

GEREGU POWER PLC

**FINANCIAL STATEMENTS
31 DECEMBER 2021**

GEREGU POWER PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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GEREGU POWER PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

In accordance with the provisions of the Companies and Allied Matters Act, 2020 the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company at the end of the year and its profit or loss.

The responsibilities include ensuring that:

- i. The Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act, 2020
- ii. Appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;
- iii. The Company prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and
- iv. It is appropriate for the financial statements to be prepared on a going concern basis.

The directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards, in compliance with Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirements of the Companies and Allied Matters Act, 2020.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit and cash flows for the period.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

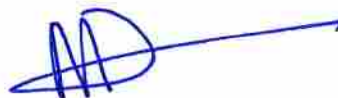
Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:



Femi Otedola, CON
Chairman
FRC/2013/IODN/00000002426

Dated: 06 April 2022



Akin Akinfemiwa
Chief Executive Officer
FRC/2013/IODN/00000001994

Dated: 06 April 2022

Independent Auditor's Report**To the Shareholders of Geregu Power Plc****Opinion**

We have audited the accompanying financial statements of Geregu Power Plc (the Company), which comprise the statement of financial position at 31 December 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, 2020.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report and Statement of Directors Responsibility 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 any form of assurance conclusion thereon.

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

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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirements of the Companies and Allied Matters Act, 2020, 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 intends to liquidate the Company or to cease operations, or has 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the fifth schedule of the Companies and Allied Matters Act, 2020, 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 purpose of our audit.
- ii) The Company has kept proper books of account so far as it appears from our examination of those books.
- iii) The Company's statement of financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account.


Olatunji Ogundeyin, FCA
FRC/2013/ICAN/00000002224
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria

Dated: 06 April 2022



GEREGU POWER PLC

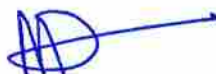
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	Notes	31-Dec-21 N'000	31-Dec-20 N'000
Assets			
Non-current assets			
Property, plant and equipment	13.	39,975,328	43,999,934
Intangible assets	14.	11,228	17,743
Long term employee benefits	23	1,658	5,033
Total non-current assets		39,988,214	44,022,710
Current assets			
Inventories	16.	440,802	725,875
Trade and other receivables	17.	70,146,503	73,045,064
Other current assets	18.	290,930	490,556
Cash and cash equivalents	19.	3,954,864	4,782,767
Total current assets		74,833,099	79,044,262
Total assets		114,821,313	123,066,972
Equity			
Share capital	20.2	5,000	5,000
Retained earnings	21	59,940,076	76,971,760
Other reserves	22	(6,441)	(3,738)
Total equity		59,938,635	76,973,022
Liabilities			
Non-current liabilities			
Deferred tax liabilities	11.3	10,347,259	6,220,582
Loans and borrowings	26	5,666,666	-
Total non-current liabilities		16,013,925	6,220,582
Current liabilities			
Trade and other payables	24	30,417,393	39,360,272
Current income tax liabilities	11.2	4,837,206	513,096
Loans and borrowings	26	3,614,154	-
Total current liabilities		38,868,753	39,873,368
Total liabilities		54,882,678	46,093,950
Total equity and liabilities		114,821,313	123,066,972

The financial statements were approved by the Board of Directors on **06 April 2022** and signed on its behalf by:



Femi Otedola, CON
Chairman
FRC/2013/IODN/00000002426



Akin Akinfemiwa
Chief Executive Officer
FRC/2013/IODN/00000001994



Ganiyu L. Adisa
Chief Financial Officer
FRC/2013/ICAN/00000003078

The accompanying notes and significant accounting policies form an integral part of these financial statements.

GEREGU POWER PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31-Dec-21 N'000	31-Dec-20 N'000
Revenue	6.	70,956,864	53,676,666
Cost of sales	7.	<u>(37,614,052)</u>	<u>(30,835,415)</u>
Gross profit		33,342,812	22,841,251
Other income	8.	1,650,899	686,773
Administrative expenses	9.	<u>(5,470,276)</u>	<u>(4,424,217)</u>
Operating profit		29,523,435	19,103,807
Finance income	10.1	948,064	1,571,875
Finance cost	10.2	<u>(959,076)</u>	<u>(26,945)</u>
Net finance (cost)/income		<u>(11,012)</u>	<u>1,544,930</u>
Profit before income tax		29,512,423	20,648,737
Income tax expense	11.1	<u>(8,962,012)</u>	<u>(6,523,380)</u>
Profit for the year from continuing operations		20,550,411	14,125,357
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial loss	23	<u>(2,703)</u>	<u>(4,322)</u>
Total other comprehensive loss net of taxes		(2,703)	(4,322)
Total comprehensive income for the year		20,547,708	14,121,035
Profit attributable to:			
Owners of equity		<u>20,547,708</u>	<u>14,121,035</u>
Earnings per share			
Basic and diluted earnings per share in (N)	12.	<u>2,055.04</u>	<u>1,412.54</u>

The accompanying notes and significant accounting policies form an integral part of these financial statements.

GEREGU POWER PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital N'000	Retained earnings N'000	Other reserves N'000	Total equity N'000
Balance at 1 January 2020	5,000	62,846,403	584	62,851,987
Changes in equity for 2020:				
Profit for the year	-	14,125,357	-	14,125,357
Defined benefit plan actuarial gain	-	-	(4,322)	(4,322)
Amount attributable to equity holders	5,000	76,971,760	(3,738)	76,973,022
Transactions with owners, recorded directly in equity				
Dividend to equity holders	-	-	-	-
Balance at 31 December 2020	5,000	76,971,760	(3,738)	76,973,022
Balance at 1 January 2021	5,000	76,971,760	(3,738)	76,973,022
Changes in equity for 2021:				
Profit for the year	-	20,550,411	-	20,550,411
Defined benefit plan actuarial (loss)/gain	-	-	(2,703)	(2,703)
Amount attributable to equity holders	5,000	97,522,171	(6,441)	97,520,730
Transactions with owners, recorded directly in equity				
Dividend to equity holders	-	(37,582,095)	-	(37,582,095)
Balance at 31 December 2021	5,000	59,940,076	(6,441)	59,938,635

The accompanying notes and significant accounting policies form an integral part of these financial statements.

GEREGU POWER PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31-Dec-21 N'000	31-Dec-20 N'000
Cash flows from operating activities			
Profit for the year		20,550,411	14,125,357
Adjustment for non-cash operating items:			
Depreciation of property, plant and equipment	13.	4,611,308	4,274,644
Loss on disposal of property, plant and equipment	13	733	-
Amortization of intangible assets	14.	6,515	6,515
Net finance expense/(income)	10.	11,012	(1,544,930)
Impairment charged on trade receivables	17.3	718,034	555,540
Impairment of inventory	16.2	321,771	27,389
Impairment of other current assets	18.1	25,339	117,941
Current service costs	23	36,809	26,188
Deferred fair value gain on loan	25	-	(113,508)
Deferred tax charged	11.3	4,126,677	6,011,123
Income taxes	11.1	4,835,335	512,257
Operating profit before working capital changes		35,243,944	23,998,515
Changes in:			
Inventories	16.	(36,698)	93,852
Trade and other receivables	17.	2,180,527	(26,514,961)
Other current assets	18.	174,287	(448,185)
Trade and other payables	24	(4,234,614)	5,934,564
Non trade payable	24	91,735	226,457
Cash generated from operating activities		33,419,181	3,290,242
Income taxes paid	11.2	(511,225)	(360,529)
Net cash from operating activities		32,907,956	2,929,713
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		11,918	-
Purchase of property, plant and equipment	13.	(599,353)	(173,569)
Return on employee benefits planned assets re-invested	23	(4,094)	(1,358)
Funding of long term employee benefits	23	(32,044)	(20,000)
Net interest (paid)/received	10.2	(11,012)	1,544,930
Net cash from investing activities		(634,585)	1,350,003
Cash flows from financing activities			
Loan and borrowing received/(paid) during the year	24.	9,280,820	(606,709)
Dividend paid	20.	(42,382,095)	(76,935)
Net cash used in financing activities		(33,101,275)	(683,644)
Net (decrease)/increase in cash and cash equivalents		(827,904)	3,596,072
Cash and cash equivalents at 1 January		4,782,768	1,186,694
Cash and cash equivalents at 31 December	19	3,954,864	4,782,767

The accompanying notes and significant accounting policies form an integral part of these financial statements.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. The Company

1.1 Reporting Entity

Geregu Power Plc ('the Company') is a registered Company domiciled in Nigeria. The registered office of the company is Itobe-Ajaokuta Express Road, Ajaokuta, Kogi State, Nigeria.

1.2 Principal activities

The Company is principally engaged in the business of electric power generation and sale of electric power through the National Grid of the Transmission Company of Nigeria (TCN) to the Nigerian Bulk Electricity Trading Plc (NBET).

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by International Accounting Standard Board (IASB), and in compliance with Financial Reporting Council of Nigeria Act No 6, 2011. Additional information required by national regulations are included where appropriate.

The financial statements comprise the statement of financial position, statement of comprehensive income, the statement of changes in equity, cash flows and the related notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, as modified by financial instruments measured at fair value.

2.2 Functional and presentation currency

These financial statements are presented in Naira, which is the Company's functional currency. Except as indicated in these financial statements, financial information presented in Naira has been rounded to the nearest thousand.

2.3 Standards, interpretations and amendments adopted by the Company

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.3.1 IFRS 15, 'Revenue from contracts with customers'

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Company recognises revenues. Revenue recognition for interest income are recognised based on requirements of IFRS 9. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

2.3.2 IFRS 9, 'Financial instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

a. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

2.3.3 Clarifications to IFRS 15 'Revenue from contracts with customers'

Amends IFRS 15 in three areas:

- a. Identification of performance obligations – changes clarify the application of the concept of 'distinct' in this context.
- b. Whether an entity is acting as principal or agent – changes clarify the application of the principal of 'control' in making this determination.
- c. Licensing – changes assist in determining whether an entity's activities 'significantly affect' intellectual property during the year for which it has been licensed to a customer.

The amendments also provide some transition relief for modified contracts and completed contracts.
Effective date: The Amendments are effective for annual years beginning on or after 1 January 2018.

Impact on Initial

These amendments do not have any impact on the Company's financial statements.

2.3.4 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS

Currently, there is ambiguity over how an entity should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment. The amendments cover three accounting areas:

- Measurement of cash-settled share-based payments

There is currently no guidance in IFRS 2 on how to measure the fair value of the liability incurred in a cash-settled share-based payment. As a result, diversity in practice exists between measuring the liability using the same approach as for equity-settled awards and using full fair value. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method.

The new requirements do not change the cumulative amount of expense that is ultimately recognized, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

- Classification of share-based payments settled net of tax withholdings

There is currently no guidance in IFRS 2 on how to measure the fair value of the liability incurred in a cash-settled share-based payment. As a result, diversity in practice exists between measuring the liability using the same approach as for equity-settled awards and using full fair value. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method.

The new requirements do not change the cumulative amount of expense that is ultimately recognized, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

- **Classification of share-based payments settled net of tax withholdings**

Some share-based payment arrangements permit or require the entity to withhold a portion of the shares that would otherwise be issued to the employee, and to pay the tax authorities on the employee's behalf.

Prior to the amendments, a question existed as to whether the portion of the share-based payment that is withheld in these instances should be accounted for as equity-settled or cash-settled.

The amendments clarify the conditions under which a share-based payment transaction with employees settled net of tax withholding is accounted for as equity-settled.

- **Accounting for a modification of a share-based payment from cash-settled to equity-settled**

There is no specific guidance in IFRS 2 that addresses the accounting when a share-based payment is modified from cash-settled to equity-settled. The amendments clarify that at the modification date the liability for the original cash-settled share-based payment is derecognized, and the equity-settled share-based payment is measured at its fair value as at the modification date, and recognized to the extent that the services have been received up to that date, with the difference recognized in profit or loss immediately.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognized for new and outstanding awards.

The amendments apply for annual years beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively.

Impact on Initial

These amendments do not have any impact on the Company's financial statements.

2.3.5 Transfer of Investment Property (Amendments to IAS 40)

In December 2016, the IASB issued Transfers of Investment Property (Amendments to IAS 40).

The amendments clarify that:

- an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred; and
- the list of circumstances of when a change in use has occurred is non-exhaustive.

The amendments provide transitional provisions which allow an entity to apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting year in which the entity first applies the amendments (the date of initial application). At the date of initial application, an entity shall also reassess the classification of property held at that date and, if applicable, reclassify property to reflect conditions that exist at that date. An entity is permitted to apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The amendments apply for annual years beginning on or after January 1, 2018.

Impact on initial

These amendments do not have any impact on the Company's financial statements.

2.3.6 Foreign Currency Transactions – Advance Consideration (IFRIC Interpretation 22)

In December 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration in response to diversity in practice in determining the appropriate exchange rate to use when translating assets, expenses or income, when foreign currency consideration is paid or received in advance of the item to which it relates.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Interpretation may be applied either:

- retrospectively; or
- prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:
 - the beginning of the reporting year in which the entity first applies the Interpretation; or
 - the beginning of a prior reporting year presented as comparative information in the financial statements

The Interpretation is applicable for annual years beginning on or after January 1, 2018.

Impact on Initial Application

These amendments do not have any impact on the Company's financial statements.

2.3.7 Annual Improvements to IFRSs 2014-2016 Cycle

In December 2016, as part of its process to make non-urgent but necessary amendments to IFRS, the IASB issued narrow-scope amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, and IAS 28 Investments in Associates and Joint Ventures which are effective for annual years beginning on or after January 1, 2018.

The amendments to IAS 28 clarify that:

- a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis; and
- a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

Impact on Initial

These amendments do not have any impact on the Company's financial statements.

New standards issued and Effective on or after 1 January, 2020

2.3.8 IFRS 16, 'Leases'

IFRS 16 was issued which introduces a number of significant changes to the lease accounting model under IFRSs, including a requirement for leases to recognize nearly all leases on their balance sheets. IFRS 16 will supersede the current leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC 15- Operating leases incentives, SIC 27-Evaluating the substance of Transactions involving the legal form of lease.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 is effective for annual reporting years beginning on or after January 1, 2019. However, an entity cannot adopt this standard earlier than it adopts IFRS 15, Revenue from Contracts with Customers. This standard was issued on 13 January, 2016. The Company is yet to assess IFRS 16's full impact and intends to adopt IFRS 16 not later than the accounting year beginning on or after 1 January 2019.

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Impact on Initial

The Company is yet to assess IFRS 16's full impact and intends to adopt IFRS 16 not later than the accounting year beginning or after 1 January 2019.

2.3.9 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 17 is effective for annual years beginning on or after January 1, 2021, well after the effective date of IFRS 9 Financial Instruments, January 1, 2018. IFRS 9 will cover a majority of an insurer's investments; therefore, the expected differing effective dates created concerns related to temporary volatility and accounting mismatches in profit or loss. Some companies have also expressed concerns about the need to implement two significant changes in accounting on different dates, which will increase costs and complexity.

In September 2016, the IASB issued amendments to its existing insurance contracts standard, IFRS 4. The amendments introduced two approaches that supplement existing options in the Standard that can be used to address the temporary volatility as a result of the different effective dates of IFRS 9 and the forthcoming insurance contracts standard.

The amendments:

- provide a reporting entity (whose predominant activity is to issue insurance contracts) a temporary exemption from applying IFRS 9 until the earlier of: a) the application of IFRS 17; or b) January 1, 2021 (to be applied at the reporting entity level) (referred to as the 'temporary exemption'); and
- give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9 (referred to as the 'overlay approach'). This option will be in place until IFRS 17 comes into effect.

Impact on Initial

The amended to the standard might not have any impact on the Company financial statements when it becomes effective in 2021.

2.3.10 Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments in response to diversity in practice for various issues in circumstances in which there is uncertainty in the application of the tax law. While IAS 12 Income Taxes provides requirements on the recognition and measurement of current and deferred tax liabilities and assets, there is diversity in the accounting for income tax treatments that have yet to be accepted by tax authorities.

The Interpretation requires an entity to:

- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty;
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable);
- reassess the judgements and estimates applied if facts and circumstances change (e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires); and
- consider whether uncertain tax treatments should be considered separately, or together as a Company, based on which approach provides better predictions of the resolution;

The Interpretation is applicable for annual years beginning on or after January 1, 2019.

Impact on Initial

The amended to the standard might not have any impact on the Company financial statements when it becomes effective in 2019.

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2.3.11 IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. Scope The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Key requirements The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Effective date and transition: The interpretation is effective for annual reporting years beginning on or after 1 January 2019, but certain transition reliefs are available.

2.3.12 Prepayment Features with Negative Compensation - Amendments to IFRS 9

Key requirements Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Transition - The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

Effective date and transition The interpretation is effective for annual reporting years beginning on or after 1 January 2019.

2.3.13 Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

Key requirements: The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting year. Determining the current service cost and net interest When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting year. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting year. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting year, an entity is required to:

- Determine current service cost for the remainder of the year after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

- Determine net interest for the remainder of the year after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)
Effect on asset ceiling requirements

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

Transition The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting year that begins on or after 1 January 2019.

2.3.14 Long-term interests in associates and joint ventures - Amendments to IAS 28

Key requirements The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments. Transition Entities must apply the amendments retrospectively, with certain exceptions.

Effective date and transition: The interpretation is effective for annual reporting years beginning on or after 1 January 2019.

2.3.15 Conceptual Framework for Financial Reporting

Purpose:- The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions: The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition

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- Chapter 6 – Measu
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance The Conceptual Framework is accompanied by a Basis for Conclusions.

The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework.

There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 Business Combinations and for those applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual years beginning on or after 1 January 2020.

Impact The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event

2.4 'Basis of measurement

These financial statements are prepared on the historical cost basis except as modified by actuarial valuation of staff gratuity and fair valuation of financial assets and liabilities where applicable. There are other assets and liabilities measured at amortised cost.

2.5'Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future years. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements:

a) Recovery of deferred tax assets

Judgement is required to determine which types of arrangements are considered to be tax on income in contrast to an operating cost. Jugement is also required in determining whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses require management assessment of the likelihood that the Company will generate sufficient taxable earnings in future years in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by energy sales, capacity charges, gas prices, operating costs and capital expenditure) and judgement about the application of existing tax laws.

b) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

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c) Estimated useful lives and residual values of intangible assets and property, plant and equipment
The Company's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2017 and that has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future years.

d) Provisions Employee Benefits
The actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.) The Company uses the assistance of an external independent actuary in the assessment of these assumptions. For more details refer to note 20.

e) Discounting trade receivable to present value
The Company's management has considered the discounting of the net trade receivables that are not expected to be collected immediately. Discounting requires estimating the date of collection and the actual amounts that will be collected and determining an appropriate interest rate to use. The Company uses its present cost of borrowing (i.e 17.24%) as discount rate on the outstanding net trade receivable balance. The discount amount is recognised in the administrative expense of statement of profit or loss and in the reported trade receivable balance in the statement of financial position.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the year presented in these financial statements unless otherwise indicated.

3.1 Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are re-translated at the exchange rates applying at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit or loss in the year in which they arise except for:

- exchange differences on foreign currency borrowing which are regarded as adjustments to interest costs, where those interests costs qualify for capitalisation to assets under construction;
- exchange differences on transactions entered into hedge foreign currency risks; and
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3.2 Financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

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Financial instruments are derecognised on trade date when the Company is no longer a party to the contractual provisions of the instrument.

3.2.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of the future cash flows, discounted at market rates of interest at the reporting date. For trade and other receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at market rates of interest at the reporting date. For trade and other creditors with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

3.2.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter year. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

3.2.3 Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

3.2.4 Trade and other payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment during the year is not considered to be material.

3.2.5 Financial assets and financial liabilities under IFRS 9

Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measu

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss (the company however has no financial instrument in this category).

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the company classifies its debt instruments:

Amortised cost:

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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through profit or loss:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the year in which it arises. Interest income from these financial assets is included in the interest income.

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Other financial assets:

Other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. These are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. These comprise trade receivables, unbilled revenues, cash and cash equivalents and other assets.

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss ('FVTPL'). Factors considered by the Company in determining the business model for a Company of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition

A financial asset is derecognised when:

The rights to receive cash flows from the asset have expired;

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

Initial recognition and measurement

The Company has classified all financial liabilities within the scope of IFRS 9 under loans and borrowings and other financial liabilities as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other financial liabilities, net of directly attributable transaction costs.

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Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

3.3 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects and costs directly attributable to the issue of the instrument.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Items of property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for the intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

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3.4.2 Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3.4.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the profit or loss on a straight-line basis (except for gas turbines; which Unit of Production Method i.e Equivalent Operating Hours - EOH are used over the estimated useful lives of each part of an item of property, plant and equipment except which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative year are as follows:

Land	Over lease year
Buildings	25 years
Plants and equipment	20 years
Office equipment	5 years
Furniture and fittings	4 years
Computer equipment	3 years
Motor vehicles	5 years
Gas turbines	160,000 Equivalent Operating Hours (EOH) per turbine
Gas turbines - major overhaul amortized costs	41,000 Equivalent Operating Hours (EOH) per turbine

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate. Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

3.4.4 De-recognition of tangible assets

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.5 Intangible assets

3.5.1 Intangible assets acquired separately

Intangible assets acquired separately are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. These charges are included in other expenses in profit or loss.

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Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

Software costs 3 - 4 years

Amortisation years and methods are reviewed annually and adjusted if appropriate.

3.5.2 Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight - line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this must closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative year is:

Computer software: 3-4 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

3.6.1 Finance leases

Assets held under finance leases are recognised as assets of the Company at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets.

Contingent rentals are recognised as expense in the year in which they are incurred.

3.6.2 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except if another systematic basis is more representative of the time pattern in which economic benefits will flow to the Company.

Contingent rentals arising under operating leases are recognised in the year in which they are incurred. Lease incentives and similar arrangements of incentives are taken into account when calculating the straight-lined expense.

3.7 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3.8 Taxation

Income tax for the year is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the year as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other years.

The Company offsets the tax assets arising from withholding tax credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set-off the recognised amounts, and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would not be realised.

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The Company does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Company's policy to reinvest undistributed profits arising in Company companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans approved by the board for the Company.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.9 Inventories

Inventories consist of spares and consumables for the plants and are measured at the lower of cost and net realisable value. The cost of inventories is based on the First-in, First-out (FIFO) cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The production costs comprise direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

Impairment allowance is made for obsolete, slow moving or defective items where appropriate.

3.10 Impairment

3.10.1 Financial assets (including loans and receivables)

a financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. a financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.10.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

3.11 Employee benefits

The Company operates both defined contribution plans and defined benefit plans.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3.11.1 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average year until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

3.11.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the year during which services are rendered by employees. Contributions to a defined contribution plan that is due more than 12 months after the end of the year in which the employees render the service are discounted to their present value. In relation to the defined contribution plan, the Company has in place the Pension fund scheme.

3.11.3 Pension fund scheme

In accordance with the provisions of the Pension Reform Act, 2014, the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the Company contribute 8% and 10% respectively of the employee's emoluments (basic salary, housing and transport allowances). The Company's contribution under the scheme is charged to the income statement while employee contributions are funded through payroll deductions.

3.11.4 Terminal benefit

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting year, then they are discounted to their present value.

3.12 Provision and contingencies

3.12.1 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3.12.2 Contingent liabilities

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognised in the financial statements but are disclosed. However, if the possibility of an outflow of economic resources is considered remote, such contingent liabilities are recognised in the financial statements.

3.12.3 Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are only disclosed when an inflow of economic benefit is probable. Asset is recognised when the realisation of income is virtually certain, in which case the related asset is no more contingent.

3.13 Income Recognition under IAS 18 - Revenue - Accounting policies applicable prior to 1 January, 2018

3.13.1 Sale of services

Revenue from sale of services in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue from energy sold and capacity charge are measured on monthly basis using the regulated rates in the Multi year Tariff Order II, 2012-2017 (MYTO II) and the minor rate reviews of the Nigerian Electricity Regulatory Commission (NERC), net of energy and capacity import and the grid Transmission Loss Factor (TLF) of 8.05% of energy sent out.

Energy generated in addition to the associated available capacity are sent out through Transmission Company of Nigeria (TCN) represented by the Operator of the Nigerian Electricity Market (ONEM) also known as the Market Operator (MO). The Market Operator in turn will issue monthly settlement statements for energy and capacity delivered. The final settlement statements issued by MO are used to invoice the bulk purchaser, the Nigerian Bulk Electricity Trading Plc (NBET).

Energy generated are measured on hourly basis hence, could not be stored. They are therefore sent out through the National Grid to the Discos and then to the final consumers. The final consumers pay the Discos, then Discos remit to the Market Funds, now managed by NBET, where all the market participants are subsequently paid by NBET depending on fund availability.

The Regulator, NERC have changed the prolonged interim rules years to the Transitional Electricity Market (TEM) although not effective, from February 1, 2015. During the effective Transitional Electricity Market (TEM) year, 100% revenue are expected to be guaranteed from the Nigerian Bulk Electricity Trading Plc (NBET).

Minor rate reviews are carried out twice in a year - June 1 and December 1 every year to take care of changes in the exchange rate, inflation rate, gas price, generation capacity and revenue requirements. The last minor rate review was carried out in December 2020 by the Nigerian Electricity Regulatory Commission (NERC) and implemented by NBET with effect from January 1, 2021.

NBET has reviewed the Thermal Gencos wholesale tariff based on USD2.98/Mscft effective August 1, 2021 (USD3.30/Mscft as at 31 July 2021). The base tariff used were as follows: Energy N10,082/Mwh and Capacity Charge N5,101/Mwh subject to indexation on the basis of changes in the CBN Exchange Rate adjusted monthly as provided in the Bulk Power Purchase Agreement Effective April 1, 2016.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3.13.b Revenue from contract with customers - Accounting policies applicable from 1 January, 2018

Revenue from sale of energy and capacity charges

Revenue arises mainly from the sale of energy and capacity charges.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The transaction price for a contract excludes any amounts collected on behalf of third parties. Customers obtain control of services when the services are delivered to the national grid and have been accepted and revenue is recognised at that point in time. Invoice are usually payable within 45 days by NBET.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a trade receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

3.14 Finance income and finance costs

Finance income comprises of interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.15 Deferred fair value gain on loan

Deferred fair value gain on loans are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the gains will be received. Deferred fair value gain on loans are recognised in profit or loss on a systematic basis over the years in which the Company recognises as expenses the related costs for which the gains are intended to compensate. Specifically, deferred fair value gain on loans whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Deferred fair value gain on loans that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the year in which they become receivable.

The benefit of a deferred fair value gain on loans at a below-market rate of interest is treated as a deferred fair value gain on loans, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. The amount recognised as deferred fair value gain on loan is recognised in profit or loss over the year the related expenditure is incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3.16 Earnings per share

The Company presents basic earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

4. Determination of fair values

A number of Company's accounting policies and disclosures require the determination of fair value, both for financial and non financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these and separate financial statements is determined for measurement and/or disclosures purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of the future cash flows, discounted at market rates of interest at the reporting date. For trade and other receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

5. Financial risk management

Overview

The Company's Risk Management Unit oversees risk management function for the Company using Forte Oil Plc Company Enterprise Risk Management framework that focuses on business risk and internal controls taking an entity level portfolio view of risk with the objective to protect and enhance each entity's value and by extension the Company's value. Risks are an inevitable consequence of being in business, thus the Risk Management Unit designs policies; processes and procedures that will enable it to achieve an appropriate balance between risk and return. Risk management activities are applied across the enterprise at every level from strategy settings to all sources of value. It is a continuous process and includes an element of corporate governance; it promotes efficient and effective assessment of risk, increase risk awareness and improves the management of risk throughout the company. This includes anticipating and avoiding threats and losses as well as identifying and realizing opportunities.

Risk management framework

The Board of Directors at the apex exercise and assume ultimate authority and responsibility for the corporate risk management. The Board oversees risk management through the following committees: Board Risk Committee, Board Governance Committee and Board Audit Committee. The Board also ensures a regular review of the effectiveness of the Enterprise Risk Management Framework undertaken by the company.

- i The Board has established the Board Risk Management Committee (BRMC) which is responsible for developing and monitoring the Company's risk management policies and also ensures that the risk management policies are integrated in the Company's culture. The BRMC through the Management Risk Committee gains assurance that business risks are managed to within the desired appetite, and receives notification of material breaches. The committee also approves credit transactions above management's authority levels. The committee reports quarterly to the Board of Directors on its activities.

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- ii Management Risk Committee is a Management Committee of the Company headed by Risk Management Unit. The committee reviews the risks inherent within the business and ensure that they are captured appropriately within the business risk profile. The committee monitors residual risk exposures and provides assurance as to adequacy of controls implemented to manage risks to the agreed level of appetite. The committee also reviews risk policies and ensures implementation.
- iii Risk Management unit provides central coordination and oversight for all risk management activities across the Company to ensure that the full spectrum of risks are identified, measured, monitored and controlled.
- iv Executive Management Committee (EXCO) is responsible for review of investments and projects proposal and exercise of management's delegated authority for investment and project approvals. Also, the EXCO actively supports implementation of a strong risk aware culture in GPP as well as operates appropriate controls on a timely basis to manage the business risks.
- v The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, monitor risks and adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its procedures, management standards and trainings, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Business Assurance and Compliance (BAC). BAC undertakes both regular and ad hoc reviews of risk management controls and procedures, the outcomes of which are reported to the Audit Committee regularly.

The Board Governance Committee assists the Board in fulfilling its responsibilities in relation to Corporate Governance & remuneration matters by ensuring the company meets the legal and regulatory requirements, thus protecting the Company from incurring operational and reputational liabilities that can affect the achievement of goals and objectives.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Operational risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The credit risks are managed within a framework of credit policies, guidelines and processes which are described in more detail below:

Trade and other receivables

The Company credit policy are expressly stated in the Power Purchase Agreement (PPA) with the Nigerian Bulk Electricity Trading Plc(NBET), The Credit Risk Policy defines the level and type of credit exposure that the Company is prepared to accept in order to achieve its business goals and objectives.

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Allowance for impairment losses

The company is yet to establish an allowance for impairment that will represent its estimated incurred losses of trade and other receivables due to the fact that the Company is presently selling its main output (Energy and Capacity) solely to the Federal Government of Nigeria (FGN) wholly owned institutions such as NBET and Transmission Company of Nigeria (TCN). The Company believed that the current intervention by FGN through CBN will put an end to the doubtful Trade receivables.

Investments

The Company limits its exposure to credit risk by investing only in liquid securities and with counter parties that have a credit rating. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings, management does not expect any counter party to fail to meet its obligation.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty 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 adequate liquidity to meet its liabilities as and when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation.

The Company manages its liquidity process by:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Monitoring balance sheet liquidity ratios against internal requirements.
- Managing the concentration and debt profile.
- Daily matching of funds by assets and liability managers.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Interest rate risk

The Company's interest rate is floating at 11% per annum (Closing at 13.5% as at 31 December 2021). The Company got First Bank of Nigeria's approval for the N10 billion term loan in April 2021.

At the reporting date, the interest rate profile of the Company interest-bearing financial liabilities was:

Secured bank loan 11% floating (Now 13.5%)

Notes 26 highlighted the borrowing for the reporting year.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

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The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management with each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- i) Requirement for appropriate segregation of duties, including the independent authorization of transactions/processes.
- ii) Requirements for the reconciliation and monitoring of transactions.
- iii) Compliance with regulatory and other legal requirements.
- iv) Documentation of controls and procedures
- v) Requirements for yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- vi) Requirements for the reporting of operational losses and proposed remedial action.
- vii) Development of contingency plans
- viii) Training and professional development
- ix) Ethical and business standards
- x) Risk mitigation, including insurance when this is effective.

Compliance with Company standard is supported by a programme of yearly reviews undertaken by Business Assurance and Compliance. The results of BAC reviews are discussed with the management of the the department to which they relate with summaries submitted to the Audit Committee and Executive Management of the Company.

Capital management

The Board's policy is to maintain a strong capital base, in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity, excluding non-redeemable preference shares and noncontrolling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company does not have a defined share buy-back plan.

The company's debt to capital ratio at the end of the year was as follows:

	% 31-Dec-21 N'000	% 31-Dec-20 N'000
Total liabilities	54,882,678	46,093,950
Total assets	<u>114,821,313</u>	<u>123,066,972</u>
Gearing ratio at year end	48%	37%

The Company's capital structure (Unit of shares) during the year was as follows:

		%	
Amperion Power Distribution Company Limited	100	10,000,000	80
Bureau of Public Enterprises	-	-	10.2
Ministry of Finance Incorporated	-	-	9.8
	<u>100</u>	<u>10,000,000</u>	<u>100</u>
			<u>10,000,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 N'000	31-Dec-20 N'000
6. Revenue		
Energy sold	45,696,221	34,837,020
Capacity charge	<u>25,260,643</u>	<u>18,839,646</u>
	<u>70,956,864</u>	<u>53,676,666</u>
7. Cost of sales		
Gas supply and transportation	33,187,780	26,681,240
Plant depreciation	<u>4,426,272</u>	<u>4,154,175</u>
	<u>37,614,052</u>	<u>30,835,415</u>
Gross profit	<u>33,342,812</u>	<u>22,841,251</u>
Gross profit margin	47%	43%
8. Other income		
Foreign exchange gain realised	1,648,619	525,545
Income from disposal of scraps, used oils and gas condensates	2,280	-
Business Interruption Insurance claim (Note 8.1)	-	161,228
	<u>1,650,899</u>	<u>686,773</u>
8.1 This represents business interruption insurance claim on GT11 start-up problems receivable fro leadway assurance as at 31 December 2021 Nil (31 December 2020: N161 million).		
9. Administrative expenses		
Repair and maintenance of plant and machinery (Note 9.1)	217,621	512,470
Energy import and regulatory charges	12,986	10,425
Personnel cost (Note 9.2)	1,327,687	1,244,404
Depreciation and amortization expenses	191,551	126,985
Plant and machinery insurance	303,715	251,916
Postages, printing and stationery	2,468	3,141
Rent and rates	170,834	56,228
Other repairs and maintenance expenses	36,044	26,666
Telephone and internet expenses	95,197	57,919
Public relations, promotions and advertisement	43,697	55,463
Transport, travel costs and entertainment	281,047	216,026
Legal fees	85,150	8,260
Cleaning, safety and security expenses	133,833	93,035
Audit fees	7,500	5,000
Board meeting expenses	8,271	5,663
Professional and consultancy fees	306,933	278,612
Other insurance expenses	20,263	13,752
Bank charges	71,648	15,360
Directors' fees and allowances	1,087,954	742,022
Inventory impairment expense	321,771	27,389
Loss on disposal of assets	733	-
Impairment of trade receivable and other current assets	<u>743,373</u>	<u>673,481</u>
	<u>5,470,276</u>	<u>4,424,217</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 N'000	31-Dec-20 N'000
9.1 Included in the repair and maintenance of plant and machinery are spare parts, tools and consumables issued from the stores.		
9.2 Personnel expenses		
Salaries, wages and allowances	591,333	560,907
Medical expenses	31,427	17,138
Contributions to pension fund scheme	36,354	34,446
Defined benefit plan- current service cost (Note 23)	32,715	24,830
Training, recruitment and canteen expenses	495,331	479,060
Contract manpower	114,479	107,557
Other personnel expenses	26,048	20,466
	<u>1,327,687</u>	<u>1,244,404</u>
10. Net Finance (cost)/income		
10.1 Finance income		
Interest income on bank deposits (Note 10.1.1)	948,064	16,432
Other interest income (Note 10.1.2)	-	1,441,935
Other income from government grant on loan (Note 10.1.3)	-	113,508
	<u>948,064</u>	<u>1,571,875</u>
10.2 Finance cost		
Interest expense on bank loan (Note 10.2.1)	<u>(959,076)</u>	<u>(26,945)</u>
Net finance (cost)/income	<u>(11,012)</u>	<u>1,544,930</u>
10.1.1 Interest income represents income earned on bank deposits and interest generated from related party receivables balances from Amperion during the year,		
10.1.2 Other interest income represents interest earned on other financial assets carried at amortised cost.		
10.1.3 Other income from government grant on loan represents fair value gain on below the market interest rates in line with IAS 20.10A provisions.		
10.2.1 Finance cost represents interest expense which are charges paid on term loan utilised during the year.		

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 N'000	31-Dec-20 N'000
11. Income tax expenses		
11.1 Income tax expense		
Income tax	3,953,444	-
Education tax	880,415	511,225
Police trust fund levy	1,476	1,032
Current tax	<u>4,835,335</u>	<u>512,257</u>
Deferred tax (Note 11.3)	<u>4,126,677</u>	<u>6,011,123</u>
Total income tax expense	<u>8,962,012</u>	<u>6,523,380</u>
Reconciliation of income tax expense to accounting profit:		
Profit before tax	<u>29,512,423</u>	<u>20,648,737</u>
Income tax expense recognised in the Profit or Loss	8,962,011	6,523,380
Effect of non-deductible expenses	(1,722,381)	(1,508,093)
Effect of non-taxable income	11,123	34,341
Effect of balancing charge and capital allowance	6,611,541	7,668,374
Effect of education tax	(880,415)	(511,225)
Effect of police trust fund levy	(1,476)	(1,032)
Effect of deferred tax	<u>(4,126,677)</u>	<u>(6,011,123)</u>
Tax calculated using the domestic corporation tax rate of 30%	<u>8,853,726</u>	<u>6,194,622</u>
<p>The tax rate used for the year 31 December 2021 reconciliation given above is at the current statutory rate, which is payable by corporate entities on taxable profits under tax law in its jurisdiction.</p>		
11.2 Current income tax liability		
Liability at 1 January	513,096	361,368
Income tax for the year	3,953,444	-
Education tax	880,494	511,225
Police trust fund levy	1,476	1,032
Payment during the year	(511,225)	(360,529)
Tax provisions no longer required	(79)	-
	<u>4,837,206</u>	<u>513,096</u>
11.3 Deferred tax liabilities		
Deferred tax liabilities at 1 January	(6,220,582)	(209,460)
Charge during the year	<u>(4,126,677)</u>	<u>(6,011,122)</u>
	<u>(10,347,259)</u>	<u>(6,220,582)</u>
11.4 Analysis of deferred tax liabilities		
Deferred tax assets at 1 January	(6,220,582)	(209,460)
Property, plant and equipment	<u>(4,126,677)</u>	<u>(6,011,122)</u>
	<u>(10,347,259)</u>	<u>(6,220,582)</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

31-Dec-21
N'000

31-Dec-20
N'000

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004 as amended. The charge for education tax is based on the provisions of the Education Tax Act, CAP E4 LFN 2004. Deferred Income tax are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2020 : 30%). This is in line with International Accounting Standard (IAS) 12.

12. Earnings per share

a) Basic earnings per share

The company's basic earnings per share of N2,055.04 (31 December 2020: N1,412.54 kobo) is based on the profit attributable to ordinary shareholders of N20,550,411,000 (31 December 2020: N14,125,357,000), and on the 10,000,000 (31 December 2020 : 10,000,000) ordinary shares of 50 Kobo each, being the weighted average number of ordinary shares in issue during the current and preceding year.

Profit attributable to ordinary shareholders

Profit for the year	<u>20,550,411</u>	<u>14,125,357</u>
Profit attributable to ordinary shareholders	<u>20,550,411</u>	<u>14,125,357</u>

Weighted average number of ordinary shares

Issued ordinary shares at 1 January	<u>10,000</u>	<u>10,000</u>
Issued ordinary shares at 31 December	<u>10,000</u>	<u>10,000</u>

Basic/diluted earnings per share in (N)

	<u>2,055.04</u>	<u>1,412.54</u>
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GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Property, plant and equipment

The movement in the property, plant and equipment during the year ended 31 December 2021 was as follows:

	Gas Turbine Plant N'000	Leasehold land N'000	Buildings N'000	Trucks and vehicles N'000	Furniture & Fittings N'000	Office equipment N'000	Computer equipment	Total N'000
Cost								
At 1 January 2020	62,078,819	122,787	1,233,192	193,356	9,726	41,492	68,784	63,748,156
Additions	-	-	-	132,405	7,569	15,349	18,246	173,569
At 31 December 2020	<u>62,078,819</u>	<u>122,787</u>	<u>1,233,192</u>	<u>325,761</u>	<u>17,295</u>	<u>56,841</u>	<u>87,030</u>	<u>63,921,725</u>
At 1 January 2021	62,078,819	122,787	1,233,192	325,761	17,295	56,841	87,030	63,921,725
Additions	-	-	19,302	274,644	2,427	181,772	121,208	599,353
Disposal	-	-	-	(30,135)	-	-	-	(30,135)
At 31 December 2021	<u>62,078,819</u>	<u>122,787</u>	<u>1,252,493</u>	<u>570,270</u>	<u>19,722</u>	<u>238,613</u>	<u>208,238</u>	<u>64,490,943</u>
Depreciation								
At 1 January 2020	15,271,301	7,913	206,886	83,527	9,526	7,893	60,099	15,647,145
Charge	4,154,174	1,322	49,328	49,655	2,255	9,818	8,094	4,274,646
At 31 December 2020	<u>19,425,475</u>	<u>9,235</u>	<u>256,214</u>	<u>133,182</u>	<u>11,781</u>	<u>17,711</u>	<u>68,193</u>	<u>19,921,791</u>
At 1 January 2021	19,425,475	9,235	256,214	133,182	11,781	17,711	68,193	19,921,791
Depreciation for the year	4,426,272	1,324	49,392	85,536	2,310	20,383	26,091	4,611,308
Disposals	-	-	-	(17,484)	-	-	-	(17,484)
At 31 December 2021	<u>23,851,747</u>	<u>10,559</u>	<u>305,606</u>	<u>201,234</u>	<u>14,091</u>	<u>38,095</u>	<u>94,284</u>	<u>24,515,615</u>
Carrying amounts								
At 31 December 2021	<u>38,227,072</u>	<u>112,229</u>	<u>946,888</u>	<u>369,036</u>	<u>5,631</u>	<u>200,518</u>	<u>113,954</u>	<u>39,975,328</u>
At December 2021	<u>42,653,344</u>	<u>113,552</u>	<u>976,978</u>	<u>192,579</u>	<u>5,514</u>	<u>39,130</u>	<u>18,837</u>	<u>43,999,934</u>

a) The assets of the company were fair valued on acquisition in line with the provisions of the International Financial Reporting Standards. The fair value amount of each asset is being carried as deemed cost.

b) Depreciation charge (rather than gas turbine's) of N185 million (31 December 2020: N120million) is included in the administrative expenses of the statement of profit or loss and other comprehensive income. Gas turbine depreciation of N4,426 billion is included in the cost of sales (31 December 2020: N4,154 billion).

c) There was no lien on any of the Company's property, plant and equipment as at 31 December.

d) No impairment charge on property, plant and equipment during the year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 N'000	31-Dec-20 N'000
14. Intangible assets		
a) The movement on this account during the year was as follows:		
Cost		
At 1 January	53,409	53,409
Acquisitions	-	-
At 31 December	<u>53,409</u>	<u>53,409</u>
Amortisation and impairment losses		
At 1 January	35,666	29,151
Amortisation for the year	6,515	6,515
At 31 December	<u>42,181</u>	<u>35,666</u>
Carrying amounts		
At 31 December	<u>11,228</u>	<u>17,743</u>

- a) Intangible assets represent the computer softwares used by the company
b) The amortisation of intangible asset recognised in the administrative expenses in the statement of profit or loss and other comprehensive income is N6,515,000 (31 December 2020: N6,515,000)
c) No impairment charge on the intangible assets during the year.
d) No lien on the intangible assets of the Company at 31 December 2021.

15. Deferred tax assets

15.1 Recognised deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	Net	
	31-Dec-21 N'000	31-Dec-20 N'000	31-Dec-21 N'000	31-Dec-21 N'000	31-Dec-20 N'000
Property, plant and equipment	-	-	(10,347,259)	(4,126,677)	(6,220,582)
	-	-	(10,347,259)	(4,126,677)	(6,220,582)
			1-Jan-21 N'000	Recognised in income statement N'000	31-Dec-21 N'000
15.2 Movement in temporary differences during the year					
Property, plant and equipment			(6,220,582)	(4,126,677)	(10,347,259)
			(6,220,582)	(4,126,677)	(10,347,259)

16. Inventories

Spares, tools and consumables(Note 16.1)

31-Dec-21 N'000	31-Dec-20 N'000
<u>440,802</u>	<u>725,875</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 N'000	31-Dec-20 N'000
16.1 Inventories include spare parts, tools and consumables in stores.	<u>440,802</u>	<u>725,875</u>

16.2 These inventories costs of N440.8 million (2020 : N725.9 million) were carried at net realisable value which is estimated to be lower than the cost. The amount charged to statement of profit or loss and other comprehensive income in respect of the written down value of inventories to net realisable value is N321.77 million (2020 : N27.39 million). There are no inventories pledged as securities for liabilities as at 31 December 2021.

17 Trade and other receivables

Trade receivables (Notes 17.1)	44,417,582	54,715,541
Due from related party (Note 17.2)	29,326,031	21,079,885
Prepaid staff expenses	336,722	465,436
	<u>74,080,335</u>	<u>76,260,862</u>
Impairment allowance (Note 17.3)	<u>(3,933,832)</u>	<u>(3,215,798)</u>
	<u>70,146,503</u>	<u>73,045,064</u>

17.1 Trade receivables represent outstanding balances from monthly Energy Sold and Capacity Charged to the Transmission Company of Nigeria i.e Total monthly final Settlement Statements less payments received to date from Market Operator and Nigerian Bulk Electricity Trading Plc effective from November 1, 2013 and February 1, 2015 respectively to date

There is also a Power Purchase Agreement (PPA) between Geregú Power Plc and the Nigerian Bulk Electricity Trading Plc (NBET) that guarantees 100% payment for Energy and Capacity. At the effectiveness of the PPA, Geregú is empowered to call up the Bank Guarantee from NBET for the outstanding balances.

The Federal Government of Nigeria has been putting in place, several funds to support NESI, these funds include N213 CBN-NEMSF, N701bn Payment Assurance Facility (PAF) and the extended N600bn PAF amongst others to pay 100% of all energy and capacity invoices. Energy and Capacity invoices relating to these periods have been paid 100% from these funds.

17.2 Related party receivables represent the intercompany balance receivable from Amperion Power Distribution Company Limited. See (Note 29) for analysis of related party receivables.

	31-Dec-21 N'000	31-Dec-20 N'000
17.3 Impairment allowance		
At 1 January	3,215,798	2,660,258
Additional impairment	718,034	555,540
At 31 December	<u>3,933,832</u>	<u>3,215,798</u>

Trade receivables are stated at fair value and subsequently measured at fair value through profit or loss, less provision for impairment. Impairment thereon are computed using the simplified IFRS 9 Expected Credit Loss (ECL) Model, where the receivables are aged and probability of default applied on each aged bracket. Trade receivables meet the definition of financial assets and the carrying amount of the trade receivables approximates their fair value.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17.3.1 Discounted trade receivables

Considering the time value of money, the Company's management has considered the discounting of the net trade receivables that are not expected to be collected immediately. Discounting requires estimating the date of collection and the actual amounts that will be collected and determining an appropriate interest rate to use. The Company uses its present cost of borrowing (i.e.11%) as the discount rate on the outstanding net trade receivable.

Following the shift from the discounting of trade receivables to the application of impairment on Trade receivables using the Expected Credit Loss Model in line with the requirements of IFRS 9. The Company incurred an additional impairment of N718 million (31 December 2020: N555 million). These were recognised in the administrative expense and other income of statement of profit or loss respectively. The sum of N3,933,832,000 (31 December 2020: N3,215,798,000) representing the updated impairment allowance has been recognised in the statement of financial position.

The discounting amount would be reversed as soon as NBET pays 100% of the outstanding trade receivables.

	31-Dec-21 N'000	31-Dec-20 N'000
18. Other current assets		
Prepayments	236,379	458,798
Interest receivable	39,534	696
Withholding tax receivable on interest income	15,017	5,723
Insurance claim receivable	143,280	143,280
	<u>434,210</u>	<u>608,497</u>
Impairment of insurance claim receivable	<u>(143,280)</u>	<u>(117,941)</u>
	<u>290,930</u>	<u>490,556</u>
18.1 Movement in impairment		
At 1 January	117,941	-
Additional impairment	25,339	117,941
At 31 December	<u>143,280</u>	<u>117,941</u>
19. Cash and cash equivalents		
Cash at bank	954,864	132,602
Short term deposit	3,000,000	4,650,165
Cash and cash equivalents in the statement of cash flows	<u>3,954,864</u>	<u>4,782,767</u>
20. Equity and reserves		
20.1 Authorised Ordinary shares:		
20,000,000 ordinary shares of 50k each	<u>10,000</u>	<u>10,000</u>
20.2 Issued and fully paid ordinary shares of 50k each		
10,000,000 (2020: 10,000,000) ordinary shares of 50k each		
At 1 January	<u>5,000</u>	<u>5,000</u>
At 31 December	<u>5,000</u>	<u>5,000</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 N'000	31-Dec-20 N'000
21. Retained earnings		
Retained earnings represent the carried forward recognised income net of expenses plus current year result attributable to shareholders.		
At 1 January	76,971,760	62,846,403
Profit for the year	20,550,411	14,125,357
Dividend declared and paid	<u>(37,582,095)</u>	-
At 31 December	<u>59,940,076</u>	<u>76,971,760</u>
At the Board meeting held on 06 April 2022, the Directors approved a dividend of 60% of profit after tax, which was also approved by the AGM. This is subject to deduction of withholding tax at the appropriate rate. The total estimated dividend to be paid is N12,330,246,600.		
22 Other reserves		
At 1 January	(3,738)	584
Defined benefit plan actuarial loss	<u>(2,703)</u>	<u>(4,322)</u>
At 31 December	<u>(6,441)</u>	<u>(3,738)</u>
23. Long term employee benefits		
The movement in the present value of the long term employee benefits was as follows:		
Gratuity liability at 1 January	42,663	12,153
Charged to profit and loss	36,809	26,188
Defined benefit plan actuarial loss	<u>2,703</u>	<u>4,322</u>
Gratuity liability at 31 December	82,175	42,663
Planned asset at 1 January	(47,695)	(26,338)
Additional funding during the year	(32,044)	(20,000)
Actual return on planned assets	<u>(4,094)</u>	<u>(1,358)</u>
Balance at 31 December (over)/under funded position	<u>(1,658)</u>	<u>(5,033)</u>
Expenses recognised in the statement of profit or loss		
Current service costs	36,809	26,188
Return on planned assets	<u>(4,094)</u>	<u>(1,358)</u>
	<u>32,715</u>	<u>24,830</u>

Current service costs and the actual returns on planned assets are recognised in the administrative expense of the statement of profit or loss while the remeasurement gain or loss are recognised in the statement of other comprehensive income.

The actuarial valuation report was signed in January 2021 and was carried out in line with IAS 19 requirements by Miller Kingsley (FRC/2012/NAS/00000002392 of KMC Actuarial Services, a Fellow of the Society of Actuaries, USA.

The funded planned assets with Mansard Investment Limited at 31 December 2021 was N83,833,318.27 (31 December 2020: N47,695,484.86).

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Stated below are the key assumptions used:

	31-Dec-21	31-Dec-20
Discount Rate/Average rate of return on assets	7.23% p.a.	7.23% p.a.
Average rate of salary increase	12% p.a.	12% p.a.
Inflation rate	12% p.a.	12% p.a.
Mortality of members	A67/70 English Life tables	A67/70 English Life tables

The weighted average liability duration of the Plan is 17.2 years. The average weighted duration of the longest Nigerian bond as at the valuation date, 31 December 2021, is the 16.25% 18-April-2037 bond with a term to maturity (TTM) of 15.30 years and with a gross redemption yield of about 13.00% as at 31st December 2021.

Sensitivities

The scheme liabilities has been tested against investment return, withdrawal rates, mortality rates and the salary increase rate with the following results:

	31-Dec-21 N'000	31-Dec-20 N'000
Revised liability		
-300 basis point change in investment return	88,670	48,210
+300 basis point change in investment return	70,461	39,677
20% higher withdrawals	87,879	48,210
20% less withdrawals	68,086	34,557
10% higher mortality	80,041	43,047
10% lower mortality	78,299	42,279
10% higher salary increase rate	97,379	52,049
10% lower salary increase rate	63,336	34,984
Percentage change from base results		
-100 basis point change in investment return	12%	13%
+100 basis point change in investment return	-11%	-7%
5% higher withdrawals	11%	13%
5% less withdrawals	-14%	-19%
10% higher mortality	1.1%	0.9%
10% lower mortality	-1.1%	-0.9%
5% higher salary increase rate	23%	22%
5% lower salary increase rate	-20%	-18%

Methodology

The approach for conducting the sensitivity was a recalculation of the accrued benefit obligation on the scheme for each revised assumption. The percentage difference between the new result and the base result provides a measure of the sensitivity to the change

Changes in sensitivity test basis

There are no changes in sensitivity to account for.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Maturity profile of active members

Future service	Benefit Obligation N'000	Total Salary N'000
Less than 5 years	15,199	28,058
Up to 5 and less than 10 years	-	-
Up to 10 and less than 15 years	39,967	156,090
Up to 15 and less than 20 years	9,094	56,300
Greater than 20 years	17,917	146,075
	<u>82,176</u>	<u>386,522</u>

The estimated additional accrual for the year was N36,809,000 (31 December 2020: N26,188,000).

There are three categories of employees in Geregu Power Plc, first category are those on direct long term contract with the company, second category are direct hire on short term contract with the company, while third category are associates on secondment to Geregu from Boomtagold Limited. Only the first category within 60 years of age are covered by this long term benefit.

	31-Dec-21 N'000	31-Dec-20 N'000
24. Trade and other payables		
Current trade and other payables		
Trade payables		
Gas accounts payable	28,841,145	33,921,969
Other creditors	1,163,840	317,630
	<u>30,004,985</u>	<u>34,239,599</u>
Non-trade payables and other creditors		
Non-trade payables and other creditors (Note 24.1)	412,408	5,120,673
	<u>30,417,393</u>	<u>39,360,272</u>

24.1 Non-trade payables and other creditors consists of about N406.27 million accrued expenses; N752,000 for account payable staff; N34.937 million for WHT liabilities; N17.619 million for retention fees and N221,729 for insurance claim payable as at 31 December 2021.

The carrying amounts of accruals and other payables as at 31 December 2021 approximate their fair values. Other payables are derecognised when the obligation under the liability is settled, cancelled or expired.

25. Deferred fair value gain on loan

Deferred fair value gain on loan represents the benefit of the below-market rate of interest measured as the difference between the initial carrying value of the loan and the proceeds received.

At 1 January	-	113,508
Adjustment	-	-
Released during the year	-	(113,508)
At 31 December	<u>-</u>	<u>-</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

26. Loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the company's exposure to interest rate and liquidity risks, see note 5.

	31-Dec-21 N'000	31-Dec-20 N'000
At 1 January	-	606,709
Addition	10,000,000	16,025
Interest	805,177	-
Repayment	(1,524,357)	(622,734)
	<u>9,280,820</u>	<u>-</u>
Non-current	5,666,666	-
Current	3,614,154	-
	<u>9,280,820</u>	<u>-</u>

Loans and borrowings of N9,289,820,000 represents the principal and 13.5% p.a interest rate on First Bank of Nigeria N10 billion revolving facility to augment working capital.

The collateral for the loan from First Bank are: all assets debenture of the Group Parent Company; Charge on the 80% shares of Geregú Power Plc owned by Amperion; Corporate Guarantee of Calvados Global Services Limited, Personal Guarantee of the Chairman and domiciliation of all the Company's receivables account to First bank while the facility subsists.

	Currency	Nominal interest rate	31-Dec-21 Present value N'000	31-Dec-20 Present value N'000
Terms and debt repayment schedule				
Terms and condition of outstanding loan:				
Secured term loan	Naira	13.50%	<u>9,280,820</u>	<u>-</u>
			<u>9,280,820</u>	<u>-</u>

27. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	31-Dec-21 N'000	31-Dec-20 N'000
Cash and cash equivalents (Note 19)	3,954,864	4,782,767
Trade and other receivables (Note 17)	74,080,335	76,260,862
	<u>78,035,199</u>	<u>81,043,629</u>

The aging of trade and other receivables at the reporting date was:

	31-Dec-21 N'000	31-Dec-20 N'000
0-2 months	12,978,425	12,256,895
2-3 months	1,876,777	3,746,654
3-6 months	6,204,395	8,423,412
6-12 months	6,983,857	34,890,117
More than 12 months	46,036,881	16,943,784
	<u>74,080,335</u>	<u>76,260,862</u>

Foreign exchange exposure

	31-Dec-21 N'000	31-Dec-20 N'000
Bank balances denominated in other currencies	947	77,566
	<u>947</u>	<u>77,566</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

28. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6-12 months N'000	1-2 years N'000	2-5 years N'000	More than 5 years N'000
31-Dec-21							
Non-derivative financial liabilities							
Secured bank loans	9,280,820	9,280,820	475,884	2,339,004	1,518,259	4,947,674	-
Trade and other payables	30,417,393	30,417,393	13,008,554	12,903,692	1,071,340	2,867,618	593,577
	<u>39,698,214</u>	<u>39,698,214</u>	<u>13,484,438</u>	<u>15,242,696</u>	<u>2,589,599</u>	<u>7,815,292</u>	<u>-</u>
31-Dec-20							
Non-derivative financial liabilities							
Secured bank loans	39,354,335	39,354,335	14,028,593	11,545,872	1,900,019	11,307,728	572,124
Trade and other payables	39,354,335	39,354,335	14,028,593	11,545,872	1,900,019	11,307,728	572,124

It is not expected that the cash flows included in the analysis could occur significantly earlier, or at significantly different amounts.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-21 N'000	31-Dec-20 N'000
29. Transactions with key management personnel		
29.1. Directors emoluments		
The aggregate emoluments of the Directors were:		
Directors fees and allowances	<u>1,087,954</u>	<u>742,022</u>
	<u>1,087,954</u>	<u>742,022</u>
Chairman	1,000	1,000
Directors	<u>800</u>	<u>800</u>
Executive Directors are not entitled to and do not get paid directors fees.		
Directors earned fees in the following ranges:		
N	-	N
250,000	-	800,000
801,000	-	1,000,000
	<u>Number</u>	<u>Number</u>
	2	2
	1	1
29.2. Key management personnel and compensation		
The company has 128 employees as at 31 December 2021 (31 December 2020: 120 employees):		
	2021	2020
Director and Chief Executive Officer	Akin Akinfemiwa	Akin Akinfemiwa
Deputy Chief Executive Officer	JB Omodayo-Owotuga	JB Omodayo-Owotuga
Chief Operating/Technical Officer	Ezeh Ferdinand	Ezeh Ferdinand
Chief Financial Officer	Ganiyu Lamidi Adisa	Ganiyu Lamidi Adisa
Business Assurance and Compliance Manager	Iyimola Akinbola	Iyimola Akinbola
Key management of the company are the three management staff stated above. Key management personnel remuneration include the following expenses:		
Key management personnel compensation comprised:		
Short-term employee benefits:		
Salaries including allowance	<u>250,271</u>	<u>250,271</u>
	<u>250,271</u>	<u>250,271</u>
Post-employment benefits:		
Defined contribution to compulsory pension fund scheme	3,497	3,497
Defined benefit gratuity scheme	<u>18,679</u>	<u>18,679</u>
	<u>272,446</u>	<u>272,446</u>
Staff numbers and costs:		
The average number of persons employed (excluding Directors) in the Company during the year were as follows:		
Management	<u>Number</u>	<u>Number</u>
Senior	11	11
Junior	46	38
	<u>71</u>	<u>71</u>
	<u>128</u>	<u>120</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

29.3 The table below shows the number of employees of the Company (other than Directors) who earned over N1,000,000 during the year and which fell within the bands stated below:

N		N	Number	Number
1	-	1,000,000	15	15
1,000,001	-	2,000,000	57	57
2,000,001	-	4,000,000	23	15
4,000,001	-	8,000,000	17	17
8,000,001	-	and above	16	16
			<u>128</u>	<u>120</u>

30. Other related party transactions

The aggregate value of transactions and outstanding balances relating to these entities were as follows:

Name of entity	Nature of transaction	Relationship	Transaction value during the year		Balance outstanding as at:	
			31-Dec-21 N'000	31-Dec-20 N'000	31-Dec-21 N'000	31-Dec-20 N'000
Receivables from related parties						
Amperion Power Distribution Company Ltd	Loan	Parent	<u>45,828,242</u>	<u>19,151,882</u>	<u>29,326,031</u>	<u>21,079,885</u>
			45,828,242	19,151,882	29,326,031	21,079,885
Payables to related parties						
Amperion Power Distribution Company Ltd	Dividend	Parent	<u>(37,582,095)</u>	<u>(76,935)</u>	-	-
			8,246,146	19,228,817	29,326,031	21,079,885

31. Cash commitments

There were no cash commitments as at December 2021 (2020: Nil).

32. Contingent liabilities

The Company is subjected to claim and other liabilities from litigation and legal action arising from ordinary course of business. As at the end of December 2021, the contingent liabilities arising from pending legal claim amounting to N2,000,000 (2020: Nil). Based on legal advice, the Directors are of the opinion that the Company has a good defence against these claims, and that no material loss is anticipated to arise therefrom.

33. Events after the financial position date

The sum of N13,720,689,634.62 has been received as at 30 March 2022 from the Nigerian Bulk Electricity Trading Plc (NBET) being part of the reported trade receivables.

No other event or transaction has occurred since the reporting date, which could have had a material effect on these interim financial statements at that date or which needs to be mentioned in these financial statements in the interest of fair presentation of the Company's financial position at the reporting dates or its results for the year then ended.

34. Comparative balances

Where necessary comparative figures have been reclassified to ensure proper disclosure and uniformity in the current year's presentation. This reclassification have no net impact on these financial statements.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Other National Disclosures

GEREGU POWER PLC

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	31-Dec-21 N'000	%	31-Dec-20 N'000	%
Turnover	6.	70,956,864		53,676,666	
Other income	8.	1,650,899		686,773	
Finance income	10.1	948,064		1,571,875	
		<u>73,555,827</u>		<u>55,935,314</u>	
Brought in material and services - local		(38,097,894)		(29,761,014)	
Value added		<u><u>35,457,933</u></u>	<u>100</u>	<u><u>26,174,301</u></u>	<u>100</u>
Applied as follows:					
To pay employees:					
Salaries, welfare and staff retirement benefits	9.2	1,327,687	4	1,244,404	5
To pay Government:					
Taxation	11.1	8,962,012	25	6,523,380	25
To provide for replacement of assets:					
- Depreciation of property plant and equipment		4,617,823	13	4,281,160	16
- Profit for the year		<u>20,550,411</u>	<u>58</u>	<u>14,125,357</u>	<u>54</u>
Value added		<u><u>35,457,933</u></u>	<u>100</u>	<u><u>26,174,301</u></u>	<u>100</u>

Valued added represents the additional wealth created by the Company during the reporting year. This statement shows the allocation of that wealth among employees, shareholder, capital providers, and that retained for the future creation of more wealth.

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FINANCIAL SUMMARY

31 DECEMBER

	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
	N'000	N'000	N'000	N'000	N'000
Funds employed					
Share capital	5,000	5,000	5,000	5,000	5,000
Retained earnings	59,940,076	76,971,760	62,846,402	76,623,777	62,714,267
Other reserves	(6,441)	(3,738)	584	55	55
Shareholder's fund	59,938,635	76,973,022	62,851,986	76,628,832	62,719,322
Current liabilities	38,868,753	39,873,366	34,357,771	22,215,082	27,309,728
Non-current liabilities	16,013,925	6,220,582	209,459	388,926	2,792,033
	<u>114,821,313</u>	<u>123,066,970</u>	<u>97,419,216</u>	<u>99,232,840</u>	<u>92,821,083</u>
Assets employed					
Non-current assets	39,988,214	44,022,708	48,139,451	56,825,346	55,555,845
Current assets	74,833,099	79,044,262	49,279,765	42,407,494	37,265,238
	<u>114,821,313</u>	<u>123,066,970</u>	<u>97,419,216</u>	<u>99,232,840</u>	<u>92,821,083</u>
Revenue	<u>70,956,864</u>	<u>53,676,666</u>	<u>42,164,038</u>	<u>35,005,971</u>	<u>36,613,569</u>
Operating profit	29,523,435	19,103,807	15,139,434	8,182,423	11,317,961
Profit before income tax	29,512,423	20,648,737	15,553,820	9,410,414	11,028,947
Profit after tax	20,550,411	14,125,357	10,392,871	11,203,960	13,458,777
Basic & diluted earnings per share in (N)	2,055.04	1,412.54	1,039.29	1,120.40	1,345.88