



ANNUAL REPORT

2023

Bringing Energy to Life *Responsibly*



EGBIN POWER PLC

Annual report and financial statements
For the year ended 31 December 2023

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Corporate Information

Directors

Temitope Shonubi	(Nigerian)	Chairman
Kola Adesina	(Nigerian)	Director
Ade Odunsi	(Nigerian)	Director
Attahir Yusuf	(Nigerian)	Director
Alex Okoh	(Nigerian)	Director (Till 8th January 2024)
Sang-Woo Park	(Korean)	Director

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
Polaris Bank Limited
28, Church gate street, Victoria Island, Lagos
FSDH Merchant Bank Ltd.
1/5 Odunlami St, Lagos Island, Lagos

Solicitors Templars
5th Floor, The Octagon, 13A AJ Marinho drive
Victoria Island, Lagos
Consolex Legal
62, Awolowo Road, Ikoyi, Lagos.

Auditor PricewaterhouseCoopers
Chartered Accountants
Landmark Towers
Plot 5B Water Corporation Road
Victoria Island
Lagos

Company Secretary Lanre Durojaiye

NOTICE OF ANNUAL GENERAL MEETING

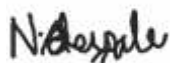
NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Egbin Power Plc (the “Company”) will hold on Thursday, 31st October 2024 at 10.00 a.m. virtually via <https://saharagroup.zoom.us/j/81904481311?pwd=es6ccXYlgH1v2quocQsc3xjBpt3G4N.1> to transact the following businesses:

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the year ended 31st December 2023, and the Reports of the Directors, Auditors and Audit Committee thereon;
2. To elect a Director;
3. To re-elect Directors;
4. To authorize the Directors to fix the remuneration of the Auditors;
5. To elect members of the Audit Committee.

Dated this 2nd day of October 2024

BY ORDER OF THE BOARD



LANRE DUROJAIYE
Company Secretary

NOTES:

1. **Proxy**
A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her/its stead and such a proxy need not be a member. For the appointment to be valid, executed proxy forms must be deposited at the principal place of business of the Company at Egbin Power Plant, Ikorodu, Lagos State, not less than forty-eight (48) hours before the meeting.
2. **Election of Director**
Mr. Ayodeji Gbeleyi is being proposed for election as a Non-Executive Director to fill an existing vacancy.
3. **Re-election of Directors**
In accordance with the Companies and Allied Matters, 2020 (CAMA), the directors to retire by rotation at the Annual General Meeting are Mr. Adedeji Odunsi and Mr. Sang-Woo Park. The retiring directors being eligible offer themselves for re-election.
4. **Audit Committee**
As stipulated by Section 404 (6) of CAMA, any shareholder may nominate another shareholder for election to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least fourteen (14) days before the Annual General Meeting.

Chairman's Statement

INTRODUCTION

Dear Invaluable Shareholders, esteemed members of the Board, distinguished guests, ladies & gentlemen. It is with great pleasure that I welcome you all, on behalf of the Board of Directors of Egbin Power Plc, to the 2023 Annual General Meeting of our Company wherein we will present the Annual Report for the year ended 31st December 2023 for your consideration.

The year 2023 brought significant challenges and opportunities for businesses in Nigeria and globally. Economic disruptions caused by the Russian-Ukraine and Israel-Palestine conflicts, led to elevated commodity and energy prices, not to mention food shortages, and increased inflation amongst others. Additionally, the 2023 general election in Nigeria brought uncertainty about which reforms and policies the incoming government would implement, and the scarcity of foreign exchange also contributed to rising operational and maintenance costs.



These events necessitated that businesses and countries re-evaluate their strategies to better adapt, harness opportunities and withstand the challenges posed by these crises.

Despite these difficulties, we remained committed to our vision of "bringing energy to life responsibly." In 2023, we successfully restored one of our long-out-of-service units (ST-6), demonstrating our resilience and dedication to improving our output. We continued to promote a safe work environment through several safety initiatives such as the 720 Lace-Ups initiative aimed to reduce accidents within the Plant to zero, thermal efficiency improvement plans, flood prevention schemes in our host community, tree planting, seashore plastic cleaning, donation of medications to General Hospital Ijede, employee wellness programs like the Egbin Walkathon, etc. These initiatives underscore our commitment to operational excellence, environmental sustainability, and the well-being of the employees and host communities.

OPERATING ENVIRONMENT

The enactment of the Electricity Act 2023 characterised mainly by the decentralisation of regulation and electricity supply to states, as well as the integration of renewable energy into Nigeria's energy mix was a laudable and historic step in reshaping, increasing competition and attracting investments in the industry. The Act is aimed at developing a complete electricity market with instruments that assure an increase in geographic coverage of the various sectors of the power value chain and boosting investors' confidence in the Nigerian Electricity Supply Industry (NESI) presents both opportunities and threats.

The NESI, which is yet to reach its full potential in meeting the country's ever-growing demand for electricity continues to face significant challenges, including issues with gas supply security, persistent liquidity constraints, outstanding loans, regulatory uncertainties, non-cost reflective tariffs, declining customer willingness and ability to pay for electricity, and weak grid infrastructure. However, there are hopes that the Electricity Act will trigger the much-needed impetus and fuel the appetite for investment such that some of these issues will be addressed and bring about a semblance of stability in the industry.

As a risk-aware business, we have immediately deployed mitigation strategies to defend our business against the threats while positioning ourselves to benefit from the emerging opportunities as presented in the Act. We are actively minimizing our cost components to improve our cost competitiveness which is potentially our biggest hurdle in a decentralized and state-regulated electricity market. In addition, we continue to invest in and implement our asset care plan to enhance plant efficiency, availability, and reliability. This ensures that we can engage existing and potential stakeholders with an increased level of confidence in our ability to be their energy provider of choice.

BOARD MATTERS

There was no change to the composition of the Board during the period under review. At this AGM, Mr. Adedeji Odunsi and Mr. Sang-Woo Park will be retiring by rotation and being eligible, have offered themselves for re-election in accordance with Article 88 of the Articles of Association of the Company and with the provisions of the Companies and Allied Matters Act 2020. The appointment of Mr. Ayodeji Gbeleyi, the Director General of the Bureau of Public Enterprises will also be presented to Shareholders for approval at this AGM.

CORPORATE GOVERNANCE

Our Corporate Governance structure and management system help us monitor and maintain an ethical, effective corporate culture with the goal of providing value for stakeholders and enabling sustainable growth. Our governance strategies, policies, processes, and procedures are implemented across our entire operations.

OPERATING RESULTS

In 2023, Egbin Power Plc demonstrated remarkable resilience amidst uncertainty in the industry, influenced by government policies and a challenging macroeconomic environment. Our financial performance showed significant growth of 116% from the previous year, with the highest revenue in the Company's history, totaling N230 billion. This performance was driven by several factors including the increase in foreign exchange rate in the tariff, increase in generation, and operational efficiencies.

Our commitment to strategic operational efficiencies and investment in maintenance led to a 38% increase in generation, from 428 MW in 2022 to 591 MW in 2023. This improvement demonstrates the business's willingness to grow and pursue sustainability.

Furthermore, whilst there was an overall loss for the business in 2023, our operating profit improved by 431% from a loss position of -N2 billion in 2022 to a positive position of N7.9 billion. This remarkable turnaround highlights the effectiveness of our strategic cost management culture.

The overall loss for the year amounted to N1.5 billion, a 93% reduction from N22 billion reported in 2022. These numbers, though not where we want to be, underscore the success of various strategies put in place to fully return the business to a profit position. We are confident that as we continue to drive the implementation of our strategic initiatives, we will deliver the required success and return our Company to a profitable position.

Despite the challenges that have stretched our capabilities, it is essential to recognize the unrelenting efforts and perseverance of the workforce at Egbin Power Plc, who were instrumental in achieving this remarkable turnaround in our operating results.

We reaffirm our commitment to delivering exceptional performance and building on our successes in 2023. We will continue to focus on enhancing operational excellence, maximizing our assets, and exploring innovative solutions to navigate the complexities of the power sector whilst ensuring sustained growth and improved performance.

FUTURE OUTLOOK

The Nigerian economy is poised for a transformative year in 2024, marked by both challenges and opportunities. As the global economic landscape continues to evolve, Nigeria's economy will likely experience a ripple effect. Global inflationary pressures may exacerbate domestic inflation, while foreign exchange volatility could impact costs of importation and local currency stability. Additionally, geopolitical tensions may affect global demand for Nigerian exports.

Despite these challenges, the Nigerian economy is expected to maintain a steady growth trajectory, albeit at a moderate pace. The International Monetary Fund (IMF) and World Bank have forecasted growth rates of 3.5% and 3.1%, respectively, for 2024. This growth is expected to be driven by various factors, including increased investment in key sectors, improved economic policies, and it is expected to drive higher energy demand, spur industrial expansion, and enhance the standard of living, all of which will necessitate increased generation capacity to meet the rising demand. This creates significant investment opportunities and revenue growth potential for power companies that are ready to capitalize on the growing energy needs of the economy.

Additionally, Nigeria is well-positioned to capitalize on several opportunities. The growing global demand for energy resources is expected to drive investment in the sector, creating new prospects for domestic power generation. Furthermore, the increasing focus on energy security and diversification presents chances for Nigeria to reduce its reliance on imported fuel and promote local energy solutions. The Nigerian Government's initiatives aimed at promoting economic growth, improving infrastructure, and enhancing the business environment are also expected to contribute to the country's economic expansion.

In this context, Egbin Power Plc is committed to playing a vital role in Nigeria's economic growth story. We will continue to invest in operational excellence, innovation, and customer satisfaction, ensuring reliable and efficient power generation to meet the country's increasing demand. By doing so, we aim to contribute to Nigeria's economic prosperity and support its journey towards becoming a leading economy in Africa.

CONCLUSION

Distinguished Shareholders, as always, I am very grateful for the dedication and loyalty of our staff, management, and Directors. Our people have continued over the years to be our most treasured assets and will continue to be because they are the essential internal customers through which we can continually deliver quality service to our external customers and the nation at large.

We are totally committed to the environment and sustainability principles. As I have always been, I am confident that the strategies being adopted by the Board and Management will put our Company on a sound footing to enjoy growth going forward despite the current economic challenges.

On behalf of the Management of the Company, I would like to say a heartfelt thank you to our dedicated employees, our host communities, our shareholders, regulators, partners, and Directors for their continued support and trust they place in us.

Thank you and God Bless.



Tope Shonubi
CHAIRMAN

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2023.

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 Egbina Power Station Complex, Egbina, 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:

	2023 N'000	2022 N'000
Revenue	230,094,000	106,426,203
Loss before taxation	(22,316,917)	(24,416,265)
Taxation	20,750,246	2,807,797
Loss for the year	(1,566,671)	(21,608,468)

Dividend

No dividend was paid or proposed during the year (2022: 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	2023		2022	
	No of shares	%	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	<u>25,000,000</u>	<u>100</u>	<u>25,000,000</u>	<u>100</u>
	2023		2022	
Authorised	N'000		N'000	
100,000,000 ordinary shares of ₦1 each (2022: 100,000,000 ordinary shares of ₦1 each)	<u>100,000</u>		<u>100,000</u>	
Issued				
25,000,000 ordinary shares of ₦1 each (2022: 25,000,000 ordinary shares of ₦1 each)	<u>25,000</u>		<u>25,000</u>	

Directors' Report

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
Alex Okoh	(Nigerian)	Director (Till 8th January 2024)
Sang-Woo Park	(Korean)	Director

In accordance with Section 303 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/CSR amounting to ₦120 million to charitable institutions and organizations during the year (2022: ₦56 million).

Events after the reporting date

There are no significant events after the reporting period which could have had a material effect on the state of affairs of the Company as at 31 December 2023.

Employee Health, Safety and Welfare

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

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

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

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

Auditors

In accordance with Section 401 (2) of Companies and Allied Matters Act of Nigeria, Messrs Pricewaterhousecoopers (Chartered Accountants), have indicated their interest to continue in office as auditors of the Company.

On behalf of the Board

.....
Company Secretary

Lanre Durojaiye

FRC/2022/PRO/ICSAN/002/127427

Audit, Risk & Governance Committee Report

To the Members of Egbin Power Plc

In compliance with Section 404(1) of the Companies and Allied Matters Act (CAMA 2020), we the members of the Audit, Risk and Governance Committee of Egbin power Plc, have reviewed the Audited Report for the year ended 31 December 2023 and hereby declare as follows:

1. The scope and planning of the audit for the year ended 31 December 2023 were adequate in our opinion;
2. The accounting and financial reporting policies of the Company conformed to legal requirements and agreed ethical practices;
3. The Internal Control and Internal Audit were operated effectively through robust internal control framework;
4. The External Auditor's findings as stated in the management letter received satisfactory response from Executive Management;
5. The External Auditors confirmed receiving full co-operation from the Company's management and that their scope of work was not restricted in any way.

Dated..... 26th September2024

.....
Mr. Kola Adesina
Chairman, Audit, Risk & Governance Committee
FRC/2016/PRO/DIR/003/00000014687

MEMBERS OF THE COMMITTEE

Mr. Kola Adesina	Chairman
Mr. Alex Okoh	Member
Mr. Ade Odunsi	Member
Prof. Attahiru Yusuf	Member

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 2023, 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 (Amendment) Act, 2023.

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 2023 were approved by Director on 26 September, 2024



Temitope Shonubi
Chairman
FRC/2018/PRO/DIR/003/00000018969



Ade Odunsi
Director
FRC/2013/PRO/DIR/003/00000005046

Statement of Corporate Responsibility for the Financial Reports

The Chief Executive Officer and Chief Financial Officer of Egbin Power Plc have reviewed the audited financial statements and accept responsibility for the financial and other information within the annual report.

The following certifications and disclosures regarding the true and fair view of the financial statements as well as the effectiveness of the Internal Controls established within the Company are hereby provided below:

Financial Information

- i The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- ii The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the period covered by the audited financial statement;

I Effective Internal Controls

Management is responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the Companies, particularly during the period in which the audited financial statement report is being prepared.

- ii Evaluated the effectiveness of the company's internal controls within 90 days prior to the date of its audited financial statements, and
- iii The Company's internal controls are effective as at 31 December 2023.

Disclosures

- i There were no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data. Furthermore, there were no identified material weaknesses in the Company's internal control systems.
- ii There were no fraud events involving management or other employees who have significant role in the Company's internal control, and;
- iii There were no significant changes in internal controls or in other factors that could significantly affect internal controls.

Emmanuel Udu
Chief Corporate Services Officer
FRC/2022/PRO/ICAN/002/805543

26 September, 2024

Yetunde Solinola
Ag. Chief Financial Officer
FRC/2023/PRO/ICAN/001/931145

26 September, 2024



Independent auditors' report

To the Members of Egbin Power Plc

Report on the audit of the financial statements

Our opinion

In our opinion, Egbin Power Plc's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with international financial reporting standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

What we have audited

Egbin Power Plc's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
 - the statement of financial position as at 31 December 2023;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of material accounting policies.
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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria

Key audit matters

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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Impairment of Trade and Other receivables (N47.5 billion)</p> <p>The accounting policies, critical accounting judgement and disclosures are set out in notes 3e, 4a and 15 to the financial statements.</p> <p>The financial assets in scope for IFRS 9 impairment are: trade receivables from customers, receivables from related parties and other receivables.</p> <p>Trade receivables from customers include amounts due from Nigerian Bulk Electricity Trading Plc ("NBET"), Eko Electricity Distribution Company ("Eko Disco") and Transmission Company of Nigeria.</p> <p>Trade receivable from related parties includes amount due from Ikeja Electric. Other receivables include amounts due from Nigerian Gas Company Limited (NGC) and National Control Centre (NCC).</p> <p>The company recognised credit losses based on the "simplified approach" for trade receivables from customers, receivables from related parties, and other receivables.</p> <p>The estimation performed by management requires significant judgement in the determination of key assumption for the simplified approach, such as:</p> <ul style="list-style-type: none"> • the historical settlement pattern to estimate the loss rate; and • the forward-looking information, such as inflation rate and GDP rate. <p>We focused on this area because of the materiality of the trade and other receivable of N208 billion (with the resulting impairment loss of N47.5 billion) and because it requires significant judgement</p>	<p>Audit procedures performed to test impairment of trade and other receivables include:</p> <ul style="list-style-type: none"> • Evaluated the reasonableness of the method applied by management to calculate the impairment provision for trade and other receivables. • Involved the services of our accounting specialists in testing the reasonableness of management's assumptions, which include historical loss rates, settlement patterns, inflation rate and GDP rate. • Reviewed letter from NBET guaranteeing the amounts owed to Egbin Power Plc. Also tested subsequent receipts from NBET confirming the collectability of the amounts outstanding as at the end of the year. • Compared the impairment amount calculated by our specialist to the amount recognised by management. • Checked the appropriateness of IFRS 9 disclosures made in the financial statements.



both for timing of recognition of impairment and estimation of amounts of such impairments.	
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Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Audit, Risk & Governance Committee report, Statement of Directors' responsibilities, Statement of Corporate responsibility for the financial reports, Value added statement, 5-year financial summary, Statement of profit or loss and other comprehensive income (USD), Statement of financial position (USD), Statement of changes in equity (USD), and Statement of cash flows (USD), but 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed, 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.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria (Amendment) Act, 2023, 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in



accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- 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 related 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. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

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

Report on other legal and regulatory requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) the company has kept proper books of account, so far as appears from our examination of those books;
 - iii) the company's statement of profit or loss and other comprehensive income and statement of financial position are in agreement with the books of account and returns.
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For: **PricewaterhouseCoopers**

Chartered Accountants

Lagos, Nigeria

Engagement Partner: Cyril Azobu

FRC/2013/PRO/ICAN/004/00000000648



30 September 2024

Statement of profit or loss and other comprehensive income

		31 December 2023	31 December 2022
	Note	N'000	N'000
Revenue	5	230,094,000	106,426,203
Cost of sales	6	(205,964,510)	(99,830,288)
Gross profit		24,129,490	6,595,915
Impairment loss	7.4	(9,645,748)	(4,443,875)
Administrative expenses	8	(6,525,792)	(4,555,584)
Operating profit/(loss)		7,957,950	(2,403,544)
Finance income	7.1	2,496,799	1,697,517
Finance cost	7.2	(1,432,066)	(1,604,138)
Other losses	7.3	(31,339,600)	(22,106,100)
Loss Profit before taxation		(22,316,917)	(24,416,265)
Tax expense credit	11	20,750,246	2,807,797
Loss for the year		(1,566,671)	(21,608,468)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in Decommissioning estimate	21	69,274	3,354,355
Total comprehensive loss for the year		(1,497,397)	(18,254,113)
Loss per share - Basic & Diluted (Naira)	24	(63)	(864)


The explanatory notes on pages 18 to 45 form an integral part of these financial statements.


Statement of financial position


	Note	31 December 2023 N'000	31 December 2022 N'000
ASSETS			
Non-current assets			
Property, plant and equipment	12,12a	238,967,032	251,470,218
Intangible assets	13	149,004	176,507
Total non-current assets		239,116,036	251,646,725
Current assets			
Inventories	14	2,156,663	1,071,648
Trade and other receivables	15	160,492,438	112,698,775
Other assets	16	4,253,516	2,311,633
Restricted cash	17	2,673,454	3,837,005
Cash and cash equivalents	18	19,016,158	14,246,219
Total current assets		188,592,229	134,165,280
TOTAL ASSETS		427,708,265	385,812,005
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	25,000	25,000
(Accumulated losses)/retained earnings		(364,671)	1,202,000
Revaluation surplus		320,975,155	320,975,155
Other reserves	25	(124,727,466)	(124,796,740)
Total equity		195,908,018	197,405,415
Non-current liabilities			
Deferred tax liabilities	11.3	46,062,045	68,042,229
Provision for decommissioning obligation	21	11,599,321	10,282,511
Total non-current liabilities		57,661,366	78,324,740
Current liabilities			
Trade and other payables	19	172,777,237	109,155,200
Current tax liabilities	11.1	1,361,644	926,650
Total current liabilities		174,138,881	110,081,850
TOTAL LIABILITIES		231,800,247	188,406,590
TOTAL EQUITY AND LIABILITIES		427,708,265	385,812,005

The financial statements and notes from pages 14 to 45 were approved by the Board of Directors of the Company on.....26th September... , 2024. They were signed on its behalf by:


 Emmanuel Udu
 Chief Corporate Services Officer
 FRC/2022/PRO/ICAN/002/805543


 Temitope Shonubi
 Chairman
 FRC/2018/PRO/DIR/003/00000018969


 Yetunde Sorinola
 Ag. Chief Financial Officer
 FRC/2023/PRO/ICAN/001/931145


 Ade Odunsi
 Director
 FRC/2013/PRO/DIR/003/00000005046

Statement of changes in equity

	Note	Share Capital N'000	Retained Earnings/ Accumulated losses N'000	Revaluation reserve N'000	Other Reserves N'000	Total Equity N'000
Balance at 1 January 2022		25,000	22,810,468	320,975,155	(128,151,095)	215,659,528
Loss for the year		-	(21,608,468)	-	-	(21,608,468)
Changes in Decommissioning estimate		-	-	-	3,354,355	3,354,355
Total comprehensive (loss)/income for the year		-	(21,608,468)	-	3,354,355	(18,254,113)
Balance at 31 December 2022		25,000	1,202,000	320,975,155	124,796,740	197,405,415
Loss for the year		-	(1,566,671)	-	-	(1,566,671)
Changes in Decommissioning estimate		-	-	-	69,274	69,274
Total comprehensive (loss)/ income for the year		-	(1,566,671)	-	69,274	(1,497,397)
Balance at 31 December 2023	23 & 25	25,000	(364,671)	320,975,155	(124,727,466)	195,908,018

The explanatory notes on pages 18 to 45 form an integral part of these financial statements.

Statement of Cash Flows

	Notes	31 December 2023 N'000	31 December 2022 N'000
Cash flows from operating activities			
Loss before tax		(22,316,917)	(24,416,265)
Adjustments for:			
Depreciation on generation assets	6	11,873,616	7,992,131
Depreciation on non generation assets	8	1,246,144	1,173,424
Amortization on intangible assets	8	60,754	43,745
Impairment loss -Receivables	7.4	9,645,748	4,443,875
Accretion expense	7.2	1,386,082	1,558,154
Gain on assets disposal	7.3	(1,979)	(534)
Net foreign exchange differences		876,851	109,855
Interest on fixed deposit	7.1	(2,496,799)	(1,697,517)
		22,590,417	13,623,133
Movements in working capital			
Increase in trade and other receivables	15	(57,439,411)	(6,054,421)
(Increase)/Decrease in other assets	16	1,941,883	1,572,359
Increase in inventories	14	(1,085,015)	(1,057,359)
Increase/(Decrease) in trade and other payables	19	63,622,040	2,403,092
Total adjustments and movements		25,746,148	5,680,310
Income taxes paid	11.1	(794,944)	(1,947,061)
Net cash generated from/(used in) operating activities		2,634,287	20,683,016
Cash flows from investing activities			
Purchase of property plant & equipment, and intangible assets	12 & 13	654,028	1,317,434
Disposal of fixed assets	12	6,180	734
Interest received on fixed deposits	7.1	2,496,799	1,697,517
Decrease/(Increase) in restricted cash	17	1,163,552	628,860
Net cash generated from/(used in) investing activities		3,012,503	(248,043)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		5,646,790	20,931,058
Gross cash and cash equivalents at beginning of the year		14,246,219	35,287,132
Effects of exchange rate changes on cash and cash equivalents		876,851	109,855
Gross cash and cash equivalents at end of the year		19,016,158	14,246,219

The explanatory notes on pages 18 to 45 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 1 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 KEPCOC in November 2013 to provide operation and maintenance services on its plant.

1.1 Shareholding structure

The shareholding structure of the Company is as follows:

	N'000	%
KERL 17,500,000 ordinary shares of ₦1 each	17,500	70
BPE 6,000,000 ordinary shares of ₦1 each	6,000	24
Ministry of Finance Incorporated 1,500,000 ordinary shares of ₦1 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

1.3 Financial period

These financial statements cover the financial year from 1 January 2023 to 31 December 2023, with comparative figures for the financial year ended 31 December 2022.

1.4 Composition of financial statements

The financial statements are presented in Nigerian Naira (NGN), the functional currency of Egbin Power Plc, in accordance with IFRS accounting presentation. 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

Other information provided by management includes:

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

15.1 Going concern

The management of Egbin Power Plc (“EGBIN”) has continually assessed the going concern of the Company and as at the end of the financial year 2023, 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 of the company 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.

Notes to the Financial Statements

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 2023

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

Amendments to accounting standards that became effective during the year

IAS 1 — Presentation of Financial Statements (Effective date is 1 January 2023)

IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. Effective January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments are effective for reporting periods beginning on or after January 1, 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted.

IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors (Effective date is 1 January 2023)

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. Effective January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IFRS 17 — Insurance Contracts. (Effective date is 1 January 2023)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.] Effective January 1, 2021. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Amendments to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. (Effective date is 1 January 2023)

The IASB issued on May 7, 2021, the Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12), which clarifies how companies shall account for deferred tax on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice.

The above amendments do not have a material impact on the entity's financial statements in the current and prior period.

Notes to the Financial Statements

International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS (Pillar Two model rules). In March 2022, the OECD released commentary and illustrative examples that elaborate on the application and operation of the rules and clarify certain terms. Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The stakeholders emphasised an urgent need for clarity given the imminent enactment of tax law to implement the rules in some jurisdictions. In response to stakeholder concerns, the IASB proposed amendments to IAS 12 Income Taxes. It issued Exposure Draft International Tax Reform—Pillar Two Model Rules (Proposed Amendments to IAS 12) on 9 January 2023. Given the urgent requirement for clarity, a shorter comment period of 60 days was provided. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules on 23 May 2023.

The Amendments introduce a temporary exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

2.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 - Climate-related Disclosures. &

Lack of Exchangeability – Amendments to IAS 21 - 1 January 2025.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 - Available for optional adoption/effective date deferred indefinitely.

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 2023.

The financial statements have been prepared on a historical cost basis except for the property, plant & equipment balance which has been measured 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.

Material 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.

Notes to the Financial Statements

A. Revenue recognition

Revenue from sale of electricity to Nigeria Bulk Electricity Trading Plc (NBET), it is measured at the fair value of the consideration received or receivable, net of value added tax (VAT). Revenue is recognised when title to, and control of the electricity is passed to the customer (NBET) i.e. when electricity is delivered to the delivery point in accordance with the Power Purchase Agreement (PPA). Revenue is earned over time in line with the continuous generation of power from the Company's generating plant. Revenue (capacity and energy) is the total pre- agreed tariff set out in the PPA with Nigeria Bulk Electricity Trading Plc (NBET) at the time the utility service is rendered.

The revenue also includes bilateral sales to Ikeja Electric in respect of energy generated from Unit 6. The units are based on energy volumes received by Ikeja Electric. The Company also generates additional revenue based on a compensating fee received from the System Operator (National Control Centre) in respect of spinning reserves. This arises when the Company has been requested to step down its supply of power in order to prevent damage to the national grid.

Performance Obligation

Revenue is recognised when the electricity generated is sent to the National Grid and acknowledged by the Nigeria Bulk Electricity Trading Plc (NBET). This consideration is unconditional because only the passage of time is required before the payment is due.

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. All asset are estimated to be revalued every 5years.

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, Plant and Equipment and depreciated accordingly with similar assets.

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

Generation assets		
Asset Class	Rate/Useful life (yrs.)	Basis
Plant and machineries	Unit of production method based on machineusage hours	Capacity Utilisation
Generation plant buildings (Including Auxiliary plant)	50	Estimated Useful life

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 company's policy is to capitalize assets where it is probable that future economic benefits will flow to the entity from the use of the assets, and the cost can be measured reliably. The capitalization threshold are items valued above one hundred thousand naira. All assets are estimated to be revalued every 5 years.

Notes to the Financial Statements

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

Non-generation assets		
Asset Class	Rate/Useful life (yrs.)	Basis
Land	Nil	N/A
Buildings	50	Estimated Useful life
Building Improvement	20	Estimated Useful life
Equipment	Computer (4) , Communication (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
Intangible Assets	Computer software (4)	Estimated Useful life

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.

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 judgement 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 no future economic benefits are expected from its use. 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:

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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 cash equivalents, restricted cash, and trade and other receivables.

Notes to the Financial Statements

Classification and subsequent measurement:

The Company classifies and measures its financial assets at an amortised cost.

Financial assets measured at amortized cost - Subsequent measurement and gains & losses

Financial assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

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.

Financial instruments (continued)

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.

Impairment of financial assets

The company applies the IFRS 9 simplified approach to measure the expected credit losses (ECL) which uses a lifetime expected loss allowance for all financial assets except cash & cash equivalents which is based on general approach. The impairment on cash and cash equivalent have however been assessed to be immaterial. To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and days past due. The expected loss rate are based on the payment profiles of sales over a period of 48 months before 31st December 2022 and corresponding historical credit losses experienced within this period. The historical loss rate are adjusted to reflect current and forward looking information on macroeconomic factors such as, inflation and GDP affecting the ability of the customers to settle the receivables.

The simplified approach requires expected lifetime losses to be recognized from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward- looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Financial Statements

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 15 business days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset. Financial assets not classified at fair value through profit or loss are assessed at each reporting date.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and recognised in profit or loss under the administrative expenses.

Financial liabilities

Initial recognition and measurement

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus attributable transaction costs. The Company's financial liabilities include trade and other payables.

Subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

If there is a change in the timing or amount of estimated cash flows, then the amortised cost of the financial liability (or group of financial instruments) is adjusted in the period of change to reflect the revised actual and estimated cash flows, with a corresponding income or expense being recognised in profit or loss.

Offsetting financial instruments

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

Notes to the Financial Statements

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.

Trade and Other Payables

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 accretion on decommissioning liabilities and impairment losses recognized on financial assets. Finance income comprises interest earned on cash and cash equivalents and short-term investments through profit or loss.

F. Employee 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.

G. 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.

Cost is determined by the weighted average cost 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.

H. 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

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 revalued 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. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the revalued amount of that asset. If it does, any excess over the revalued 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 revalued 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 revalued 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.

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 2035, based on its operating life. This provision has been created based on management's best estimates as at the 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 fair values of these asset retirement obligations are recorded on a discounted basis, at the time the obligation is incurred, and accreted overtime for the change in present value. The estimate for the decommissioning liability was calculated based on the plant capacity for the year, expected scrap value of the steel components factoring the Federal Government of Nigeria (FGN) 12-year tenor bond at the rate of 12.5% (2022: 13.82%) 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.

I. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are reported at the foreign exchange rate prevailing at that date. Foreign currency differences are generally recognised in profit or loss and presented within finance cost or income except where they are regarded as an adjustment to borrowing costs and as such capitalised as part of property, plant and equipment.

J. 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.

Notes to the Financial Statements

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 2.5% of the assessable profit in line with the Finance Act 2021. Minimum tax according to the Finance Act 2020 is 0.5% of gross annual turnover less franked investment income.

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.

Deferred tax assets and deferred tax liabilities are offset to the extent of the company's legal right and intention to settle current tax liabilities on a net basis.

K. Intangible assets

1. 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.

The company uses the revaluation model for its intangible assets, and are classified as finite.

Management has assessed the frequency of the revaluation to be between 3 to 5 years, as the volatility of the **fair value is deemed low**.

L. 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.

M. Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price is recorded in the share premium reserve.

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. The company have trade and other receivables, and cash and short-term deposits that arise directly from its operations. During the year ended 31 December 2023, the company has been exposed to energy market risk, credit risk, foreign currency exchange risk, and treasury risk.

Notes to the Financial Statements

(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 expected credit loss is analysed at each reporting date and this is estimated by management taking into account forward looking information 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 gross of the allowance for recoverability provision. The policy of the organization is to make provision and write offs for receivable balance above 365days.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023.

Total trade receivables

Age of trade receivables	Current Invoices	0 - 30 days	31 - 90 days	90 - 180 days	181 - 270 days
Gross carrying amount (N'000)	44,538,015	12,330,839	16,976,251	31,697,368	10,666,974
Loss rate	0.00%	14.20%	17.37%	27.98%	34.79%
Lifetime ECL (N'000)	-	1,750,955	2,948,263	8,867,592	3,711,310

Age of trade receivables (cont.)

	271 - 365 days	Above 365 days	Management overlay	Total
Gross carrying amount (N'000)	8,750,799	25,626,360	56,770,273	207,356,880
Loss rate	52.47%	100.00%	0.00%	
Lifetime ECL (N'000)	4,591,349	25,626,360	-	47,495,828

Gross carrying amount comprises trade receivables (Note 15), and related party receivables - Ikeja Electric (Note 20.2)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022

Total trade receivables

Age of trade receivables	0 - 30 days	31 - 90 days	90 - 180 days	181 - 270 days
Gross carrying amount (N'000)	13,911,830	11,887,207	4,521,794	7,436,169
Loss rate	9.87%	16.20%	19.06%	28.46%
Lifetime ECL (N'000)	1,372,482	1,925,308	861,871	2,116,428

Age of tradereceivables

	271 - 365 days	Above 365 days	Management overlay	Total
Gross carrying amount (N'000)	8,835,912	26,613,824	76,891,971	150,098,706
Loss rate	56.14%	100.00%	0.00%	
Lifetime ECL ('000)	4,960,166	26,613,824	-	37,850,080

Notes to the Financial Statements

Management overlay

Management overlay relates to NBET balances that have been outstanding above 365 days and are not deemed lost based on industry trends. Due to recent commitment and cash inflows from NBET, management is optimistic that these balances are recoverable and will be fully settled.

Sensitivity of Expected credit loss

The table below demonstrates the sensitivity to a 10% increase or decrease in the loss rates on trade receivables, for each customer group, with all other variables held constant:

Effect on profit before tax (PBT)	2023 ₦'000	2022 ₦'000
Increase/decrease in estimated loss rates		
+10%	(4,749,583)	(3,785,008)
-10%	4,749,583	3,785,008

Cash and cash equivalents

The Company held cash and cash equivalents of ₦19.01 billion (excluding cash in hand) as at year end (2022: ₦14.25 billion) which represents its maximum credit exposure on these assets.

The cash and cash equivalents (with the exception of ₦4.50 million held as cash) of the Company are held by banks and financial institutions. The Company mitigates the credit risk exposure of its bank balances by selecting reputable banks with good credit ratings and a history of strong financial performance.

The following table provides information about the exposure to ECLs for cash and cash equivalents as at 31 December 2023.

	2023	2022
ECL stage 1		
Carrying amount (₦'000)	19,016,158	14,246,219
Loss rate	0%	0%
ECL	-	-

The Company considers the expected credit losses on its cash and cash equivalents to be qualitatively immaterial.

Counterparties with external credit ratings	2023 ₦'000	2022 ₦'000
Cash and equivalents		
Unrated (cash in hand)	4,504	1,295
B-	19,011,654	14,244,924
Total cash and cash equivalents	19,016,158	14,246,219

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has a clear focus on ensuring sufficient access to capital to finance growth.

The following are the remaining contractual maturities of financial liabilities, excluding the impact of netting agreements:

	Contractual 2023 ₦'000	cash flows 2022 ₦'000
Trade and other payable		
Carrying amount	172,777,237	109,155,200
2 months or less	430,272	83,868
2-12 months	172,346,965	109,071,332
Total	172,777,237	109,155,200

Notes to the Financial Statements

(d) 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 18, and the reserves in the statement of changes in equity. The company does not have borrowings, as such there is no gearing ratio.

(e) Market risk

Currency risk:

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. Some of the Company's business activities and transactions (such as hire and other services) are done in a foreign currency, mainly the US Dollar. A change in the value of any such foreign currency could have an effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk as a result of cash balances denominated in a currency other than the Naira.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings.

The huge foreign exchange loss of N31.4bn is as a result of the naira devaluation and the federal government's introduction of willing buyer -willing seller floating exchange rate regime.

Foreign currency denominated balances

	2023 N'000	2022 N'000
Financial assets:		
Cash and cash equivalents	903,074	910,459
Financial liabilities:		
Trade and other payables	230,707	1,283
Payable to related companies	52,037,124	21,981,485
	<u>52,267,831</u>	<u>21,982,768</u>
Net foreign currency denominated balances	<u>51,364,757</u>	<u>21,072,308</u>

Sensitivity analysis for foreign exchange risk

A strengthening of the USD, as indicated below against the Naira at 31 December would have affected profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022 albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

Impact on profit or loss

20% change in exchange rates	(10,272,951)	(4,214,462)
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Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The company does not have any borrowings, hence not exposed to this risk.

Price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. The company has no financial instrument exposed to price risk.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In determining and applying accounting policies, judgement 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.

Notes to the Financial Statements

(a) Impairment of trade receivables

Trade receivables are stated net of expected credit loss. 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 and other forward looking information within which the company operates, liquidity matters amongst the market participants and related government policies and plans. These estimates and assumptions involves forward looking information and a significant degree of judgement.

(b) Impairment of property, plant and equipment

Impairment of property, plant and equipment, and intangible 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 judgement 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.

© Contingencies

Appropriate disclosure of contingent liabilities is made regarding litigation, tax matters, and environmental issues, among others. Accounting for contingencies requires significant judgement 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 judgement in applying IAS 37 'Provisions, Contingent liabilities and Contingent assets' to these matters during the year.

(d) 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.

Sensitivity analysis for decommissioning liability

Assumptions	2023	2022
Inflation rate	3.4%	6.5%
Discount rate	14.9%	13.5%
Exchange rate as at 31Dec	907.11	447.79
Salvage value of scrap metal (₦000)	<u>4,483,550</u>	<u>2,238,950</u>

The changes in Decommissioning estimate recognised in the period is impacted by a variety of factors, as described above.

The table below shows information on the sensitivity of the changes in Decommissioning estimate of the Company's decommissioning liabilities to the methods, assumptions and estimates used in calculating changes in Decommissioning estimate at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the decommissioning liabilities.

Changes in assumptions	Impact on other comprehensive income	
	2023	2022
	'000	'000
Inflationrate-Increaseby 10%	76,201	3,689,791
Discontrate - Increaseby 10%	83,821	4,058,770
Exchangerate as at 31 Dec 2023 - Increaseby 10%	83,821	4,058,770
Salvagevalue of scrapmetal (NGN) - Increaseby 10%	83,821	4,058,770
Inflationrate -Decreaseby 10%	62,346	3,018,920
Discontrate - Decreaseby 10%	56,112	2,717,028
Exchangerate as at 31 Dec 2023 - Decreaseby 10%	56,112	2,717,028
Salvagevalue of scrapmetal (NGN) - Decreaseby 10%	56,112	2,717,028

Notes to the Financial Statements

5	Revenue	2023 N'000	2022 N'000
	This represents revenue generated from electricity sales over time.		
	Sale of electricity (Note 5.1)	230,082,339	106,413,774
	Other electricity bills (Note 5.2)	11,661	12,429
		230,094,000	106,426,203
5.1	Sale of electricity		
	This 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	Other electricity bills		
	This represents billings to third parties for usage of portion of energy imported by the Company from the National Grid.		
6	Cost of sales	2023 N'000	2022 N'000
	Operations & maintenance and implementation service fees (Note 6.1)	72,990,947	31,404,731
	Gas consumed	99,457,258	47,159,591
	Depreciation on generation assets (Note 12c)	11,873,616	7,992,131
	Salaries and benefits	2,064,842	1,870,637
	Regulatory charges (Note 6.2)	2,202,859	1,036,383
	Other staff welfare	263,274	254,624
	Other plant maintenance cost	17,111,714	10,112,191
		205,964,510	99,830,288
6.1	Operations & maintenance and implementation service fees		
	This relates to operations and maintenance (O&M), technical services and operational support cost rendered by Kepco Energy Resource Ltd (BVI). The fees were charged in line with the O&M contract between the Company and KERL (BVI). It also includes other O&M cost, facilities maintenance, and other ancillary support services. See Note 20.6 for details of transactions with KERL (BVI) in the year.		
		2023 N'000	2022 N'000
	Operations & maintenance cost	72,990,947	31,404,731
		72,990,947	31,404,731
6.2	Regulatory charges		
	This 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	2023 N'000	2022 N'000
7.1	Finance income		
	Interest on short term deposits	2,496,799	1,697,517
		2,496,799	1,697,517

Notes to the Financial Statements

	2023 N'000	2022 N'000
7.2 Financecost		
Accretion expense (Note 21)	1,386,082	1,558,154
Letters of credit charges	45,984	45,984
	1,432,066	1,604,138
7.3 Other losses		
Gain on disposal of fixed assets	1,979	534
Net foreign exchange loss	31,486,677	22,150,786
Other income	145,098	44,152
	31,339,600	22,106,100
7.4 Impairment of receivables		
Impairment loss	9,645,748	4,443,875
This relates to impairment of trade receivables.		
Breakdown of impairment:		
Receivables (Note 15.1)	9,645,748	4,443,875
	9,645,748	4,443,875
8 Administrative expenses		
Depreciation on non-generation assets (Note 12c)	1,246,144	1,173,424
Amortization on intangible assets (Note 13)	60,754	43,745
Salaries and benefits	783,866	678,772
Repairs and maintenance	2,310,035	1,089,655
Motor running expenses	478,757	395,015
Safety & security	266,765	192,868
Other staff welfare	384,261	277,305
Other professional fees (Note 9.2)	40,974	98,405
Community expenses/CSR	120,468	55,207
Travelling and transportation	224,495	128,867
Bank charges	26,739	34,358
Office & IT consumables	100,864	68,715
Audit fees (Note 9.1)	61,727	53,051
Directors fees and expenses	163,745	93,893
Entertainment and advertisement	84,560	56,260
Insurance	19,378	21,346
Regulatory expenses	72,521	16,100
Other expenses	79,739	78,598
	6,525,792	4,555,584

Other expenses relate to miscellaneous expenses not captured in the headings.

Notes to the Financial Statements

9. Professional fees

9.1 Audit Fees	61,727	53,051
No non-audit services was provided by our external auditors during the course of the year.		
9.2 Other professional fees		
- Consultancy fees	40,974	72,778
- Legal services	-	25,626
	<u>40,974</u>	<u>98,404</u>

10 Profit before tax	2023	2022
This is stated after charging/crediting:	N'000	N'000
Auditor's remuneration	61,727	53,051
Depreciation	13,119,760	9,165,555
Other gains/(losses)	<u>31,339,600</u>	<u>22,106,100</u>

11 Income tax expense	2023	2022
Per profit or loss	N'000	N'000
Income tax	1,164,890	545,609
Education tax	100,494	136,369
Total income tax expense	<u>1,265,384</u>	<u>681,979</u>
Prior year tax over provision	35,446	-
Deferred tax (Note 11.3)	<u>21,980,184</u>	<u>3,489,776</u>
	<u>20,750,246</u>	<u>2,807,797</u>

11.1 Current tax liabilities	2023	2022
	N'000	N'000
Current tax		
At 1 January	926,650	2,191,732
Prior year tax overprovision	35,446	-
Total income tax expense	1,265,384	681,979
Payments during the year	794,944	1,947,061
At 31 December	<u>1,361,644</u>	<u>926,650</u>

Notes to the Financial Statements

11.2 Reconciliation of effective tax rate	2023 N'000	2022 N'000
Loss before tax from continuing operations	(22,316,917)	(24,416,265)
Income tax expense calculated at 30% of PBT	6,695,075	7,324,880
Effect of:		
Education Tax	100,494	136,369
Impact of temporary differences	(21,980,184)	(3,489,776)
Impact of non-taxable income	(2,389,516)	1,401,560
Impact of capital allowances	(207,342)	-
Impact of disallowable expenses	10,089,530	6,624,100
Impact of minimum tax	367,294	-
Prior year gas estimate adjustment under pioneer	-	(233,257)
Investment Allowance	-	(8,933)
Prior year tax underprovision	35,446	87,020
Total tax credited to income statement	(20,750,246)	(2,807,797)

11.3 Deferred tax liabilities	2023 N'000	2022 N'000
Deferred tax		
At 1 January 2023	68,042,229	71,532,005
Recognised in statement of profit or loss	21,980,184	3,489,776
Recognised in other comprehensive income	-	-
At 31 December 2023	46,062,045	68,042,229

11.4 Analysis of deferred tax	Property, plant and equipment N'000	Other provisions N'000	Total N'000
<i>Deferred tax asset:</i>			
At 1 January 2022;	9,227,651	-	9,227,651
Credited to the income statement	1,662,659	1,827,117	3,489,776
At 31 December 2022	10,890,311	1,827,117	12,717,427
Credited to the income statement *	3,645,745	18,334,439	21,980,184
At 31 December 2023	14,536,056	20,161,555	34,697,611
<i>Deferred tax liability:</i>			
At 1 January 2022;	77,405,624	3,354,032	80,759,656
Charged to the income statement -	-	-	-
At 31 December 2022	77,405,624	3,354,032	80,759,656
Charged to the income statement -	-	-	-
At 31 December 2023	77,405,624	3,354,032	80,759,656

* Amount credited to other provisions (income statement) in current year relates to asset retirement obligation & impairment provisions of ₦18.057m, and unrealised exchange difference of ₦277m.

Notes to the Financial Statements

12 Property, Plant and Equipment

	GENERATION ASSETS			NON - GENERATION ASSETS					CAPITAL WORK IN PROGRESS	
	Plant and machinery	Auxiliary plant & building	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 2022	570,415,845	54,910,427	3,159,414	514,216	675,701	589,144	16,719,326	17,908,783	588,992	665,481,848
Additions	2,795	-	-	108,736	180,535	449,408	-	404,735	4,273	1,150,483
Transfers	-	-	-	17,873	-	1,597	-	-	19,470	-
Disposals	-	-	-	426	-	-	-	-	-	426
At 31 December 2022	570,418,640	54,910,427	3,159,414	640,399	856,236	1,040,149	16,719,326	18,313,518	573,795	666,631,905
At 1 January 2023	570,418,640	54,910,427	3,159,414	640,399	856,236	1,040,149	16,719,326	18,313,518	573,795	666,631,905
Additions	-	-	-	229,975	55,416	159,473	-	58,334	117,580	620,776
Disposals	-	-	-	-	-	35,127	-	-	-	35,127
At 31 December 2023	570,418,640	54,910,427	3,159,414	870,374	911,651	1,164,496	16,719,326	18,371,852	691,374	667,217,554
Accumulated depreciation										
At 1 January 2022	353,331,703	45,984,743	1,156,298	175,318	267,903	265,881	-	4,814,510	-	405,996,357
Charge for the year	7,268,161	634,177	89,794	92,804	114,632	229,086	-	736,901	-	9,165,555
Disposal	-	-	-	226	-	-	-	-	-	226
At 31 December 2022	360,599,863	46,618,920	1,246,092	267,896	382,535	494,968	-	5,551,412	-	415,161,687
At 1 January 2023	360,599,863	46,618,920	1,246,092	267,896	382,535	494,968	-	5,551,412	-	415,161,687
Charge for the year	11,056,369	634,188	183,059	120,358	142,966	227,348	-	755,473	-	13,119,760
Disposal	-	-	-	-	-	30,926	-	-	-	30,926
At 31 December 2023	371,656,233	47,253,108	1,429,151	388,254	525,501	691,390	-	6,306,885	-	428,250,521
Carrying amount										
At 31 December 2023	198,762,407	7,657,319	1,730,263	482,120	386,150	473,106	16,719,326	12,064,967	691,374	238,967,032
At 31 December 2022	209,818,776	8,291,507	1,913,322	372,503	473,701	545,181	16,719,326	12,762,106	573,795	251,470,218

2023
'000

2022
'000

Revaluation reserve as at 1st January

320,975,155

320,975,155

Revaluation reserve as at 31st December

320,975,155

320,975,155

Revaluation reserves not available for distribution to shareholders.

Notes to the Financial Statements

12a 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 expect 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. None of these assets are pledged as collateral for loans.

12b	2023	2022
Additions to Property, Plant and Equipment	N'000	N'000
Property, Plant and Equipment		
Additions	620,776	1,169,953
Transfers from WIP	-	(19,470)
Total additions	<u><u>620,776</u></u>	<u><u>1,150,483</u></u>
	2023	2022
	N'000	N'000
12c		
Classification of depreciation		
Total depreciation	13,119,760	9,165,555
Generation assets (Note 6)	11,873,616	7,992,131
Non-generation assets (Note 8)	1,246,144	1,173,424
Total depreciation	<u><u>13,119,760</u></u>	<u><u>9,165,555</u></u>
	2023	2022
	N'000	N'000
13.		
Intangible assets	Software	Software
Cost		
At 1 January	252,097	85,145
Additions	33,251	166,951
At 31 December	<u><u>285,348</u></u>	<u><u>252,097</u></u>
Accumulated amortisation and impairment		
At 1 January	75,590	31,845
Charge for the year	60,754	43,745
	<u>136,344</u>	<u>75,590</u>
Carrying amount		
At 31 December	<u><u>149,004</u></u>	<u><u>176,507</u></u>
	2023	2022
	N'000	N'000
13a.		
Additions to Intangible assets		
Additions	33,251	166,951
Total addition	<u><u>33,251</u></u>	<u><u>166,951</u></u>

Notes to the Financial Statements

	2023 N'000	2022 N'000
14 Inventories		
Premium motor spirit	9,656	617
Spares and consumables	2,135,360	1,058,195
Automotive gas oil	11,647	12,836
	<u>2,156,663</u>	<u>1,071,648</u>
15. Trade and other receivables		
	2023 N'000	2022 N'000
Trade receivables	188,092,899	129,834,725
Amounts due from related parties (Note 20.1)	19,278,305	20,277,197
Other receivables*	597,062	416,934
Unpaid share capital	20,000	20,000
	<u>207,988,266</u>	<u>150,548,855</u>
Expected credit loss (Note 15.1)	47,495,828	37,850,080
Net trade and other receivables	<u>160,492,438</u>	<u>112,698,775</u>

* Other receivables relate to accrued interest on short term deposits and other transactions not related to electricity sales.

	2023 N'000	2022 N'000
15.1 Movement in expected credit loss allowance		
At 1 January 2023	37,850,080	33,406,205
Impairment loss	9,645,748	4,443,875
Balance as at 31 December 2023	<u>47,495,828</u>	<u>37,850,080</u>

	2023 N'000	2022 N'000
16 Other assets		
Advances	3,663,684	1,945,260
Prepayments	589,832	366,373
	<u>4,253,516</u>	<u>2,311,633</u>

17 Restricted cash		
Cash cover for bank guarantees*	2,673,454	3,837,005

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

	2023 N'000	2022 N'000
18 Cash and cash equivalents		
Investments in fixed deposit (Note 18.1)	15,973,413	10,979,807
Cash in bank	3,038,241	3,265,117
Cash at hand	4,504	1,295
	<u>19,016,158</u>	<u>14,246,219</u>

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

Notes to the Financial Statements

19 Trade and other payables	2023 N'000	2022 N'000
Amounts due to related parties (Note 20.5)	64,222,134	28,287,221
Trade creditors	93,073,792	70,597,207
Accruals and other creditors	15,481,311	10,270,772
	172,777,237	109,155,200

20 Related party transactions

20.1 Amounts due from related companies	2023 N'000	2022 N'000
Ikeja Electric (Note 20.2)	19,263,981	20,263,981
First Independent Power Ltd (Note 20.8)	3,395	3,395
Sahara Energy Resources Limited (Note 20.3)	9,821	9,821
WAG Limited (Note 20.4)	1,108	-
	19,278,305	20,277,197

Parent and ultimate controlling party

The parent company of Egbin Power Plc is KEPCO Energy Resource Limited ("KERL"), with 70% shareholding.

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 Company had the following transactions with the under-listed related parties during the year:

20.2 Ikeja Electric

Ikeja Electric Plc is an affiliated entity owned by Sahara group. On 18 December 2015, Ikeja Electric Plc entered into a memorandum of understanding (bilateral arrangement) with Egbin Power Plc. in respect of electricity sales from Unit 6. Accrued during the year is recorded within "revenue" (Note 5) under "profit or loss". The amount represents receivables due from Ikeja Electric, a related entity, under the bilateral arrangement. See transaction details below.

	2023 N'000	2022 N'000
Opening balance	20,263,981	20,267,613
Adjustment to invoice	-	3,632
Total payments	1,000,000	-
Total amount due as at end of the period	19,263,981	20,263,981

20.3 Sahara Energy Resources Limited

Sahara Energy Resources Limited (SERL) is an affiliated company owned by Sahara group. The amount represents amount due from/(to) from Sahara Energy Resources Limited on cash swap transactions.

	2023 N'000	2022 N'000
Opening balance		
Accrued during the year	259,443	43,492
Total payments	-	13,753,070
Net amount due to as at end of the period	217,414	13,450,135
	42,029	259,443
Receivable		
Payable	9,821	9,821
Net Payable	51,850	269,264
	42,029	259,443

Notes to the Financial Statements

20.4 WAG Limited

WAG Limited has common ownership with Egbin Power Plc. Amount receivable is in respect of reimbursable expenses incurred on behalf of WAG Limited. Additions during the year is recorded within "administrative expenses" (Note 8) under "profit or loss".

	2023 N'000	2022 N'000
Opening balance -	-	-
Accrued during the year	1,108	-
Total payments	-	-
Total amount due as at end of the period	<u>1,108</u>	<u>-</u>

20.5 Amounts due to related companies

	2023 N'000	2022 N'000
Kepeco Energy Resource Ltd. BVI (Note 20.6)	52,037,124	21,981,485
Sahara Group Limited (Note 20.7)	12,122,162	6,027,864
First Independent Power Ltd (Note 20.8)	2,391	-
Sahara Energy Resources Limited (Note 20.3)	51,850	269,264
Sahara Power Limited (Note 20.9)	8,607	8,607
	<u>64,222,134</u>	<u>28,287,220</u>

20.6 Kepeco Energy Resource Limited BVI

This affiliated company provides technical services and operations and implementation support services for the Company. This covers specialised manpower, major and minor inspections of the company's turbines, boilers and auxiliaries, procurement of spares & operational consumables; and other maintenance activities. Additions during the year is recorded within "cost of sales" (Note 6) under "profit or loss". Amount payable as at 31 December 2023 in respect of this transaction is USD 51.44m.

	2023 N'000	2022 N'000
Opening balance	21,981,485	30,592,263
Accrued during the year	72,990,947	31,404,731
Total payments	42,935,308	40,015,509
Total amount due as at end of the period	<u>52,037,124</u>	<u>21,981,485</u>

20.7 Sahara Group Limited

Sahara Group Limited has common ownership with Egbin Power Plc. Sahara Group Limited provides professional and administrative support services to the Company. Additions during the year is recorded within "other gains & losses" (Note 7.3) under "profit or loss". See below transactions during the period.

	2023 N'000	2022 N'000
Opening balance	6,027,864	5,553,264
Accrued during the year	6,094,299	474,600
Total payments	-	-
Total amount due as at end of the period	<u>12,122,163</u>	<u>6,027,864</u>

Notes to the Financial Statements

20.8 First Independent Power Limited

First Independent Power Limited has common ownership with Egbin Power Plc. Amount receivable/(payable) is in respect of reimbursable expenses incurred on behalf of FIPL/Egbin Power Plc. Additions during the year is recorded within "administrative expenses" (Note 8) under "profit or loss". See below transactions during the period.

	2023	2022
	₦'000	₦'000
Opening balance	3,395	1,250
Accrued during the year	-	3,395
Total payments	2,391	1,250
Total amount due as at end of the period	1,004	3,395
Receivable	3,395	3,395
Payable	2,391	-
Net Receivable	1,004	3,395

20.9 Sahara Power Limited

This affiliated company provides administrative support services to the Company. There was no transactions with this affiliate during the year.

	2023	2022
	₦'000	₦'000
Opening balance	8,607	8,607
Total amount due as at end of the period	8,607	8,607

21 Provision for decommissioning obligation

	2023	2022
	₦'000	₦'000
At 1 January	10,282,511	12,078,712
Change in estimate (other comprehensive income)	69,274	3,354,355
Accretion cost for the year	1,386,082	1,558,154
At 31 December	11,599,321	10,282,511

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 2035, based on its operating life. This provision has been created based on the management's best estimates as at the 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 fair value of this liability is recorded on a discounted basis, and accreted overtime for the change in present value. The estimate for the decommissioning liability was calculated based on the plant capacity for the year, expected scrap value of the steel components, factoring the Federal Government of Nigeria (FGN) 12-year tenor bond at the rate of 14.91% (2022: 13.82%) per annum. The assumptions and judgements made in regard to this estimate are subject to annual assessment by management and adjustments, if any, are made to the carrying amount. Management recognises that actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the generation assets cease to produce on economically viable basis

Notes to the Financial Statements

22 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:

22.2.1 Financial assets measured at amortized cost

	2023 N'000	2022 N'000
Trade and other receivables	207,988,266	150,548,856
Cash and cash equivalents	19,016,158	14,246,219
Restricted cash	2,673,454	3,837,005
Fair value of financial assets	229,677,878	168,632,080
Carrying amount of financial assets	229,677,878	168,632,080

22.2.2 Financial liabilities

	2023 N'000	2022 N'000
Amounts due to related parties (Note 20.5)	64,222,134	28,287,220
Trade creditors	93,073,793	70,597,207
Fair value of financial liabilities	157,295,927	98,884,427
Carrying amount of financial liabilities	157,295,927	98,884,427

23 Share capital

	2023 N'000	2022 N'000
Authorised		
100,000,000 ordinary shares of N1 each	100,000	100,000
Issued		
25,000,000 ordinary shares of N1 each	25,000	25,000

Shareholders - Units

	Unit	Unit
KEPCO Energy Resources Limited	17,500,000	17,500,000
Bureau of Public Enterprises	6,000,000	6,000,000
Ministry of Finance Incorporated	1,500,000	1,500,000

Shareholders - % interest

	%	%
KEPCO Energy Resources Limited	70	70
Bureau of Public Enterprises	24	24
Ministry of Finance Incorporated	6	6
	100	100

Notes to the Financial Statements

	2023 N'000	2022 N'000
24 Loss per share		
Loss for the purpose of basic earnings per share is based on net loss attributable to equity holders of the Company.	<u>1,566,671</u>	<u>21,608,468</u>
Number of shares	Number	Number
Number of ranking ordinary shares for the purpose of basic earnings per share.	<u>25,000,000</u>	<u>25,000,000</u>
Loss per share - Basic & Diluted (Naira)	63	864
25 Other reserves	2023 N'000	2022 N'000
Balance as at 1 January	196,178,415	192,824,060
Changes in Decommissioning Estimate	69,274	3,354,355
Balance as at 1 January	<u>196,247,689</u>	<u>196,178,415</u>
Analysis of other reserves:	2023 N'000	2022 N'000
Nigerian Electricity Liability Management Company (NELMCO) *	49,100,000	49,100,000
Government funding *	19,719,437	19,719,437
Deferred Tax on Revaluation Surplus	94,666,146	94,666,146
Revaluation Surplus	320,975,155	320,975,155
Accumulated Changes in Decommissioning Estimate	680,757	750,031
Closing balance	<u>196,247,689</u>	<u>196,178,415</u>
NELMCO/Government funding balances are pre-privatization assets and liabilities which relates to periods before 1st November 2013.		
26 Information regarding Directors and employees		
26.1 Directors	2023 N'000	2022 N'000
Directors' emoluments comprise:	38,093	33,489
Fees	125,652	60,404
Expenses	<u>163,745</u>	<u>93,893</u>
The number of Directors including the Chairman whose emoluments were within the bands stated below were:	Number	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 2023

Notes to the Financial Statements

26.2 Employees

	2023 N'000	2022 N'000
Total number of employees as at year-end:		
Management	37	40
Senior	256	236
Junior	162	164
	455	440

Aggregate staff costs:

Salaries and wages (Note 6 & 8)	2,848,708	2,549,409
Other staff welfare (Note 6& 8)	647,535	531,929
	3,496,243	3,081,338

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

	Number	Number
-		
Below N1,000,000	7	14
N1,000,000 - N2,000,000	70	77
N2,000,001 - N5,000,000	90	155
N5,000,001 - N10,000,000	195	148
Above N10,000,000	93	46
	455	440

27 Contingent liabilities

There is a pending litigation and claims amounting to N520 billion as at 31 December 2023 : (2022: N520 billion). 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.

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 (2022: 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 2023, or on the profit for the year which have not been adequately provided for or disclosed in these financial statements.

30 Comparative figures

Where necessary, certain prior year comparatives have been adjusted to properly reflect current year presentation format.

Notes to the Financial Statements

31 Material Contracts

Gas Sales and Aggregation Agreement

The Company entered into a Gas Sales and Aggregation Agreement for the purchase of gas on 27th May 2011. The parties to the contract are: Egbin Power Plc (referred to as the buyer), Chevron Nigeria Limited (the seller) and Gas Aggregation Company Nigeria Limited (the aggregator). Under the terms of the agreement, the Seller is the operator of the supply area, and has gas available for the purpose of meeting its obligations to the buyer who wishes to buy and take delivery of gas from the seller for use as fuel at its power plant. The Aggregator is empowered by the national domestic gas supply and pricing regulations 2008 to coordinate wholesale gas supply from gas producers to eligible purchasers with Nigeria.

The Agreement was executed on the 27th May 2011 and shall terminate upon the earlier event to occur of: (a) the tenth (10th) anniversary of the Start Date; or (b) when 529,250,000 (five hundred and twenty-nine million, two hundred and fifty thousand) MMBtu of Gas (Contract Quantity) has been made available for delivery by the Seller, (c) any other termination event in accordance with Article 25 of the contract. However, a Side Letter was executed in 2018, which modified the start date of the GSAA to be October 31st 2018, extending the validity till 30th October 2028.

The gas will be transported to the power plant under the Gas Transportation Agreement (GTA) signed on 23 February 2013 with the Nigerian Gas Company Limited.

Gas Transportation Agreement

The Company entered into a Gas Transportation Agreement with Nigerian Gas Company Limited (NGC), now Nigerian Gas Infrastructure Company (NGIC) on the 23rd of February 2013. The tenure of the gas transportation agreement is ten (10) years from the commencement date. The tenure is extensible subject to notice by any of the parties and negotiation on terms for the extended tenure. Under the agreement, Nigeria Gas Company Limited (the transporter) transports Gas on behalf of Egbin Power Plc (referred to as the shipper) on the terms and conditions set out in the agreement.

In order to guarantee payment for the transportation service, the Company has an obligation to maintain a standby letter of credit (LC) equivalent to the total amount payable for Ninety (90) days transport service. See note 17 to these financial statements for further information about amounts maintained as letters of credit with respect to gas supply and transportation. The extension of this contract is currently under review, and the obligations of the contract is still being performed by both parties as at the date of the financial statements.

Bulk Power Purchase Agreement

The Company entered into a 20-year Power Purchase Agreement (PPA) with the Nigerian Bulk Electricity Trading Plc (NBET) on 21 February 2013 to sell electric power (dependable capacity and gross energy output) generated from its power plant at an agreed-upon pricing model and contract capacity. Under this agreement, the Company is the seller and NBET is the buyer.

This agreement underlies the Company's revenue stream as it contains the terms upon which the Company's main customer (NBET) purchases the gross energy output generated from the Company's power plant. NBET is wholly owned by the Federal Government of Nigeria (FGN) and was established as part of the Nigerian power sector reforms. NBET's obligation to pay the Company is also supported by the Federal Government through the Central Bank of Nigeria (CBN) power sector reform intervention fund.

Under the terms of the agreement, the Company shall deliver to the buyer (NBET) and the buyer shall accept and pay for all dispatched gross energy output and capacity.

The Parties are by the contract bound by the Market Rules and provisions of the Grid Code where applicable.

Operation and Maintenance Contract

On 1 January 2019, the Company entered a contract with KEPCO Energy Resource Limited (KERL) for the provision of operations and maintenance services in line with the Company's five year maintenance plan. KERL is registered under the laws of the British Virgin Islands.

The contract is for a period of five years. See Notes 6.1 and 20.5 to these financial statements for details of transactions with KERL in respect of this contract as at 31 December 2023.

Value added statement

	2023 N'000	%	2023 N'000	%
Revenue	230,094,000	1,632	106,426,203	2,968
Bought in materials and services				
- Imported	72,990,947	518	31,404,731	876
- Local	143,002,015	1,014	78,607,155	2,192
Value added/(eroded)	14,101,038	100	3,585,683	100
Distributed as follows:				
To pay employees	3,496,243	25	3,081,338	86
Staff cost				
To pay Government	1,265,384	9	681,979	19
Taxation				
To pay providers of finance				
Interest expense	45,984	1	45,984	1
Maintenance of assets and future expansion				
Depreciation	13,119,760	92	9,165,555	256
Accretion expense	1,386,082	10	1,558,154	44
Deferred taxation	3,645,745	26	3,489,776	97
Loss for the year	1,566,671	11	21,608,468	603
Value added/(eroded)	14,101,038	100	3,585,683	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

Statement of financial position	2023 N'000	2022 N'000	2021 N'000	2020 N'000	2019 N'000
Assets employed					
Property, plant and equipment	238,967,032	251,470,218	259,485,493	266,535,709	289,502,105
Intangible assets	149,004	176,507	53,300	1,767	5,460
Other assets	-	-	-	-	-
Net current assets	14,453,347	24,083,430	39,731,451	18,125,238	27,812,524
Deferred tax	46,062,045	68,042,229	71,532,005	74,295,643	80,730,471
Other long-term liabilities	11,599,321	10,282,511	12,078,712	7,912,343	49,494,013
Net assets	195,908,018	197,405,415	215,659,528	202,454,728	187,095,605
Capital and reserves					
Share capital	25,000	25,000	25,000	25,000	25,000
Retained earnings	364,671	1,202,000	22,810,468	11,419,243	5,154,475
Other reserves	124,727,466	124,796,740	192,824,060	191,010,485	192,225,080
Total equity	125,067,137	123,569,740	215,659,528	202,454,728	187,095,605

Statement of profit or loss and other comprehensive income

Revenue	230,094,000	106,426,203	153,822,254	119,695,559	91,713,176
(Loss)/Profit before taxation	22,316,917	24,416,265	10,897,284	10,200,174	3,658,647
Taxation	20,750,246	2,807,797	493,941	687,141	881,382
(Loss)/Profit for the year	1,566,671	21,608,468	11,391,225	10,887,315	2,777,265
Other comprehensive income	69,274	3,354,355	1,813,575	1,108,191	717,968
Total comprehensive (loss)/income for the year	1,497,398	18,254,113	13,204,800	11,995,506	3,495,233
(Loss)/earnings per share - Basic & Diluted (Naira)	62.67	864.34	455.65	435.49	111.09
Net assets per share	7,836	7,896	8,626	8,098	7,484

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.

Statement of profit or loss and other comprehensive income (USD)

	2023 US\$'000	2023 US\$'000
Revenue	351,021	250,692
Cost of sales	(314,211)	(235,155)
Gross profit	36,810	15,537
Impairment (loss)/reversal	(14,715)	(10,468)
Administrative expenses	(9,955)	(11,287)
Operating profit	12,140	6,218
Finance income	3,809	3,999
Finance cost	(2,185)	(3,779)
Other gains/(losses)	(47,810)	(51,516)
Loss profit before taxation	(34,046)	(57,514)
Taxation	31,656	6,614
Loss for the year	2,391	50,900
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Changes in decommissioning estimate	106	7,901
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Translation difference	(39,574)	(39,574)
Total comprehensive loss for the year	(41,858)	(82,574)
(Loss)/earnings per share - Basic & Diluted (Naira/ US\$)	(0.10)	(2.04)

Statement of financial position

	2023 US\$'000	2023 US\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	263,512	561,655
Intangible assets	164	394
Total non-current assets	263,676	562,049
Current assets		
Inventories	2,378	
Trade and other receivables	176,927	2,393
Other assets	4,689	251,678
Restricted cash	2,947	5,162
Cash and cash equivalents	20,963	8,569
Total current assets	207,904	31,815
TOTAL ASSET	471,580	861,666
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
(Accumulated losses)/retained earnings	111	111
Other reserves	114,235	116,625
Cumulative translation adjustment	1,029,763	1,029,657
Total equity	928,063	705,473
Total equity	216,045	440,920
Non-current liabilities		
Deferred tax liabilities	50,778	151,950
Provision for decommissioning obligation	12,787	22,963
Total non-current liabilities	63,565	174,913
Current liabilities		
Trade and other payables	190,470	243,764
Current tax liabilities	1,501	2,069
Total current liabilities	191,971	245,833
TOTAL LIABILITIES	255,536	420,746
TOTAL EQUITY AND LIABILITIES	471,580	861,666

Statement of changes in equity

	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 2022	111	167,526	1,021,756	665,899	523,494
Loss for the year	-	50,900	-	-	50,900
Changes in decommissioning estimate	-	-	7,901	-	7,901
Deferred tax	-	-	-	-	-
Translation difference	-	-	-	39,574	39,574
Balance at 31 December 2022	111	116,626	1,029,657	705,473	440,921
Profit for the year	-	2,391	-	-	2,391
Changes in decommissioning estimate	-	-	106	-	106
Translation difference	-	-	-	222,591	222,591
Balance at 31 December 2023	111	114,235	1,029,763	928,064	216,045

Statement of cash flows (USD)

	2023 US\$'000	2023 US\$'000
Cash flows from operating activities	24,602	54,526
Loss before tax		
Adjustments for:	13,090	17,848
Depreciation on generation assets	2,748	5,241
Depreciation on non generation assets	10,633	9,924
Impairment loss allowance(Receivable)	1,528	3,480
Accretion expense	2,752	3,791
Interest on fixed deposit	<u>25,247</u>	<u>32,702</u>
Movements in working capital		
Increase in trade and other receivables	63,321	13,521
(Increase)/decrease in other assets	2,141	3,511
Increase in inventories	1,196	2,362
Increase/(Decrease) in trade and other payables	70,137	5,367
Total adjustments and movements	28,726	14,964
Income taxes paid	876	4,348
Net cash generated from operating activities	<u>3,248</u>	<u>43,910</u>
Cash flows from investing activities		
Purchase of fixed assets	721	2,942
Interest received on fixed deposits	2,752	3,791
Increase/(decrease) in restricted cash	<u>1,283</u>	<u>1,404</u>
Net cash (used in)/generated from investing activities	<u>3,314</u>	<u>555</u>
Net increase in cash and cash equivalents	6,562	44,466
Effects of exchange rate changes on cash and cash equivalents	17,413	9,364
Gross and cash equivalents at beginning of the year		
Gross cash and cash equivalents at end of the year	31,814	85,644
Net cash and cash	<u>20,963</u>	<u>31,814</u>
equivalents at end of the year	<u>20,963</u>	<u>31,814</u>

