



Accountants &  
business advisers

# **GEREGU POWER PLC**

**FINANCIAL STATEMENTS  
31 DECEMBER 2017**

# GEREGU POWER PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## **GEREGU POWER PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors accept responsibility for the preparation of the accompanying financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and in manner required by the Companies and Allied Matters Act, Cap C20, LFN 2004.


The Directors are of the opinion that the accompanying financial statements give a true and fair view of the state of the financial affairs of the Company, in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and in manner required by the Companies and Allied Matters Act, Cap C20, LFN 2004.

The Directors further accept responsibility for the maintenance of adequate accounting records as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.


These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act, No. 6 2011. These are the Company's financial statements for the year ended 31 December, 2017, prepared in accordance with the International Financial Reporting Standards.

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

Signed on behalf of the Board of Directors by:

  
\_\_\_\_\_  
**Femi Otedola, CON**  
Chairman  
FRC/2013/IODN/00000002426

Dated: 26 March 2018

  
\_\_\_\_\_  
**Engr. Adeyemi Adenuga**  
Chief Executive Officer  
FRC/2013/NSE/00000003826

Dated: 26 March 2018

## **Independent Auditor's Report**

### **To the Members of Geregu Power Plc**

#### **Opinion**

We have audited the financial statements of Geregu Power Plc, which comprise the statement of financial position at 31 December 2017, and the 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company at 31 December 2017, and its financial performance and its 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, CAP C20, LFN 2004.

#### **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, Audit Committee's Report, Corporate Governance Report and Company Secretary's Report 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 on the other information that we obtained prior to the date of this auditor's report, 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, CAP C20, LFN 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Najeeb A. Abdussalaam

**Najeeb A. Abdussalaam, FCA**  
**FRC/2013/ICAN/0753**  
For: **PKF Professional Services**  
**Chartered Accountants**  
Lagos, Nigeria

**Dated: 26 March 2018**







# GEREGU POWER PLC


## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Notes	31-Dec-17 N'000	31-Dec-16 N'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	55,552,237	59,387,609
Intangible assets	14	1,966	3,099
Long term employee benefits	20	1,641	636
Deferred tax asset	15	2,691,622	-
<b>Total non-current assets</b>		<b>58,247,466</b>	<b>59,391,344</b>
<b>Current assets</b>			
Inventories	16	676,619	632,331
Trade and other receivables	17	36,423,913	15,459,348
Cash and cash equivalents	18	161,567	695,694
<b>Total current assets</b>		<b>37,262,099</b>	<b>16,787,373</b>
<b>Total assets</b>		<b>95,509,565</b>	<b>76,178,717</b>
<b>Equity</b>			
Share capital	19	5,000	5,000
Retained earnings	19	65,419,816	52,461,039
Other reserves	19	55	55
<b>Total equity</b>		<b>65,424,871</b>	<b>52,466,094</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred fair value gain on loan	22	567,540	1,021,572
Loans and borrowings	23	2,224,493	4,020,958
<b>Total non-current liabilities</b>		<b>2,792,033</b>	<b>5,042,530</b>
<b>Current liabilities</b>			
Trade and other payables	21	23,770,179	15,206,005
Current income tax liabilities	11.2	261,792	29,718
Deferred fair value gain on loan	22	454,033	454,032
Loans and borrowings	23	2,806,657	2,980,338
<b>Total current liabilities</b>		<b>27,292,661</b>	<b>18,670,093</b>
<b>Total liabilities</b>		<b>30,084,694</b>	<b>23,712,623</b>
<b>Total equity and liabilities</b>		<b>95,509,565</b>	<b>76,178,717</b>

The financial statements were approved by the Board of Directors on **26 March 2018** and signed on its behalf by:

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

  
**Engr. Adeyemi Adenuga**  
Chief Executive Officer  
FRC/2013/NSE/00000003826

  
**Ganiyu L. Adisa**  
Chief Financial Officer  
FRC/2013/CAN/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 2017

	Notes	31-Dec-17 N'000	31-Dec-16 N'000
<b>Continuing operations</b>			
Revenue	6	36,613,569	12,943,953
Cost of sales	7	(23,648,240)	(8,663,230)
<b>Gross profit</b>		<b>12,965,329</b>	<b>4,280,723</b>
Other income	8	183,628	5,971
Administrative expenses	9	(1,830,996)	(1,193,618)
<b>Operating profit</b>		<b>11,317,961</b>	<b>3,093,076</b>
Finance income	10	720,344	530,764
Finance cost	10	(1,009,358)	(1,292,798)
Net finance cost		(289,014)	(762,034)
<b>Profit before income tax</b>		<b>11,028,947</b>	<b>2,331,042</b>
Income tax credit/(expense)	11	2,429,830	(29,718)
<b>Profit for the year from continuing operations</b>		<b>13,458,777</b>	<b>2,301,324</b>
<b>Other comprehensive income:</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Defined benefit plan actuarial gain		-	409
<b>Total other comprehensive gain net of taxes</b>		-	409
<b>Total comprehensive income for the year</b>		<b>13,458,777</b>	<b>2,301,733</b>
<b>Profit attributable to:</b>			
Owners of equity		<b>13,458,777</b>	<b>2,301,733</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share in (N)	12	<b>1,345.88</b>	<b>230.13</b>

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 2017

	Share capital K'000	Retained earnings K'000	Other reserves K'000	Total equity K'000
<b>At 1 January 2016</b>	<u>5,000</u>	<u>53,159,715</u>	<u>(354)</u>	<u>53,164,361</u>
Changes in equity during the year:				
Profit for the year	-	2,301,324	-	2,301,324
Defined benefit plan actuarial gain	-	-	409	409
Amount attributable to equity holders	<u>5,000</u>	<u>55,461,039</u>	<u>55</u>	<u>55,466,094</u>
Transactions with owners, recorded directly in equity:				
Dividend to equity holders	-	(3,000,000)	-	(3,000,000)
<b>At 31 December 2016</b>	<u>5,000</u>	<u>52,461,039</u>	<u>55</u>	<u>52,466,094</u>
<b>At 1 January 2017</b>	<u>5,000</u>	<u>52,461,039</u>	<u>55</u>	<u>52,466,094</u>
Changes in equity during the year:				
Profit for the year	-	13,458,777	-	13,458,777
Defined benefit plan actuarial gain	-	-	-	-
Amount attributable to equity holders	<u>5,000</u>	<u>65,919,816</u>	<u>55</u>	<u>65,924,871</u>
Transactions with owners, recorded directly in equity:				
Dividend to equity holders	-	(500,000)	-	(500,000)
<b>At 31 December 2017</b>	<u>5,000</u>	<u>65,419,816</u>	<u>55</u>	<u>65,424,871</u>

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 2017

	Notes	31-Dec-17 K'000	31-Dec-16 K'000
<b>Cash flows from operating activities</b>			
Profit for the year		13,458,777	2,301,324
<b>Adjustment for non-cash operating items:</b>			
Depreciation of property, plant and equipment	13	3,835,372	1,592,600
Amortization of intangible assets	14	1,133	3,779
Loss on disposal of assets	9	-	3,203
Finance income	10	(720,344)	(530,764)
Interest expense	10	1,009,358	1,292,798
Current service costs	19	3,816	4,326
Deferred fair value gain on loan	21	(454,032)	(398,032)
Return on planned asset		(2,421)	(996)
Income tax expense	11	(2,429,830)	29,718
<b>Operating profit before working capital changes</b>		<b>14,701,829</b>	<b>4,297,956</b>
<b>Changes in:</b>			
Inventories	15	(44,288)	(157,290)
Trade and other receivables	16	(20,964,565)	(5,084,533)
Trade and other payables	22	8,564,175	8,742,680
<b>Cash generated from operating activities</b>		<b>(12,444,678)</b>	<b>3,500,857</b>
Income taxes paid		(29,718)	-
<b>Net cash flow from operating activities</b>		<b>2,227,433</b>	<b>7,798,813</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	-	(8,671,072)
Purchase of intangible assets	14	-	(3,877)
Funding of long term employee benefits	19	(2,400)	(3,557)
Interest received	10	720,344	530,764
<b>Net cash used in investing activities</b>		<b>717,944</b>	<b>(8,147,742)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowing	20	-	2,441,213
Repayment of borrowing	20	(1,970,146)	-
Dividend paid	18	(500,000)	(1,275,000)
Interest paid	10	(1,009,358)	(1,292,798)
<b>Net cash (used in)/from financing activities</b>		<b>(3,479,504)</b>	<b>(126,585)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(534,127)</b>	<b>(475,514)</b>
Cash and cash equivalents at 1 January		695,694	1,171,208
<b>Cash and cash equivalents at 31 December</b>	17	<b>161,567</b>	<b>695,694</b>

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 2017

### 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 Itoke-Ajaokuta Express Road, Ajaokuta, Kogi State, Nigeria.

#### 1.2 Principal activities

The Company is principally engaged in the business of 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). Additional information required by national regulations are included where appropriate.

The financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of 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 New standards and interpretations not yet adopted

##### Standards and interpretations issued but not yet effective.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January, 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

##### 2.3.1 IFRS 9, 'Financial instruments'

A finalized version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment, Hedge Accounting and Derecognition:

- a) IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.
- b) The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.
- c) IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

##### Impact on Initial Application

The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 not later than the accounting year beginning on or after 1 January 2018.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2.3.2 IFRS 15, 'Revenue from Contracts with Customers'

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standards introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, the new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. This new Standard will not significantly affect the Company because the Company is involved in the sale of energy and capacity and the Company does not have any effective long term contract that spans more than one year. The typical contracts of the Company do not impose on the Company separate or multiple performance obligations. Control of the sale of energy and capacity is transferred to the Transmission Company of Nigeria (TCN) and the Nigerian Bulk Electricity Trading Plc (NBET) as soon as the energy and capacity are sent out.

#### Impact on Initial Application

The Company has carried out an assessment to determine the impact that the initial application of IFRS 15 could have on its business and based on the Company's assessment, no significant difference is expected in the timing of revenue recognition for these services. However, the Company will adopt the standard for the year ending 31 December 2018.

### 2.3.3 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 lessees to recognise 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 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.

#### Impact on Initial Application

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.

### 2.3.4 Clarifications to IFRS 15 'Revenue from contracts with customers'

Amends IFRS 15 in three areas:

- Identification of performance obligations – changes clarify the application of the concept of 'distinct' in this context.
- Whether an entity is acting as principal or agent – changes clarify the application of the principal of 'control' in making this determination.
- 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.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 Application

The amended to the standard might not have any impact on the Company's financial statements when it becomes effective in 2018.

### 2.3.5 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

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.

#### - 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 periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively.

### Impact on Initial Application

The amended to the standard might not have any impact on the Company financial statements when it becomes effective in 2018.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2.3.6 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 period 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 periods beginning on or after January 1, 2018.

#### Impact on initial application

The amended to the standard might not have any impact on the Company financial statements when it becomes effective in 2018.

### 2.3.7 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 17 is effective for annual periods 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 application

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

### 2.3.8 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.

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.



## GEREGU POWER PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 period in which the entity first applies the Interpretation; or
  - the beginning of a prior reporting period presented as comparative information in the financial statements.

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

#### **Impact on Initial Application**

The amended to the standard might not have any impact on the Company financial statements when it becomes effective in 2018.

#### **2.3.9 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 periods beginning on or after January 1, 2019.

#### **Impact on Initial Application**

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

#### **2.3.10 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 periods 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.

The amendments also remove outdated exemptions for first-time adopters of IFRS, which are effective for annual periods beginning on or after January 1, 2018.

#### **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.

# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 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) 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 judgment and the use of estimates regarding the outcome of future events.

#### b) Estimated useful lives and residual values of intangible assets and property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Group 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 periods.

#### c) 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.

### 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 period 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.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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 period. 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 are 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 period is not considered to be material.

### 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.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 3.4.2 Subsequent costs

The cost of replacing part of an item of property, plant and 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, plant 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:

Leasehold land	- Over the lease years
Buildings	- 25 years
Plants and equipment	- 20 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.

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 - 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.

# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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: 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.

### 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.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Group 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 Group's policy to reinvest undistributed profits arising in group 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.

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.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

#### 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 periods; 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.



# **GEREGU POWER PLC**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

### **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 Provisions 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.

### **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**

### **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 grid transmission Marginal Loss Factor (MLF) 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, the 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 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).



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 by Nigerian Electricity Regulatory Commission (NERC) in December 2015 but effective February 1, 2016.

NBET has reviewed the Thermal GenCos wholesale tariff based on USD 3.30/Mscft effective February 1, 2016. The base tariff used were as follows: Energy N10,082/Mwh and Capacity Charge N5,101/Mwh subject to indexation on the basis of change in the CBN Exchange Rate adjusted monthly as provided in the Bulk Power Purchase Agreement Effective April 1, 2016.

### 3.14 Finance income and finance costs

Finance income comprises 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.

### 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 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.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 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's 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 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 GPP'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.
- ii) Management Risk Committee is a Management Committee of GPP 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 awareness culture in the Company 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 analyze 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.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

### **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 fixed at 7% per annum.

The Company got Central Bank of Nigeria's approval for the Power and Aviation Intervention Fund (PAIF) through the Bank of Industry (BOI)/First Bank of Nigeria Limited within the year.

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

Secured bank loan	7%
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Notes 20 and 21 highlighted the borrowing for the reporting period.

# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with

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 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 so as 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 non-controlling 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.

	31-Dec-17	31-Dec-16
	₦'000	₦'000
Total liabilities	30,084,694	23,712,623
Total assets	95,509,565	76,178,717
Gearing ratio	31%	31%

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

	31-Dec-17	%	31-Dec-16
Amperion Power Distribution Company Limited	5,100,000	51.0	5,100,000
Bureau of Public Enterprises	3,920,000	39.2	3,920,000
Ministry of Finance Incorporated	980,000	9.8	980,000
	10,000,000		10,000,000



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	31-Dec-17 N'000	31-Dec-16 N'000
<b>6. Revenue</b>		
Energy sold	23,667,907	8,411,751
Capacity charge	12,945,662	4,532,202
	<u>36,613,569</u>	<u>12,943,953</u>
<b>7. Cost of sales</b>		
Gas supply and transportation	19,901,291	7,138,635
Plant depreciation	3,746,949	1,524,595
	<u>23,648,240</u>	<u>8,663,230</u>
<b>Gross profit</b>	<u>12,965,329</u>	<u>4,280,723</u>
<b>8. Other income</b>		
Foreign exchange gain realised	182,328	5,971
NAPTIN graduate training fund	1,300	-
	<u>183,628</u>	<u>5,971</u>
<b>9. Administrative expenses</b>		
Repairs and maintenance of plant and machinery	312,610	41,015
Energy import and regulatory charges	21,114	12,645
Personnel cost (Note 9a)	407,084	302,117
Depreciation and amortization expenses	89,555	71,784
Plant and machinery insurance	259,921	293,701
Postages, printing and stationery	2,287	1,280
Rent and rates	24,839	1,310
Other repairs and maintenance expenses	6,483	16,169
Telephone and internet expenses	31,951	22,794
Market development, promotions and advertisement	14,931	29,198
Transport and travel costs	59,678	49,304
Legal fees	9,380	17,081
Cleaning, safety and security expenses	59,359	49,295
Audit fees	10,000	3,500
Board meeting expenses	17,754	8,120
Professional and consultancy fees	95,113	105,707
Other insurance expenses	3,681	3,004
Bank charges	5,327	8,523
Directors' fees and allowances	399,929	153,868
Loss on disposal of assets	-	3,203
	<u>1,830,996</u>	<u>1,193,618</u>
<b>a) Personnel expenses</b>		
Salaries, wages and allowances	199,064	189,051
Medical expenses	8,738	9,879
Contributions to pension fund scheme	11,071	10,562
Defined benefit plan - current service cost (Note 19)	1,395	3,330
Training, recruitment and canteen expenses	131,972	43,948
Contract manpower	33,504	28,869
Other personnel expenses	21,340	16,478
	<u>407,084</u>	<u>302,117</u>

# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	31-Dec-17 N'000	31-Dec-16 N'000
<b>10. Finance income and cost</b>		
<b>10.1 Finance income</b>		
Interest income	720,344	530,764
<b>10.2 Finance cost</b>		
Interest expense on bank loan	1,009,358	1,292,798
<b>Net finance cost</b>	<b>(289,014)</b>	<b>(762,034)</b>
<b>10.3</b>	Interest income represents income earned on bank deposits and amortised government grant while interest expense represents charges paid on term loan utilised during the year.	
<b>11. Taxation</b>		
The Company in line with the relevant tax laws and regulations and considering its nature of operations has been enjoying pioneer status for the first three years of operations (November 1, 2013 to October 31, 2016). Application for additional two years extension has been acknowledged by the Federal Inland Revenue Service, we have included tax estimates in line with appropriate regulations on corporate tax matters pending the receipt of the final approval.		
	31-Dec-17 N'000	31-Dec-16 N'000
<b>11.1 Tax expense</b>		
Income tax	-	15,729
Education tax	261,792	13,989
	261,792	29,718
Deferred tax (Note 11.3)	(2,691,622)	-
<b>Total income tax (credit)/expense</b>	<b>(2,429,830)</b>	<b>29,718</b>
<b>Reconciliation of income tax expense to accounting profit:</b>		
Profit before tax	11,028,947	2,331,042
Tax calculated using the domestic corporation tax rate of 30% (30 December 2016: 30%)	3,308,684	699,313
Non-deductible expenses	3,839,279	1,878,200
Effect of education tax levy	261,792	13,989
Effect of income tax	-	15,729
Deferred tax	(2,691,622)	-
Capital allowance relief	(7,147,964)	(2,636,949)
<b>Income tax (credit)/expense recognised in profit or loss</b>	<b>(2,429,831)</b>	<b>(29,718)</b>
The tax rate used for the 31 December 2017 reconciliation given above is at the current statutory rate of 30%, which is payable by corporate entities on taxable profits under tax law in its jurisdiction.		
<b>11.2 Current income tax liability</b>		
At 1 January	29,718	-
Current tax	261,792	29,718
Payment	(29,718)	-
<b>At 31 December</b>	<b>261,792</b>	<b>29,718</b>



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	31-Dec-17 N'000	31-Dec-16 N'000
<b>11.3 Deferred tax asset</b>		
At 1 January	-	-
Charge	2,691,622	-
<b>At 31 December</b>	<b>2,691,622</b>	<b>-</b>
<b>11.4 Analysis of deferred tax asset</b>		
Property, plant and equipment	2,689,981	-
Long-term employee benefits	1,641	-
<b>Unrecognized deferred tax asset</b>	<b>2,691,622</b>	<b>-</b>
<b>12. Earnings per share</b>		
<b>a) Basic earnings per share</b>		
The company's basic earnings per share of ₦1,345.88 (31 December 2016 : ₦230.13 kobo) is based on the profit attributable to ordinary shareholders of ₦13,458,778,000 (31 December 2016 : ₦2,301,324,000), and on the 10,000,000 (31 December 2016: 10,000,000) ordinary shares of 50 Kobo each, being the weighted average number of ordinary shares in issue during the current and preceding years.		
<b>Profit attributable to ordinary shareholders</b>		
Profit for the year	13,458,777	2,301,324
Profit attributable to ordinary shareholders	<b>13,458,777</b>	<b>2,301,324</b>
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 January	10,000	10,000
Issued ordinary shares at 31 December	10,000	10,000
Basic/diluted earnings per share in (₦)	<b>1,345.88</b>	<b>230.13</b>

# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 13. Property, plant and equipment

The movement in the property, plant and equipment in the year ended 31 December 2017 was as follows:

	Gas Turbine Plant N'000	Lease-hold Land N'000	Buildings N'000	Trucks and Vehicles N'000	Furniture & Fittings N'000	Office Equipment N'000	Computer Equipment N'000	Asset Under Construction N'000	Total N'000
<b>Cost</b>									
At 1 January 2016	43,964,201	120,000	213,177	105,026	-	1,263	-	10,491,753	54,895,420
Additions	-	-	-	9,240	9,726	3,154	523	8,648,429	8,671,072
Transfers	18,114,618	2,787	965,015	-	-	-	25,259	(19,107,679)	-
Disposal	-	-	-	(6,150)	-	-	-	-	(6,150)
At 31 December 2016	62,078,819	122,787	1,178,192	108,116	9,726	4,417	25,782	32,503	63,560,342
Transfer	-	-	-	-	-	-	32,503	(32,503)	-
At 31 December 2017	62,078,819	122,787	1,178,192	108,116	9,726	4,417	58,285	-	63,560,342
<b>Accumulated depreciation</b>									
At 1 January 2016	2,507,883	2,626	18,475	53,803	-	293	-	-	2,583,080
Charge	1,524,595	1,314	43,911	16,718	2,229	696	3,137	-	1,592,600
Disposal	-	-	-	(2,947)	-	-	-	-	(2,947)
At 31 December 2016	4,032,478	3,940	62,386	67,574	2,229	989	3,137	-	4,172,733
Charge	3,746,949	1,324	47,128	18,130	2,432	883	18,526	-	3,835,372
At 31 December 2017	7,779,427	5,264	109,514	85,704	4,661	1,872	21,663	-	8,008,105
<b>Carrying amount</b>									
At 31 December 2017	54,299,392	117,523	1,068,678	22,412	5,065	2,545	36,622	-	55,552,237
At 31 December 2016	58,046,341	118,847	1,115,806	40,542	7,497	3,428	22,645	32,503	59,387,609

- 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 carried at deemed cost.
- b) Depreciation charge (rather than gas turbine's) is included in the administrative expenses of the statement of profit or loss and other comprehensive income N88,422,000 (31 December 2016: N68,005,000). Gas turbine depreciation of N3,746,949,000 is included in the cost of sales (31 December 2016: N1,524,595,000).
- c) There was no lien on any of the Company's property, plant and equipment as at 31 December 2017.
- d) No impairment charge on property, plant and equipment during the year.

### 14. Intangible assets

The movement on this account in the year was as follows:

	31-Dec-17 N'000	31-Dec-16 N'000
<b>Cost</b>		
At 1 January	27,347	23,470
Additions	-	3,877
At 31 December	27,347	27,347
<b>Accumulated amortisation</b>		
At 1 January	24,248	20,469
Charge	1,133	3,779
At 31 December	25,381	24,248
<b>Carrying amount</b>	1,966	3,099

- a) Intangible assets represent the computer software 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 N1,133,000 (31 December 2016 : N3,779,000).
- c) No impairment charge on intangible asset during the year.
- d) No lien on the intangible assets of the Company at 31 December 2017.



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 15 Deferred tax assets

#### a) Recognised deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000	2017 N'000	2016 N'000
Property, plant and equipment	2,691,130	-	-	-	2,691,130	-
Other liabilities	492	-	-	-	492	-
	<u>2,691,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,691,622</u>	<u>-</u>

#### b) Movement in temporary differences during the year

	1-Jan-17 N'000	Recognized in profit or loss N'000	Recognized in OCI N'000	31-Dec-17 N'000
Property, plant and equipment	-	2,691,130	-	2,691,130
Other liabilities	-	492	-	492
	<u>-</u>	<u>2,691,622</u>	<u>-</u>	<u>2,691,622</u>

### 16. Inventories

Spares, tools and consumables (Note 16.1)

31-Dec-17 N'000	31-Dec-16 N'000
<u>676,619</u>	<u>632,331</u>

16.1 Inventories include spare parts, tools and consumables in stores.

16.2 There was no impairment of inventory during the year.

16.3 No lien on the inventories of the Company at 31 December 2017.

### 17. Trade and other receivables

Trade receivables (Note 17.1)	32,594,881	14,637,270
Receivables from related parties (Note 27)	3,531,327	500,000
Prepayments	292,987	311,023
Prepaid staff expense	1,055	1,780
Interest receivable	-	437
Withholding receivable on interest income	3,663	8,838
	<u>36,423,913</u>	<u>15,459,348</u>
Impairment allowance (Note 17.1)	<u>-</u>	<u>-</u>
	<u>36,423,913</u>	<u>15,459,348</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.

The receivables were not impaired during the period due to the fact that the Central Bank of Nigeria (CBN) has set up a CBN-NEMSF ₦213BN intervention fund to bail out the electricity industry in Nigeria. Gereg Power Plc has received the sum of ₦1,961,096,109.70 from CBN intervention fund as at 30 June 2017 while the balance is under processing for payment. In addition, the proposed ₦309BN NBET Bond is in process to ameliorate the liquidity problems in the NESI and the recent approved FGN N701b NBET Power Assurance Program (PAP) to cover power outstandings from January 2017 to December 2018.

There is also a Power Purchase Agreement (PPA) between Gereg Power Plc and the Nigerian Bulk Electricity Trading Plc (NBET) that guarantees 100% payment for energy and capacity. At the effectiveness of the PPA, Gereg Power Plc is empowered to call up the bank guarantee from NBET for the outstanding balances.

Related party receivables represent the intercompany loan to Amperion Power Distribution Company Limited and Forte Oil Plc.

# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	31-Dec-17 N'000	31-Dec-16 N'000
<b>18. Cash and cash equivalents</b>		
Cash at bank	161,567	270,694
Short-term deposit	-	425,000
<b>As per statement of cash flows</b>	<b>161,567</b>	<b>695,694</b>
<b>19. Equity and reserves</b>		
<b>a) Authorised Ordinary shares:</b>		
20,000,000 ordinary shares of 50k each	10,000	10,000
<b>b) Issued and fully paid ordinary shares of 50k each</b>		
10,000,000 ordinary shares of 50k each	5,000	5,000
<b>c) Retained earnings</b>		
Retained earnings represent the carried forward recognised income net of expenses plus current period's result attributable to shareholders.		
At 1 January	52,461,039	53,159,715
Profit for the year	13,458,777	2,301,324
Dividend	(500,000)	(3,000,000)
<b>At 31 December</b>	<b>65,419,816</b>	<b>52,461,039</b>
<b>d) Other reserves</b>		
At 1 January	(55)	354
Defined benefit plan actuarial loss/(gain)	-	(409)
<b>At 31 December</b>	<b>(55)</b>	<b>(55)</b>
<b>20. Long term employee benefits</b>		
The movement in the present value of the long term employee benefits was as follows:		
Gratuity liability at 1 January	11,149	7,231
Charge to profit and loss	3,815	4,326
Defined benefit plan actuarial loss/(gain)	-	(409)
<b>Gratuity liability at the end of the year</b>	<b>14,964</b>	<b>11,148</b>
Planned asset at 1 January	(11,784)	(7,231)
Additional funding during the year	(2,400)	(3,557)
Actual return on planned assets	(2,421)	(996)
<b>At end of the year (over)/under funded position</b>	<b>(1,641)</b>	<b>(636)</b>
<b>Expenses recognised in statement of profit or loss and other comprehensive income</b>		
Current service costs	2,032	3,531
Interest costs	1,784	795
Return on planned assets	(2,421)	(996)
	<b>1,395</b>	<b>3,330</b>
<b>Expenses recognised in the statement of other comprehensive income</b>		
Defined benefit plan actuarial loss/(gain)	-	(409)
	<b>-</b>	<b>(409)</b>

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

The actuarial valuation report was signed in January 2017 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 planned asset is funded with Mansard Investment Limited and has a value of N16,605,086 (31 December 2016 : N11,784,476).



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### Stated below are the key assumptions used:

Discount rate/average rate of return on assets  
Average rate of salary increase  
Inflation rate  
Mortality of members

31-Dec-17	31-Dec-16
14.60% p.a.	15.56% p.a.
10% p.a.	10% p.a.
12% p.a.	12% p.a.
A49/52 English tables	A49/52 English tables

The weighted average future service of the Plan is about 8.2 years. The average weighted duration of the closest Nigerian bond as at the valuation date, 31st December 2017 is the 12.50% FGN March 2026 bond with term to maturity of 8.07 years and a gross redemption yield of about 14.16%.

### 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-17	31-Dec-16
<b>Revised liability</b>		
-300 basis point change in investment return	18,118	11,189
+300 basis point change in investment return	17,097	11,102
20% higher withdrawals	18,100	11,188
20% less withdrawals	17,114	11,111
10% higher mortality	17,713	11,158
10% lower mortality	17,502	11,140
10% higher salary increase rate	18,312	11,164
10% lower salary increase rate	16,903	11,133
<b>Percentage change from base results</b>		
-300 basis point change in investment return	2.90%	0.40%
+300 basis point change in investment return	-2.90%	-0.40%
5% higher withdrawals	2.80%	0.40%
5% less withdrawals	-2.80%	-0.30%
10% higher mortality	0.60%	0.10%
10% lower mortality	-0.60%	-0.10%
20% higher salary increase rate	4.00%	0.10%
20% lower salary increase rate	-4.00%	-0.10%

### 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.

### Maturity profile of active members

#### Future service

	No. of Members	Defined Benefit Obligation ₦'000	Total Salary ₦'000
Less than 5 years	-	-	-
Up to 5 and less than 10 years	1	13,548	21,627
Up to 10 and less than 15 years	-	-	-
Up to 15 and less than 20 years	2	4,059	19,080
Greater than 20 years	-	-	-
	<u>3</u>	<u>17,607</u>	<u>40,708</u>

The estimated additional accrual for the year is ₦3,815,340 (31 December 2016 : ₦4,326,204).

There are three categories of employees in Gereg 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 Gereg Power Plc from Adoy Limited. Only the first category are covered by this long term benefit.

# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	31-Dec-17 N'000	31-Dec-16 N'000
<b>21. Trade and other payables</b>		
<b>Current trade and other payables</b>		
<b>Trade payables</b>		
Gas accounts payable	19,321,103	9,211,196
Other creditors	72,314	830,966
Payable to related parties (Note 27)	-	257,063
	<u>19,393,417</u>	<u>10,299,225</u>
<b>Non-trade payables and other creditors</b>		
Non-trade payables and other creditors (Note 21.1)	4,376,762	4,906,780
	<u>23,770,179</u>	<u>15,206,005</u>

- 21.1** Non-trade payables and other creditors consists of ₦2,632,916,647.90 accrued for 5% balance of the Major Overhaul cost and additional MO costs, ITF and other accrued expenses; ₦1,715,000,000 for dividend payable, ₦1,241,006 for account payable staff and ₦27,604,453.73 for withholding tax liabilities as at 31 December 2017.

The carrying amounts of accruals and other payables as at 31 December 2017 approximate their fair values. Other payables are derecognised when the obligation under the liability is settled, cancelled or expired.

### 22. 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.

	31-Dec-17 N'000	31-Dec-16 N'000
At 1 January	1,475,604	1,873,636
Adjustment	-	52,566
Released during the year	(454,031)	(450,598)
<b>At 31 December</b>	<u>1,021,573</u>	<u>1,475,604</u>
<b>Analysis of current and non-current portions</b>		
Non-current	567,540	1,021,572
Current	454,033	454,032
	<u>1,021,573</u>	<u>1,475,604</u>

In June 2015, the Bank of Industry through First Bank of Nigeria Limited granted Gereg Power Plc the sum of ₦9,924,963,400.00 long-term loan repayable 5 years at an all-in annual interest rate of 7% for part-financing the overhaul of the 3 gas turbines of the Gereg Power Plc under the Power and Aviation Intervention Fund. The loan has 12 months moratorium on principal and 6 months moratorium on interest. Given the concessional terms at which the Company

Using prime lending interest rate of 17.24%, the fair value of the loan is now estimated at ₦7,730,476,344. The difference of ₦2,194,487,056 between the gross proceeds and the fair value of the loan is the benefit derived from the below-market rate of interest loan and is recognised as deferred revenue. The facility is secured by an all-asset debenture of the ultimate parent company, Forte Oil Plc to be shared accordingly with the existing lenders.

### 23. 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-17 N'000	31-Dec-16 N'000
At 1 January	7,001,296	4,560,083
Addition	470,003	4,972,802
Repayment	(2,440,149)	(2,531,589)
<b>At 31 December</b>	<u>5,031,150</u>	<u>7,001,296</u>
<b>Analysis of current and non-current portions</b>		
Non-current	2,224,493	4,020,958
Current	2,806,657	2,980,338
	<u>5,031,150</u>	<u>7,001,296</u>



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Loans and borrowings of ₦5,031,150,000 represents the net remeasured amount amortized at prime interest rate that has been disbursed to the Company by First Bank of Nigeria Ltd from the CBN/BOI PAIF facility of ₦9,924,963,400.00 to part-finance the overhaul of the Company's three (3) Gas Turbines.

The collateral for the loan from First Bank of Nigeria Limited are: all assets debenture of the Group Parent Company (Forte Oil Plc); Charge on the 51% shares of Geregu Power Plc owned by Amperion Power Distribution Company Limited; Corporate Guarantee of Amperion Power Distribution Company Limited and domiciliation of all the Company's receivables account to First Bank of Nigeria Limited while the facility subsists.

				31-Dec-17	31-Dec-16
	Currency	Nominal interest	Year of maturity	Present value	Present value
				₦'000	₦'000
<b>Terms and debt repayment schedule</b>					
Terms and condition of outstanding loan:					
Secured term loan	Naira	17.24%	2020	<u>5,031,150</u>	<u>7,001,296</u>

### 24. 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:

Trade and other receivables (Note 17)	36,423,913	15,459,348
Cash and cash equivalents (Note 18)	161,567	695,694
	<u>36,585,480</u>	<u>16,155,042</u>

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

0 - 2 months	11,160,549	6,094,236
2 - 3 months	3,713,898	1,449,351
3 - 6 months	3,252,618	1,790,546
6 - 12 months	6,641,864	3,494,022
More than 12 months	11,654,985	2,631,193
	<u>36,423,914</u>	<u>15,459,348</u>

#### Foreign exchange exposure

Bank balances denominated in other currencies

	<u>33,248</u>	<u>17,339</u>
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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

that the cash flows included in the analysis could occur significantly earlier, or at significantly different amounts.

## 26.1 Directors emoluments

Chairman  
Directors

Executive Directors are not entitled to and do not get paid directors fees.

Directors earned fees in the following ranges:

Number	Number
5	5
1	1



# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 26.2 Key management personnel and compensation

The company has 63 employees as at 31 December 2017 (31 December 2016 : 65 employees).

	31-Dec-17	31-Dec-16
Managing Director/Chief Executive Officer	Adeyemi Adenuga	Adeyemi Adenuga
Chief Financial Officer	Ganiyu L. Adisa	Ganiyu L. Adisa
Business Assurance and Compliance Manager	Taofeek Popoola	Taofeek Popoola

	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Key management personnel of the company are the three management staff stated above. Key management personnel's remunerations include the following expenses:		
<b>Short-term employee benefits:</b>		
Salaries including allowances	40,708	33,473
<b>Post-employment benefits:</b>		
Defined contribution to compulsory pension fund scheme	2,191	1,568
Defined benefit gratuity scheme	13,560	12,361
	<u>56,459</u>	<u>47,402</u>

#### Staff numbers and costs:

The average number of persons employed (excluding Directors) in the Company during the year were as follows:

	Number	Number
Management	3	3
Senior	28	30
Junior	32	32
	<u>63</u>	<u>65</u>

26.3 The table below shows the number of employees of the Company (other than Directors) who earned over ₦1,000,000 during the year and which fell within the bands stated below:

₦	₦	Number	Number
1 -	1,000,000	13	26
1,000,001 -	2,000,000	20	8
2,000,001 -	4,000,000	10	11
4,000,001 -	8,000,000	9	9
8,000,001 -	16,000,000	11	11
		<u>63</u>	<u>65</u>

# GEREGU POWER PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 27. 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-17 ₦'000	31-Dec-16 ₦'000	31-Dec-17 ₦'000	31-Dec-16 ₦'000
<b>Receivables from related parties</b>						
Amperion Power Distribution Company Ltd	Loan	Parent	3,128,824	-	3,128,824	-
Forte Oil Plc	Advances	Ultimate Parent	2,059,257	500,000	402,503	500,000
			5,188,081	500,000	3,531,327	500,000
<b>Payables to related parties</b>						
Amperion Power Distribution Company Ltd	Dividend	Parent	255,000	1,530,000	-	255,000
Forte Oil Plc	Management service charge	Ultimate Parent	12,729	25,851	-	2,063
			267,729	1,555,851	-	257,063

### 28. Capital commitments

The Company's gas turbines major overhaul contract costs to date is USD93,150,506.79 between Siemens Nigeria Limited and Geregu Power Plc. The sum of USD81,924,506.79 had been paid to Siemens Nigeria Limited as at 30 April 2017. The outstanding balance of USD11,226,000 is the total company capital commitments on the three gas turbines major overhaul contract.

#### 28.1 Cash commitments

The sum of ₦1,930,159.47 included in the cash and cash equivalent is committed for part-repayment of the CBN/BOI PAIF facility for the next two quarters: March 2018 and June 2018.

### 29. Events after the financial position date

The total sum of USD2,286,694.87 and ₦5,386,468,235.99 were received between 5 January and 15 March, 2018 from the Nigerian Bulk Electricity Trading Plc (NBET)/CBN being part of the reported trade receivables.

A disbursement request of ₦511,845,461.26 payable on 27 March 2018 has been sent to the Central Bank of Nigeria being part of reported trade receivables.

### 30. Prior year corresponding balances

Certain prior year balances have been reclassified to ensure proper disclosure and uniformity with current year's presentation. These reclassifications have no net impact on these financial statements.



**GEREGU POWER PLC**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

## **Other National Disclosures**

## GEREGU POWER PLC

### STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2017

	<b>31-Dec-17</b>		<b>31-Dec-16</b>	
	<b>N'000</b>	<b>%</b>	<b>N'000</b>	<b>%</b>
<b>Turnover</b>	<b>36,613,569</b>		<b>12,943,953</b>	
Other income	183,628		5,971	
Finance income	720,344		530,764	
	<u>37,517,541</u>		<u>13,480,688</u>	
Brought in material and services - local	(22,245,006)		(9,280,868)	
<b>Value added</b>	<b>15,272,535</b>	<b>100</b>	<b>4,199,820</b>	<b>100</b>
<b>Applied as follows:</b>				
<b>To pay employees:</b>				
Salaries, welfare and staff retirement benefits	407,084	3	302,117	7
<b>To pay Government:</b>				
Taxation	(2,429,830)	(16)	-	-
<b>To provide for replacement of assets:</b>				
- Depreciation of property, plant, and equipment	3,836,504	25	1,596,379	38
- Profit for the year	13,458,777	88	2,301,324	55
<b>Value added</b>	<b>15,272,535</b>	<b>100</b>	<b>4,199,820</b>	<b>100</b>

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.



# GEREGU POWER PLC

## FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2017

	31-Dec-17 N'000	31-Dec-16 N'000	31-Dec-15 N'000	31-Dec-14 N'000
<b>Statement of financial position</b>				
<b>Funds employed</b>				
Share capital	5,000	5,000	5,000	5,000
Retained earnings	65,419,816	52,461,039	53,159,715	49,590,188
Other reserves	55	55	(354)	(222)
Shareholder's fund	65,424,871	52,466,093	53,164,361	49,594,966
Current liabilities	27,292,661	18,670,093	6,910,574	2,544,431
Non-current liabilities	2,792,033	5,042,530	4,261,471	3,161
	<u>95,509,566</u>	<u>76,178,717</u>	<u>64,336,406</u>	<u>52,142,558</u>
<b>Assets employed</b>				
Non-current assets	58,247,466	59,391,344	52,315,341	44,027,721
Current assets	37,262,099	16,787,373	12,021,065	8,114,837
	<u>95,509,566</u>	<u>76,178,717</u>	<u>64,336,406</u>	<u>52,142,558</u>
<b>Statement of profit or loss</b>				
Revenue	<u>36,613,569</u>	<u>12,943,953</u>	<u>10,267,752</u>	<u>9,062,000</u>
Operating profit	11,317,961	3,093,076	3,975,932	4,121,126
Profit before income tax	11,028,947	2,331,042	3,569,528	4,159,471
Profit after tax	13,458,777	2,301,732	3,569,396	4,159,471
Basic & diluted earnings per share in (N)	1,345.88	230.17	356.94	416

**GEREGU POWER PLC**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**For management use only**



# GEREGU POWER PLC

## DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 N'000	2016 N'000
Revenue	36,613,569	12,943,953
Cost of sales	(23,648,240)	(8,663,230)
Gross profit from operation	12,965,329	4,280,723
Other income	183,628	5,971
Finance cost	(289,014)	(762,034)
<b>Gross profit and other income</b>	<b>12,859,943</b>	<b>3,524,660</b>
<b>Administrative expenses</b>		
Generator repairs/plant maintenance	312,610	41,015
Energy import and regulatory charges	21,114	12,645
Personnel cost	407,084	302,117
Depreciation and amortization expenses	89,555	71,784
Plant and machinery insurance	259,921	293,701
Postages, printing and stationeries	2,287	1,280
Rent and rates	24,839	1,310
Other repairs and maintenance expenses	6,483	16,169
Telephone and internet expenses	31,951	22,794
Public relations, promotions and advertisement	14,931	29,198
Transport and travel costs	59,678	49,304
Legal fees	9,380	17,081
Cleaning, safety and security expenses	59,359	49,295
Audit fees	10,000	3,500
Board and AGM expenses	17,754	8,120
Professional and consultancy fees	95,113	105,707
Other insurance expenses	3,681	3,004
Bank charges	5,327	8,523
Directors' fees and allowances	399,929	153,868
Loss on disposal of assets	-	3,203
	<b>1,830,996</b>	<b>1,193,618</b>
Profit before taxes	11,028,947	2,331,042
Income tax credit/(expense)	2,429,830	(29,718)
Defined benefit plan actuarial gain/(loss)	-	409
<b>Total comprehensive income for the year</b>	<b>13,458,777</b>	<b>2,301,733</b>