**
   - The organization maintains a good inventory re-order level, as such, major materials needed to keep the plant running are available in store, however, our procurement team have ensured that all items needed to keep the plant running are supplied from time to time. Sourcing for spares overseas have been affected as most countries have shut down their operations.

Notes to the financial statements

1.5.1 Impact of COVID 19 and management plan to mitigate the risk (cont'd)

6. **Financial transactions**
   - Financial activities of the organization have not been impacted, as transactions are processed swiftly, leveraging on online payment platforms. Payments to major suppliers have been going smoothly .We do not envisage any material impact of Covid-19 on the financial operations of the company in the short-run.
   - We do not envisage any disruption to revenue collection in the short-run, however, there might be slight delay in remittances if the Distribution companies experience delays in collecting funds from the final consumers as a result of the lockdown

7. **Training**
   - High value is place on the employee of the organization, as such, various online learning/training platforms have been created for employee to keep them equipped during this COVID 19 lockdown period.

8. **Recruitment**
   - The Covid-19 pandemic has forced the business to review the 2020 recruitment plan to reflect the current realities.
   - There is a suspension of recruitment plan for the rest of the year, the business imperative will be to optimize the current workforce by expediting uptake of technology to improve work output and operational efficiency. However, there will be few exceptions on the replacement of specialized and key strategic roles. We also expect to maintain status quo on Headcount. There will be marginal changes because of retirements and resignations. However, we do not envisage exigencies for general layoffs or furlough"

1.6 Statement of compliance

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

2. 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 2019

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.

Impact of initial application of IFRS 16 Leases

In the current year, the Company, where applicable, has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The directors of the Company have assessed that this change will not have an impact on Egbin Power Plc's financial statements.

Notes to the financial statements

2.1 Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2019 (cont'd)

Amendments to accounting standards that became effective during the year
Amendments to IFRS 9 - Prepayment Features with Negative Compensation. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs - The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes
The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations
The amendments clarify that when the Company obtains control of a business that is a joint operation, the Company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements
The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its PHI in the joint operation.

Amendments to IAS 19 Employee Benefits Plan - Amendment, Curtailment or Settlement The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Company will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

Notes to the financial statements

2.1 Amendments to accounting standards that became effective during the year (cont'd)

IFRIC 23 Uncertainty over Income Tax Treatments - IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a Company; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The application of these amendments has had no material impact on the disclosure or the amounts recognized in the Company's 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 permits, early adoption is permitted; however, the Company has elected not to apply them in the preparation of these financial statements. The Company plans to adopt the standard when it becomes effective.

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

Pronouncement	Nature of change	Required to be implemented for years beginning on or after
IFRS 17: Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees.	Effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Company's financial statements.

Notes to the financial statements

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

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that 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 the new associate or joint venture.	The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company do not anticipate that the application of these amendments will have an impact on the Company's financial statements in future periods should such transactions arise.
Amendments to IFRS 3 Definition of a business	The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.	The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.
Amendments to IAS 1 and IAS 8 Definition of material	The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.	The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Notes to the financial statements

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

Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.	The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

3. BASIS OF PREPARATION OF THE ACCOUNTS

These "financial statements" have been prepared in accordance with International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations (collectively referred to as IFRS), the Companies and Allied Matters Act (CAMA), and the Financial Reporting Council of Nigeria (FRC) Act as at 31 December 2019.

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

Accounting policies

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

A. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable, excluding Value Added Tax (VAT). Revenue is made from power generated in the year from the company's generating plants, the agreed capacity tariff, and the value acknowledged by the Nigerian Bulk Electricity Trading Plc (NBET); units are based on energy volumes that are actually received by NBET. The Company also recognises additional revenue based on a compensating fee received from the System Operator (NCC) in respect of spinning reserves. This arises in situations when the Company has been requested to step down its supply of power to the National grid in order to prevent damage to the national grid.

Egbin assesses the collectability of Revenue in recognition that sales should only be recognised when the collectability is certain.

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

B. Property, plant and equipment

1. Generation assets

The Company's generation assets are stated at replacement cost using the revaluation model less accumulated depreciation and impairment losses and are generally depreciated using the unit of production method based on the machine usage hours over the estimated operating capacity of the assets. Generation assets include the operating assets which the Company uses in carrying out its normal course of business; generating power to NBET. These assets include the generating plants, turbines, plant spares, and the plant's buildings.

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

2. Non-generation assets

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

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

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

C. Impairment of property, plant and equipment

The carrying amounts of the Company's long-term assets are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication of impairment exists, then the asset's recoverable amount is estimated. Generation assets are assessed for impairment when they are reclassified from construction in progress to property, plant and equipment (PP&E), and if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount through the statement of profit or loss and other comprehensive income.

For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell ("FVLCTS").

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

D. Derecognition of property, plant & equipment

Property, plant & equipment are derecognised at disposal or when classified as held for sale. Upon disposal, the difference between the net disposal proceeds and the carrying value of the asset is computed in order to ascertain whether there is a gain or loss. The gain/loss is then recognised in the statement of profit or loss for the year.

E. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 Financial Instruments: 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:

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

E. Financial instruments (cont'd)

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 IFRS 9. 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 IFRS 9 are satisfied. The Company evaluates its financial assets as held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

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

Derecognition
A financial asset (or, where an applicable part of a financial asset or part of a group of similar financial assets) is derecognised 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.

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

E. Financial instruments (cont'd)

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

E. Financial instruments (cont'd)

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Interest-bearing loans and borrowings

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

Derecognition

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

Offsetting financial instruments

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

Fair value of financial instruments

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

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

E. Financial instruments (cont'd)

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

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

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

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

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

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

Operating Leases
On transition to IFRS 16, it has been assumed that the Company elected to measure all leases previously classified as operating under IAS 17 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the statement of financial position immediately before the date of initial application.

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

E. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories represent small parts, other consumables and gas fuel, the majority of which is consumed 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.

F. Provisions

General

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

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

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

F. Provisions (cont'd)

Decommissioning liability

The Company recognizes a decommissioning liability when it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related base/power stations and generating plants to the extent that it was incurred by the development/construction of the station. Any decommissioning obligations that arise through the production of electricity are expensed as incurred. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to statement of comprehensive income. If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If the revised power and utilities' assets net of decommissioning provisions exceed the recoverable value, that portion of the increase is charged directly to expense. Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in statement of profit or loss as a finance cost. The Company recognises neither the deferred tax asset regarding the temporary difference on the decommissioning liability nor the corresponding deferred tax liability regarding the temporary difference on a decommissioning asset.

G. Foreign currencies

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

The Company also presents its financial statements in US Dollars ("US$") in order to make its financial statements comparable in the international markets. Exchange differences arising from the translation from NGN functional currency to US$ presentation currency are classified as a cumulative translation adjustment and recorded against equity in the statement of financial position. The company has adopted the Nigerian Interbank foreign exchange fixing rates and Central Bank of Nigeria's published rates respectively (closing and average) for its presentation currency as follows:

2019: Closing rate - N364.70; Average rate -N361.58
2018: Closing rate - N358.79; Average rate - N346.99

Notes to the financial statements

3. **BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)**

H. Taxation

1. **Company income tax**

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

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

2. **Deferred tax**

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

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

I. Intangible assets

1. **Licences**

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

2. **Computer software**

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

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

J. Borrowing costs

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

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

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

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.

Notes to the financial statements

3. BASIS OF PREPARATION OF THE ACCOUNTS (cont'd)

J. Borrowing costs (cont'd)

(c) Treasury risk
Treasury risk is comprised of liquidity and market risk. The company's cash management and short-term financing activity.

(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, and Intagible Assets with indefinite life 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

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Sale of electricity (Note 5.1)	78,885,992	91,686,313	218,169	264,236
Ancillary services (Note 5.2)	4,500	18,000	12	52
Other electricity bills (Note 5.3)	8,694	8,863	24	26
	78,899,186	91,713,176	218,205	264,314

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 charged 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

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Operations & maintenance and implementation service fees (Note 6.1)	19,652,887	22,725,173	54,352	65,493
Gas consumed	40,933,886	46,530,240	113,208	134,098
Depreciation on generation assets	11,019,348	12,005,657	30,475	34,600
Salaries and benefits	2,049,467	1,629,828	5,668	4,697
Regulatory charges (Note 6.2)	771,050	898,969	2,132	2,591
Other staff welfare	178,130	155,962	493	449
Other plant maintenance cost	2,809,537	1,787,605	7,770	5,152
	77,414,305	**85,733,434**	**214,098**	**247,080**

6.1 This relates to Operations and Maintenance (O&M) related Technical Services and Operational Support cost rendered by Kepco Energy Resource BVI. It also includes the Operations and Implementation (O&I) cost to Lithia Consultants Limited, for financial and technical monitoring of all O&M services, other O&M costs, facilities maintenance, and other ancillary support services. The fees were charged in line with the O&M/O&I contracts between the Company and KER BVI/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

7.1 Finance income

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Interest income (Note 7.2)	-	20,631,106	-	59,458
Interest on short term deposits	1,366,813	2,189,882	3,780	6,311
	1,366,813	**22,820,988**	**3,780**	**65,769**

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%. The Company however did not recognise interest income in respect of this in 2019.

7.3 Finance cost

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Accretion expense (Note 21)	772,624	619,953	2,137	1,787
Letters of credit charges	78,736	60,343	218	174
	851,360	**680,296**	**2,355**	**1,961**

7.4 Other gains and losses

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Provision no longer required	563,391	-	1,558	-
School income - Powerfield	197,821	209,880	547	605
Net foreign exchange gains	309,933	1,073,080	857	3,093
Other income	17,394	1,646	48	5
Gain on fixed asset disposal	-	1,750	-	5
	1,088,539	**1,286,356**	**3,010**	**3,708**

Notes to the financial statements

		2019	2018	2019	2018
8	**Administrative expenses**	**N'000**	**N'000**	**US$'000**	**US$'000**
	Provisions for doubtful debts	89,430	22,549,047	247	64,985
	Bad debts written off	12,527	-	35	-
	Depreciation on non-generation assets (Note 12)	708,614	677,446	1,960	1,952
	Salaries and benefits	726,109	624,116	2,008	1,799
	Repairs and maintenance	996,852	820,255	2,757	2,364
	Motor running expenses	206,221	231,068	570	666
	Safety & security	137,989	147,245	382	424
	Other staff welfare	281,755	101,890	779	294
	Other professional fees (Note 9.2)	327,290	66,452	905	192
	Community expenses/CSR	76,304	157,405	211	454
	Travelling and transportation	57,842	60,951	160	176
	Bank charges	106,585	41,603	295	120
	Office & IT consumables	57,243	54,636	158	157
	Audit fees (Note 9.1)	55,000	55,000	152	159
	Directors fees and expenses	33,766	45,831	93	132
	Entertainment and advertisement	19,944	29,810	55	86
	Insurance	20,373	14,511	56	42
	Regulatory expenses	182,111	9,044	504	26
	Business Development Expenses	23,150	18,097	64	52
	Other expenses	41,628	43,736	115	126
		4,160,733	25,748,143	11,506	74,206

		2019	2018	2019	2018
9	**Professional fees**	**N'000**	**N'000**	**US$'000**	**US$'000**
9.1	Audit fees	55,000	55,000	152	159
9.2	**Other professional fees**				
	- Consultancy fees	86,451	16,452	239	47
	- Legal services	240,839	50,000	666	144
		327,290	66,452	905	191

		2019	2018	2019	2018
10	**Profit before tax**	**N'000**	**N'000**	**US$'000**	**US$'000**
	This is stated after charging:				
	Auditor's remuneration	55,000	55,000	152	159
	Depreciation	11,727,962	12,683,103	32,435	36,552
	Other gains and losses	1,088,539	1,286,356	3,010	3,708

Notes to the financial statements

		2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
11	Income tax expense				
	Per profit or loss				
	Prior year write back	(1,695,251)	(4,185,118)	(4,688)	(12,062)
	Income tax	394,496	1,141,912	1,091	3,291
	Education tax	193,662	429,548	536	1,238
		(1,107,093)	(2,613,658)	(3,061)	(7,533)
	Deferred tax (Note 11.1)	(5,651,170)	3,495,040	(15,629)	10,073
		(6,758,263)	**881,382**	**(18,690)**	**2,540**

		2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
11.1	**Current and deferred tax liabilities**				
	Current tax				
	At 1 January	2,325,979	5,201,702	6,483	15,709
	Prior Year Tax written back	(1,695,251)	(4,185,118)	(4,688)	(12,062)
	Tax charged for the year	588,158	1,571,460	1,627	4,529
	Payments during the year	(321,367)	(262,065)	(881)	(730)
	Translation effects	-	-	(80)	(963)
	At 31 December	**897,519**	**2,325,979**	**2,461**	**6,483**
	Deferred tax				
	At 1 January	80,730,471	77,235,431	225,008	233,227
	Recognised in statement of profit or loss	(5,651,170)	3,495,040	(15,629)	10,073
	Translation effects	-	-	(3,513)	(18,292)
	At 31 December	**75,079,301**	**80,730,471**	**205,866**	**225,008**

		2019 N'000		2018 N'000	
11.2	**Reconciliation of effective tax rate**				
	(Loss)/profit before tax from continuing operations	(1,071,860)		3,658,647	
	Income tax expense calculated at 30% of PBT	(321,558)	30%	1,097,594	30%
	Effect of income that is exempt from taxation	(85,656)	8%	292,376	8%
	Effect of expenses that are not deductible in determining taxable profit	526,200	-49%	(1,796,111)	-49%
	Effect of concessions (research and development, investment allowance & other allowances)	(133,410)	12%	455,378	12%
	Adjustment of TET rate on DT	14,424	-1%	(49,237)	-1%
	Education tax at 2% of assessable profits	193,662	-18%	429,548	12%
	Minimum tax adjustments	394,496	-37%	1,141,912	31%
	Temporary difference effect	(5,651,170)	527%	3,495,040	96%
		(5,063,012)	**472%**	**5,066,500**	**139%**

Notes to the financial statements

11.2 Reconciliation of effective tax rate (cont'd)

	2019 US$'000		2018 US$'000	
(Loss)/profit before tax from continuing operations	(2,964)		10,544	
Income tax expense calculated at 30% of PBT	(889)	30%	3,163	30%
Effect of income that is exempt from taxation	(237)	8%	843	8%
Effect of expenses that are not deductible in determining taxable profit	1,455	-49%	(5,176)	-49%
Effect of concessions (research and development, investment allowance & other allowances)	(369)	12%	1,311	12%
Adjustment of TET rate on DT	40	-1%	(142)	-1%
Education tax at 2% of assessable profits	536	-18%	1,238	12%
Minimum tax adjustments	1,091	-37%	3,291	31%
Temporary difference effect	(15,629)	527%	10,073	96%
	(14,002)	472%	14,601	139%

11.3 Analysis of deferred tax liability

	Property, plant and equipment N'000	Other provisions N'000	Total N'000
At 1 January 2018	78,272,727	(1,037,296)	77,235,431
Charged/(credited) to the income statement	5,144,309	(1,649,269)	3,495,040
At 31 December 2018	83,417,036	(2,686,565)	80,730,471
Charged/(credited) to the income statement	(5,881,967)	230,797	(5,651,170)
At 31 December 2019	77,535,069	(2,455,768)	75,079,301

	Property, plant and equipment US$'000	Other provisions US$'000	Total US$'000
At 1 January 2018	236,359	(3,132)	233,227
Charged/(credited) to the income statement	14,826	(4,753)	10,073
Translation effects	(18,689)	397	(18,292)
At 31 December 2018	232,496	(7,488)	225,008
Charged/(credited) to the income statement	(16,267)	638	(15,629)
Translation effects	(3,629)	116	(3,513)
At 31 December 2019	212,600	(6,734)	205,866

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 2018	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
Additions	29,611	46,608	-	82,626	24,136	41,166	-	167,795	1,488,858	1,880,800
Transfers	2,568,948	-	-	(381,686)	-	-	-		(2,187,262)	-
Disposals	-	-	-	-	-	-	-	(12,449)	-	(12,449)
At 31 December 2018	566,931,348	64,707,469	3,159,414	205,697	228,710	103,201	6,735,000	15,384,088	523,480	657,978,407
At 1 January 2019	566,931,348	64,707,469	3,159,414	205,697	228,710	103,201	6,735,000	15,384,088	523,480	657,978,407
Additions	146,242	2,876	-	50,632	49,114	251,496		87,253	25,407	613,020
Transfers	63,924								(63,924)	-
Disposals										-
At 31 December 2019	567,141,514	64,710,345	3,159,414	256,329	277,824	354,697	6,735,000	15,471,341	484,963	658,591,427
Accumulated depreciation										
At 1 January 2018	311,879,904	40,757,144	514,717	71,127	84,955	53,366	-	2,451,129	-	355,812,342
Charge for the year	10,568,929	1,293,708	143,019	19,618	42,616	14,244		594,275		12,676,409
Transfers	36,502			(36,502)						-
Disposals	-	-	-	-	-	-	-	(12,449)	-	(12,449)
At 31 December 2018	322,485,335	42,050,852	657,736	54,243	127,571	67,610	-	3,032,955	-	368,476,302
At 1 January 2019	322,485,335	42,050,852	657,736	54,243	127,571	67,610	-	3,032,955	-	368,476,302
Charge for the year	9,562,766	1,296,249	160,334	30,386	50,423	32,858	-	589,937	-	11,722,953
Transfers										-
Disposals	-	-	-	-	-	-	-		-	-
At 31 December 2019	332,048,101	43,347,101	818,070	84,629	177,994	100,468	-	3,622,892	-	380,199,255
Carrying amount										
At 31 December 2019	235,093,413	21,363,244	2,341,344	171,700	99,830	254,229	6,735,000	11,848,449	484,963	278,392,172
At 31 December 2018	244,446,013	22,656,617	2,501,678	151,454	101,139	35,591	6,735,000	12,351,133	523,480	289,502,105

Notes to the financial statements

12a Property, Plant and Equipment (cont'd)

	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 2018	1,704,109	195,256	9,540	1,524	618	187	20,338	45,986	3,690	1,981,248
Additions	85	134	-	238	70	119	-	484	4,291	5,421
Transfers	7,404	-	-	(1,100)	-	-	-	-	(6,304)	-
Disposals	-	-	-	-	-	-	-	(38)	-	(38)
Translation effects	(131,478)	(15,041)	(734)	(89)	(51)	(18)	(1,567)	(3,554)	(218)	(152,750)
At 31 December 2018	1,580,120	180,349	8,806	573	637	288	18,771	42,878	1,459	1,833,881
At 1 January 2019	1,580,120	180,349	8,806	573	637	288	18,771	42,878	1,459	1,833,881
Additions	404	8	-	140	136	696	-	241	70	1,695
Transfers	177	-	-	-	-	-	-	-	(177)	-
Disposals	-	-	-	-	-	-	-	-	-	-
Translation effects	(25,610)	(2,923)	(143)	(10)	(11)	(11)	(304)	(697)	(22)	(29,731)
At 31 December 2019	1,555,091	177,434	8,663	703	762	973	18,467	42,422	1,330	1,805,845
Accumulated depreciation and impairment										
At 1 January 2018	941,780	123,074	1,554	215	257	161	-	7,402	-	1,074,443
Charge for the year	30,459	3,728	412	57	123	41	-	1,713	-	36,533
Disposals	-	-	-	-	-	-	-	(36)	-	(36)
Translation effects	(73,425)	(9,600)	(133)	(121)	(24)	(14)	-	(626)	-	(83,943)
At 31 December 2018	898,814	117,202	1,833	151	356	188	-	8,453	-	1,026,997
At 1 January 2019	898,814	117,202	1,833	151	356	188	-	8,453	-	1,026,997
Charge for the year	26,447	3,585	443	84	139	91	-	1,632	-	32,421
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Translation effects	(14,792)	(1,930)	(33)	(3)	(7)	(4)	-	(151)	-	(16,920)
At 31 December 2019	910,469	118,857	2,243	232	488	275	-	9,934	-	1,042,498
Carrying amount										
At 31 December 2019	644,622	58,577	6,420	471	274	698	18,467	32,488	1,330	763,347
At 31 December 2018	681,306	63,147	6,973	422	281	100	18,771	34,425	1,459	806,884

Notes to the financial statements

12.1 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. And none of these assets are pledged as collateral for loans.

12.2 The generation assets were last revalued in 2016 using the "Replacement as New" cost method. The revaluation surplus has been reflected in the respective assets' accounts and also in the equity section of the statement of financial position as part of "Other reserves". The Company has 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 assets either through disposal or retirement upon which the revaluation surplus will be transferred to retained earnings.

12b **Intangible assets**

	Software 31 Dec 2019 N'000	Software 31 Dec 2018 N'000
Cost or valuation		
At 1 January	29,165	29,165
Additions	-	-
At 31 December	29,165	29,165
Accumulated depreciation and impairment		
At 1 January	23,705	17,010
Charge for the year	5,010	6,695
At 31 December	28,715	23,705
Carrying amount		
At 31 December	450	5,460

	Software 31 Dec 2019 US$'000	Software 31 Dec 2018 US$'000
Cost or valuation		
At 1 January	81	88
Additions	-	-
Translation effect	(1)	(7)
At 31 December	80	81
Accumulated depreciation and impairment		
At 1 January	66	51
Charge for the year	14	19
Translation effect	(1)	(4)
At 31 December	79	66
Carrying amount		
At 31 December	1	15

Notes to the financial statements

13	Inventories	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
	Premium motor spirit	2,361	4,011	6	11
	Automotive gas oil	15,617	17,748	43	49
		17,978	21,759	49	60

14	Trade and other receivables	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
	Trade receivables (Note 14.1)	115,090,954	104,425,404	315,577	291,049
	Amounts due from related parties (Note 19.1)	17,164,614	16,533,291	47,065	46,081
	Interest and other receivables	61,625,673	61,787,424	168,976	172,211
	BPE receivables (Note 14.3)	-	12,527	-	35
	Unpaid share capital	20,000	20,000	55	56
		193,901,241	182,778,646	531,673	509,432
	Provisions for doubtful debts (Note 14.2	(104,125,763)	(104,036,393)	(285,511)	(289,965)
	Net trade and other receivables	89,775,478	78,742,253	246,162	219,467

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. 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, an analysis of the counterparty's current financial position, and time value of money.

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 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Balance as at 1 January	104,036,393	60,369,007	289,965	182,296
Adjustment on initial application of IFRS 9	-	21,310,501	-	59,395
Impairment losses recognised	89,370	22,356,885	245	62,312
Translation effect			(4,699)	(14,038)
Balance as at 31 December	104,125,763	104,036,393	285,511	289,965

Age of impaired receivables	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
0 days past due	-	95,940.00	-	267
1 - 30 days past due	-	-	-	-
31 - 60 days past due	-	130,344	-	363
61 - 90 days past due	71,343	87,951	196	245
Later than 90 days past due	563,110	1,523,495	1,544	4,247
Above 365 days	103,491,310	102,198,663	283,771	284,843
Total	104,125,763	104,036,393	285,511	289,965

Notes to the financial statements

14.3 This amount relates to expected refunds from Bureau of Public Enterprises (BPE), of salaries paid to legacy staff by the Company for the period of November 2013 to April 2014. The amount was written off during the year.

15 Other assets	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Advances	522,236	2,655,315	1,432	7,401
Prepayments	214,197	211,789	587	590
	736,433	2,867,104	2,019	7,991
Current	736,433	2,867,104	2,019	7,991
Non-current	-	-	-	-
	736,433	2,867,104	2,019	7,991

16 **Restricted cash**	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Cash cover for bank guarantees (Note 16.1)	4,227,320	4,114,834	11,591	11,469

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

17 **Cash and cash equivalents**	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Investment in fixed deposit (Note 17.1)	491,641	26,277,800	1,348	73,240
Cash in bank	2,042,482	758,678	5,600	2,115
Cash at hand	5,872	5,991	16	17
Provision on Bank (Fixed) Deposits	(89,523)	(652,914)	(245)	(1,820)
	2,450,472	26,389,555	6,719	73,552

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.

Notes to the financial statements

18 Trade and other payables

	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Amounts due to related parties (Note 19.4)	12,165,566	6,413,564	33,358	17,876
Trade creditors	71,787,727	56,924,952	196,840	158,658
O&M Provisions	8,623,191	52,804,191	23,645	147,173
Accruals and other creditors	8,422,654	10,278,596	23,095	28,648
	100,999,138	126,421,303	276,938	352,355
Current	92,375,947	81,997,002	253,293	228,538
Non-current	8,623,191	44,424,301	23,645	123,817
	100,999,138	126,421,303	276,938	352,355

	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Provision for overhaul and maintenance				
O&M breakdown	8,623,191	52,804,191	23,645	147,173
Current	-	8,379,890	-	23,356
Non-current	8,623,191	44,424,301	23,645	123,817
	8,623,191	52,804,191	23,645	147,173

19 Related party transactions

19.1 Amounts due from related companies

	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Ikeja Electric (Note 19.2)	17,150,459	16,507,837	47,026	46,010
Sahara Energy Resources Limited (Note 19.3)	14,155	25,454	39	71
	17,164,614	16,533,291	47,065	46,081

19.2 Amount represents balance due from Ikeja Electric, a related entity in respect of electricity sales under the bilateral arrangement (Unit 6). Total transactions with this affiliate during the year amounted to N10.23 billion (2018: N12.18 billion), while total payments amounted to N9.59 billion (2018: N6.73 billion). An outstanding amount of N17.15 billion was due from this affiliate as at year end (2018: N16.51 billion).

19.3 Amount represents balance due from Sahara Energy Resources Limited on cash swap transactions. Total transactions with this affiliate during the period amounted to N592.99 million (2018: N128.73), while total payments made on Egbin's behalf amounted to N604.29 million (2018: N126.49). An outstanding amount of N14.15 million was due from this affiliate as at year end (2018: N25.45).

Notes to the financial statements

19.4	Amounts due to related companies	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
	Kepco Energy Resource BVI (Note 19.5)	5,649,202	-	15,490	-
	Sahara Group Limited (Note 19.6)	6,405,526	6,302,726	17,564	17,567
	KEPCO Energy Resources Nigeria Limited (Note 19.7)	102,231	102,231	280	285
	Sahara Power Limited (Note 19.8)	8,607	8,607	24	24
		12,165,566	**6,413,564**	**33,358**	**17,876**

19.5 This affiliated company provides technical services and operational Support to the Company. This covers: Major inspections and overhauls of unit turbines, procurement of spares and operational consumables and provision of specialised manpower. Amount due to the company as at year end is N5.649bn (2018: NIL)

19.6 This affiliated company provides professional and administrative support services to the Company. There were no transactions with this affiliate during the year. Total amount due to this affiliate as at year end was N6.40 billion (2018: N6.30 billion). Difference is due to exchange loss.

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 (2018: N102.23 million).

19.8 This affiliated company provides administrative support services to the Company. There was no transactions with this affiliate during the year. An outstanding amount of N8.61 million was due to this affiliate as at year end (2018: N8.61 million).

20	Provision for decommissioning obligation	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
	At 1 January	5,069,712	5,167,727	14,130	15,605
	Revision in estimate	2,322,786	(717,968)	6,424	(2,069)
	Accretion cost for the year	772,625	619,953	2,137	1,787
	Translation effect	-	-	(302)	(1,193)
	At 31 December	**8,165,123**	**5,069,712**	**22,389**	**14,130**

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 11.35% (2018: 15.24%) per annum. The assumptions and judgements made in regard to this estimate are subject to annual assessment by management and adjustments if any are to be recognised. Management recognises that actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the generation assets cease to produce on economically viable basis.

Notes to the financial statements

21 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year. The capital structure of the Company consists of cash and cash equivalents as disclosed in Note 17, 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 2019** **N'000**	**31 Dec 2018** **N'000**	**31 Dec 2019** **US$'000**	**31 Dec 2018** **US$'000**
Debt	-	-	-	-
Cash and cash equivalents	(2,450,472)	(26,389,555)	(6,719)	(73,552)
Net debt	-	-	-	-
Equity	190,459,222	187,095,605	522,234	521,462
Net debt to equity ratio	-	-	-	-

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

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

22 Financial instruments

22.1 Significant accounting policies

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

22.2 Categories of financial instruments

The following table summarizes the Company's financial instruments:

		31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
22.2.1	**Financial assets (Loans and receivables)**				
	Trade and other receivables	89,593,613	78,471,707	245,664	218,712
	Cash and cash equivalents	2,450,472	26,389,555	6,719	73,552
		92,044,085	**104,861,262**	**252,383**	**292,264**

These 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$=N134.02 (for 2016, 2015 and 2013 financial years respectively). All statement of profit or loss items were translated at the average exchange rate that ruled throughout the respective periods (2019 Average US$ = 361.58).

Notes to the financial statements

	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
22.2.2 Financial liabilities	N'000	N'000	US$'000	US$'000
Financial liabilities at amortised cost				
Trade and other payables	100,320,831	113,202,372	275,078	315,512

22.2.3 Fair value of financial instruments

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

23 Financial risk management

23.1 Financial risk management objectives

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

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

23.2 Sensitivity analysis

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

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

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

	2019	2018
	N'000	N'000
Profit/(loss)		
Nigerian Naira strengthens by 5% against the US Dollar	(284,320)	(138,863)
Profit/(loss)		
Nigerian Naira weakens by 5% against the US Dollar	284,320	138,863

Notes to the financial statements

23.3 Credit risk management

The credit risk on liquid funds and non-derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies, and related companies, 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 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Cash and cash equivalents	2,450,472	26,389,555	6,719	73,552
Trade and other receivables	89,593,613	78,471,707	245,664	218,712
	92,044,085	104,861,262	252,383	292,264

23.4 Liquidity risk management

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

The Company closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivity analysis run for different scenarios including but not limited to changes in energy tariff, capacity availability and load factor from the generation assets. On this basis, the Company's forecasts, 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 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
30 days	7,738,692	4,153,692	21,219	11,577
60 days	5,853,114	8,923,550	16,049	24,872
90 days	5,479,373	11,352,920	15,024	31,642
90+ days	81,249,652	88,772,210	222,786	247,421
	100,320,831	113,202,372	275,078	315,512

Notes to the financial statements

23.5 Financial risk management policy

The Company's financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's working capital needs alongside other working capital items such as trade and other receivables, and cash and short-term deposits that arise directly from its operations. During the year ended 31 December 2019, 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.

(c) Treasury risk

Treasury risk is comprised of liquidity and market risk.

(i) Treasury liquidity risk

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

(ii) Treasury market risk

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

(iii) Interest Rate Risk

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

Notes to the financial statements

	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
24 Share capital				
Authorised				
100,000,000 ordinary shares of N1 each; converted at the historic exchange rates of N304.75/US$1 (2016: 90 million units at N1 per share), N199/US$1 (2015: 5 million 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: 15 million units at N1 per share), N199/US$1 (2015: 5 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

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
25 Earnings per share				
Earnings (Loss) for the purpose of basic loss per share is based on net loss attributable to equity holders of the Company.	5,686,403	2,777,265	15,726	8,004

	2019 Number	2018 Number	2019 Number	2018 Number
Number of shares				
Number of ranking ordinary shares for the purpose of basic loss per share (weighted).	25,000,000	25,000,000	25,000,000	25,000,000

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Weighted earnings per share (Naira/US$) - Basic	227.46	111.09	0.63	0.32

Notes to the financial statements

26 Information regarding Directors and employees

26.1 Directors

	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Directors' emoluments comprise:				
Fees	29,250	29,330	81	85
Expenses	4,516	16,501	12	47
	33,766	45,831	93	132

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

	2019 Number	2018 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 2019.

26.2 Employees

Total number of employees as at year-end:	2019 Number	2018 Number
Management	45	44
Senior	236	241
Junior	188	188
	469	473

Aggregate staff costs:	2019 N'000	2018 N'000	2019 US$'000	2018 US$'000
Salaries and wages	2,775,576	2,253,944	7,676	6,496
Other staff welfare	459,885	257,852	1,272	743
	3,235,461	2,511,796	8,948	7,239

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

	2019 Number	2018 Number
Below N1,000,000	16	16
N1,000,000 - N2,000,000	97	97
N2,000,001 - N5,000,000	221	221
N5,000,001 - N10,000,000	103	108
Above N10,000,000	32	31
	469	473

Notes to the financial statements

27 Contingent liabilities

There is a pending litigation and claims amounting to N520bn as at 31 December 2019 (2018:520bn). The suit was instituted against the Company by members of the host community over the land on which the Company's power station is located. However, the Directors on the representation and advise of the legal advisers are of the view and confident that the Company will suffer no material losses as the suit is likely to be decided in their favour.

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

28 Financial commitments

There were no capital commitments contracted by the Company or approved by the Board which had not been provided for as at the reporting date (2018: Nil)

29 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 2019, or on the profit for the year which have not been adequately provided for or disclosed in these financial statements.

On the effect of the novel coronavirus (COVID-19) pandemic, the Company has conducted an impact analysis, and instituted various measures and guidelines (as disclosed in Note 1.5.1) to mitigate the risk of the virus on its operations.

30 Comparative figures

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

Value added statement

	2019 N'000	%	2018 N'000	%	2019 US$'000	%	2018 US$'000	%
Revenue	78,899,186	535	91,713,176	470	218,205	535	264,314	469
Bought in materials and services								
- Imported	(19,652,887)	(133)	(22,725,173)	(117)	(54,352)	(133)	(65,493)	(116)
- Local	(44,503,376)	(302)	(49,454,161)	(253)	(123,079)	(302)	(142,524)	(253)
Value added	14,742,923	100	19,533,842	100	40,774	100	56,297	100
Distributed as follows:								
To pay employees								
Staff cost	3,235,461	22	2,511,796	13	8,948	22	7,239	13
To pay Government								
Taxation	(1,107,093)	(8)	(2,613,658)	(13)	(3,061)	(8)	(7,532)	(13)
To pay providers of finance								
Interest expense	78,736	1	60,343	-	218	1	174	-
Maintenance of assets and future expansion								
Depreciation	11,727,962	80	12,683,103	65	32,435	79	36,552	65
Accretion expense	772,624	4	619,953	3	2,137	5	1,787	3
Deferred taxation	(5,651,170)	(38)	3,495,040	18	(15,629)	(38)	10,073	18
Profit/(Loss) for the year	5,686,403	39	2,777,265	14	15,726	39	8,004	14
Value added	14,742,923	100	19,533,842	100	40,774	100	56,297	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 2019 N'000	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000
Statement of financial position					
Assets employed					
Property, plant and equipment	278,392,172	289,502,105	300,297,714	307,805,528	193,942,036
Intangible assets	450	5,460	12,155	16,710	23,363
Other assets	-	-	619	39	93
Net current assets	3,934,215	27,812,524	23,282,134	29,852,125	24,025,631
Deferred tax	(75,079,301)	(80,730,471)	(77,235,431)	(80,137,029)	(56,037,685)
Employee retirement benefits	-	-	-	-	-
Other long-term liabilities	(16,788,314)	(49,494,013)	(40,985,403)	(44,405,086)	(23,913,434)
Net assets	190,459,222	187,095,605	205,371,788	213,132,287	138,040,004
Capital and reserves					
Share capital	25,000	25,000	25,000	25,000	10,000
Federal government funding	-	-	-	-	-
Retained earnings	531,928	(5,154,475)	13,839,676	21,600,175	29,842,080
Other reserves	189,902,294	192,225,080	191,507,112	191,507,112	108,187,924
Total equity	190,459,222	187,095,605	205,371,788	213,132,287	138,040,004
Statement of profit or loss and other comprehensive income	2019	2018	2017	2016	2015
Revenue	78,899,186	91,713,176	76,746,317	78,242,055	51,587,140
(Loss)/profit before taxation	(1,071,860)	3,658,647	(9,533,664)	(19,850,784)	(10,587,603)
Taxation	6,758,263	(881,382)	1,773,165	11,608,879	138,503
Profit for the year	5,686,403	2,777,265	(7,760,499)	(8,241,905)	(10,449,100)
Other comprehensive income	(2,322,786)	717,968	-	83,319,187	-
Total comprehensive income for the year	3,363,617	3,495,233	(7,760,499)	75,077,282	(10,449,100)
Earnings/(loss) per share - Basic	227.46	111.09	(310.42)	(715.67)	(1,044.91)
Net assets per share	7,618.37	7,483.82	8,214.87	18,506.86	13,804.00

Notes

Earnings per share is based on the earnings/(loss) 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 2019 US$'000	31 Dec 2018 US$'000	31 Dec 2017 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Statement of financial position					
Assets employed					
Property, plant and equipment	763,347	806,884	906,805	1,010,856	974,093
Intangible assets	1	15	37	54	118
Other assets	-	-	2	-	-
Net current assets	10,786	77,518	70,306	98,035	120,672
Deferred tax	(205,866)	(225,008)	(233,227)	(263,176)	(281,455)
Employee retirement benefits	-	-	-	-	-
Other long-term liabilities	(46,034)	(137,947)	(123,764)	(145,827)	(120,107)
Net assets	522,234	521,462	620,159	699,942	693,321
Capital and reserves					
Share capital	111	111	111	111	62
Federal government funding	-	-	-	-	-
Retained earnings	107,616	91,890	151,011	174,934	206,828
Other reserves	1,014,783	1,021,207	1,019,138	1,019,138	696,742
Cumulative translation adjustment	(600,276)	(591,746)	(550,101)	(494,241)	(210,311)
Total equity	522,234	521,462	620,159	699,942	693,321
Statement of profit or loss and other comprehensive income	**2019**	**2018**	**2017**	**2016**	**2015**
Revenue	218,205	264,314	236,623	302,750	277,733
(Loss)/profit before taxation	(2,964)	10,544	(29,390)	(76,813)	11,768
Taxation	18,690	(2,540)	5,467	44,919	(4,865)
Profit/(Loss) for the year	15,726	8,004	(23,923)	(31,894)	6,903
Other comprehensive income	(14,954)	(39,576)	(55,860)	38,466	(69,566)
Total comprehensive income for the year	772	(31,572)	(79,783)	6,572	(62,663)
Weighted (loss)/earnings per share - Basic	0.63	0.32	(0.96)	(2.77)	(5.26)
Net assets per share	20.89	20.86	24.81	27.99	69.33

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.