

GEREGU POWER PLC

**FINANCIAL STATEMENTS
31 DECEMBER 2020**

GEREGU POWER PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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GEREGU POWER PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

The responsibilities include ensuring that:

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

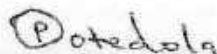
The directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards, in compliance with Financial Reporting Council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

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

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

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

Signed on behalf of the Board of Directors by:



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

Dated: 30 April 2021

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

We have audited the accompanying financial statements of **Geregu Power Plc** (the Company), which comprise the statement of financial position at 31 December 2020, 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 and other explanatory information.

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

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report and Statement of Directors Responsibility but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with Governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirements of the Companies and Allied Matters Act, 2020, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


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

Dated: 30 April 2021




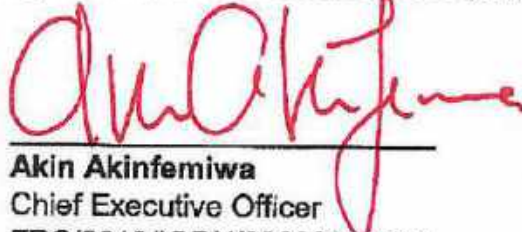
GEREGU POWER PLC


STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Notes	31-Dec-20 N'000	31-Dec-19 N'000
Assets			
Non-current assets			
Property, plant and equipment	13	43,999,931	48,101,008
Intangible assets	14	17,743	24,258
Long term employee benefits	23	5,033	14,185
		<u>44,022,707</u>	<u>48,139,451</u>
Current assets			
Inventories	16	725,875	847,116
Trade and other receivables	17	72,927,123	47,085,644
Other current assets	18	608,497	160,312
Cash and cash equivalents	19	4,782,767	1,186,694
		<u>79,044,262</u>	<u>49,279,766</u>
Total assets		<u>123,066,969</u>	<u>97,419,217</u>
Equity and liabilities			
Equity			
Ordinary shares	20.2	5,000	5,000
Retained earnings	21	76,971,760	62,846,403
Other reserves	22	(3,738)	584
		<u>76,973,022</u>	<u>62,851,987</u>
Liabilities			
Non-current liabilities			
Deferred tax liabilities	11.4	6,220,582	209,460
		<u>6,220,582</u>	<u>209,460</u>
Current liabilities			
Trade and other payables	24	39,360,269	33,276,185
Current income tax liabilities	11.2	513,096	361,368
Deferred fair value gain on loan	25	-	113,508
Loans and borrowings	26	-	606,709
		<u>39,873,365</u>	<u>34,357,770</u>
Total liabilities		<u>46,093,947</u>	<u>34,567,230</u>
Total equity and liabilities		<u>123,066,969</u>	<u>97,419,217</u>

The financial statements were approved by the Board of Directors on 30 April, 2021 and signed on its behalf by:


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


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


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

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

GEREGU POWER PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31-Dec-20 R'000	31-Dec-19 R'000
Continuing operations			
Revenue	6	53,676,666	42,164,038
Cost of sales	7	<u>(30,835,415)</u>	<u>(25,855,985)</u>
Gross profit		22,841,251	16,308,053
Other income	8	686,773	1,115,074
Administrative expenses	9	<u>(4,424,217)</u>	<u>(2,283,693)</u>
Operating profit		19,103,807	15,139,434
Net finance income	10	<u>1,544,930</u>	<u>414,387</u>
Profit before income tax		20,648,737	15,553,821
Income tax expense	11.1	<u>(6,523,380)</u>	<u>(5,160,950)</u>
Profit for the year from continuing operations		<u>14,125,357</u>	<u>10,392,871</u>
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Defined benefit plan actuarial (loss)/gain	23	<u>(4,322)</u>	<u>529</u>
Total other comprehensive (loss)/gain net of taxes		<u>(4,322)</u>	<u>529</u>
Total comprehensive income for the year		<u>14,121,035</u>	<u>10,393,400</u>
Profit attributable to:			
Owners of equity		<u>14,121,035</u>	<u>10,393,400</u>
Earnings per share			
Basic and diluted earnings per share in (R)	12	<u>1,412.54</u>	<u>1,039.29</u>

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

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital N'000	Retained earnings N'000	Other reserves N'000	Total equity N'000
At 1 January 2019	5,000	76,453,532	55	76,458,587
Changes in equity during the year:				
Profit for the year	-	10,392,871	-	10,392,871
Defined benefit plan actuarial gain	-	-	529	529
Amount attributable to equity holders	5,000	86,846,403	584	86,851,987
Transactions with owners, recorded directly in equity:				
Dividend to equity holders	-	(24,000,000)	-	(24,000,000)
At 31 December 2019	<u>5,000</u>	<u>62,846,403</u>	<u>584</u>	<u>62,851,987</u>
At 1 January 2020	<u>5,000</u>	<u>62,846,403</u>	<u>584</u>	<u>62,851,987</u>
Changes in equity during the year:				
Profit for the year	-	14,125,357	-	14,125,357
Defined benefit plan actuarial gain	-	-	(4,322)	(4,322)
Amount attributable to equity holders	5,000	76,971,760	(3,738)	76,973,022
Transactions with owners, recorded directly in equity:				
Dividend to equity holders	-	-	-	-
At 31 December 2020	<u>5,000</u>	<u>76,971,760</u>	<u>(3,738)</u>	<u>76,973,022</u>

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

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31-Dec-20 #’000	31-Dec-19 #’000
Cash flows from operating activities			
Profit for the year		14,125,357	10,392,871
Adjustment for non-cash operating items:			
Depreciation of property, plant and equipment	13	4,274,646	4,181,951
Amortization of intangible assets	14	6,515	2,800
Net finance income	10	(1,544,930)	(414,387)
Impairment charged/(write back) for trade receivables	17.3	555,540	(507,636)
Current service costs	23	26,188	3,640
Deferred fair value gain on loan	25	(113,508)	(454,033)
Return on planned asset	23	(1,358)	(2,823)
Deferred tax charged	11.1	6,011,123	4,744,902
Income tax expense	11.1	512,257	416,049
Operating profit before working capital changes		23,851,830	18,363,334
Changes in:			
Decrease/(increase) in inventories	16	121,241	(137,417)
Increase in trade and other receivables	17	(26,514,960)	(5,837,926)
(Increase)/decrease in current other assets	18	(330,244)	14,214
Increase in trade and other payables	24	6,161,019	10,149,147
Cash generated from operating activities		3,288,886	22,551,352
Income taxes paid	11.2	(360,529)	(452,496)
Gratuity paid	23	-	(11,322)
Net cash from operating activities		2,928,357	22,087,534
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	13	-	587
Purchase of property, plant and equipment	13	(173,569)	(156,197)
Purchase of intangible assets	14	-	(26,061)
Funding of long term employee benefits	23	(20,000)	(2,000)
Net interest received	10	1,544,930	414,387
Net cash from investing activities		1,351,361	230,716
Cash flows from financing activities			
Movement in borrowing	26	(606,709)	(2,301,680)
Dividend paid	24	(76,935)	(19,613,065)
Net cash used in financing activities		(683,644)	(21,914,745)
Net increase in cash and cash equivalents		3,596,073	403,505
Cash and cash equivalents at 1 January		1,186,695	783,189
Cash and cash equivalents at 31 December	19	4,782,768	1,186,695

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. The Company

1.1 Reporting Entity

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

1.2 Principal activities

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

2. Basis of preparation

2.1 Statement of compliance

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

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

2.2 Going concern consideration

The financial statements have been prepared on a going concern basis, which assumes that the entity will be able to meet its financial obligations as at when they fall due. There are no significant financial obligations that will impact on the entity's resources which will affect the going concern of the entity. Management is satisfied that the entity has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

3. Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets (liabilities) which were measured at fair value. The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses while the plan assets for defined benefit obligations are measured at fair value.

3.1 Functional and presentation currency

The financial statements are presented in Nigerian Naira (NGN), which is the Company's functional currency for presentation. All financial information presented in Naira has been rounded to the nearest unit, except where otherwise indicated.

3.2 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and therefore the Company's financial statements present the financial position and results fairly.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3.3 Critical accounting estimates and judgement

The Company makes estimates and assumptions about the future that affects the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in the profit or loss and other comprehensive income in the period of the change, if the change affects that period only, or in the period of change and future period, if the change affects both the estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of asset and liabilities in the next consolidated financial statements are discussed below:

a) Asset useful lives and residual values:

Property, plant and equipment are depreciated over their useful lives, taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation, and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

b) Taxes

i) Uncertainties exist with respect to the amount and timing of future taxable income. Given the complexities of existing contractual agreement, differences arising between the actual results and the assumptions made could necessitate future adjustment to tax income and expenses already recorded. The Company establishes provisions based on reasonable estimates.

ii) Deferred taxes are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

c) Provisions/Contingencies

Provisions are liabilities of uncertain timing and are recognised when the entity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount that has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

d) Impairment of financial assets

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

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

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

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

4. Standards Issued and Effective on or after 1 January 2021

4.1 Insurance contract

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Impact on Initial

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

4.2 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.

4.2.1 IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4.3 Narrow Scope Amendments deferred until further notice

a) IFRS 10 Consolidated Financial Statements

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

b) IAS 28 Investments in Associates and Joint Ventures

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

5. Significant accounting policies

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

5.1 Property, plant and equipment

5.1.1 Recognition and measurement

Property, plant and equipment and other tangible assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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, significant costs 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 income statements.

5.1.2 Subsequent costs

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

5.1.3 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

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

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

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

5.1.4 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.

5.2 Intangible assets

5.2.1 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 3 - 4 years

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

5.2.2 Amortisation

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

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

Computer software: 3-4 years

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

5.3 Foreign currency transactions

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

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

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

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

5.4 Financial instruments

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

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

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

5.4.1 Financial assets

Initial recognition and measurement of financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With

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the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

a) Financial assets at fair value through profit or loss

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

b) Financial assets at fair value through other comprehensive income

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

c) Financial assets carried at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

5.4.2 Impairment of financial assets

5.4.2.1 Overview of the ECL principles

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its trade receivables, equity instrument and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Equity instruments are not subject to impairment under IFRS 9.

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

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When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement as net realised gains or losses on financial assets.

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

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

5.4.2.2 Credit-impaired financial assets

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt instruments carried at FVOCI are credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following:

- there is significant financial difficulty of a customer (potential bad debt indicator);
- there is a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the Customer's financial difficulty, granting to the Customer a concession that the Company would not otherwise consider; it becomes probable that a counterparty/Customer may enter bankruptcy or other financial
- reorganisation;
- there is the disappearance of an active market for a financial asset because of financial
- difficulties; or
- observable data indicates that there is a measurable decrease in the estimated future cash flows from a Company of financial assets.

A trade receivable debt that has been renegotiated due to a deterioration in the Customer's financial condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

5.4.2.3 Write-off

The Company writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that

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there is no reasonable expectation of recovery include ceasing enforcement activity and where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

5.4.3 Financial liabilities

5.4.3.1 Initial recognition and measurements

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

5.5 Trade and other receivables

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

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.

5.6 Effective interest method

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

5.7 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.

5.8 Trade and other payables

Trade and other payables are stated at their original invoiced value. The Directors consider the carrying amount of other payables to approximate their fair value.

5.9 Loans and borrowings

5.9.1 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.

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

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

5.9.2 Derecognition

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

5.9.3 Offsetting of financial instruments

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

5.10 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.

5.11 Taxation

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

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

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

The Company does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control the timing of the reversal of the temporary differences and it is not

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considered probable that the temporary differences will reverse in the foreseeable future. It is the Company's policy to reinvest undistributed profits arising in Company companies.

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

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

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

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

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

5.12 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.

5.13 Employee benefits

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

5.13.1 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted.

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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.

5.13.2 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.

5.13.3 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.

5.13.4 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.

5.14 Provision and contingencies

5.14.1 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.

5.14.2 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

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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.

5.14.3 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.

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

5.15.a. 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, then Discos remit to the Market Funds, now managed by NBET, where all the market participants are subsequently paid by NBET depending on fund availability.

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

Minor rate reviews are carried out twice in a year - June 1 and December 1 every year to take care of changes in the exchange rate, inflation rate, gas price, generation capacity and revenue requirements. The last minor rate review was carried by Nigerian Electricity Regulatory Commission (NERC) in December 2015 but effective February 1, 2016.

NBET has reviewed the Thermal Gencos wholesale tariff based on USD3.30/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.

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

Revenue from sale of energy and capacity charges

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

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

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

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

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

5.16 Finance income and finance costs

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

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

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

5.17. Deferred fair value gain on loan

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

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5.18. 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.

5.19 Determination of fair values

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

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

5.19.1 Trade and other receivables

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

5. 20 Financial risk management

Overview

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

5.20.1 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.

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

ii) Management Risk Committee is a Management Committee of the Company headed by Risk Management Unit. The committee reviews the risks inherent within the business and ensure that they are captured appropriately within the business risk profile. The committee monitors residual risk exposures and provides assurance as to adequacy of controls implemented to manage risks to the agreed level of appetite. The committee also reviews risk policies and ensures implementation.

iii) Risk Management unit provides central coordination and oversight for all risk management activities across the Company to ensure that the full spectrum of risks are identified, measured, monitored and controlled.

iv) Executive Management Committee (EXCO) is responsible for review of investments and projects proposal and exercise of management's delegated authority for investment and project approvals. Also, the EXCO actively supports implementation of a strong risk aware culture in GPP as well as operates appropriate controls on a timely basis to manage the business risks.

v) The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, monitor risks and adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its procedures, management standards and trainings, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

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

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

- Credit risk
- Liquidity risk
- Operational risk

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5.20.2 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:

5.20.3 Trade and other receivables

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

5.20.4 Allowance for impairment losses

The company established allowance for impairment loss provision by computing using the simplified IFRS 9 Expected Credit Loss Model, where the receivables are aged and probability of default applied on each aged bracket. Trade receivables meet the definition of financial assets and the carrying amount of the trade receivables approximates their fair value.

5.20.5 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.

5.20.6 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
- 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.

5.20.7 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 Facility (PAIF) through the Bank of Industry (BOI)/First Bank of Nigeria Limited within the year.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

Notes 26 and 27 highlighted the borrowing for the reporting year.

5.20.8 Operational risk

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

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:

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

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

5.20.9 Capital management

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

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

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 N'000		31-Dec-19 N'000
The company's debt to capital ratio at the end of the year was as follows:			
Total liabilities	46,093,947		34,567,230
Total equity	76,973,022		62,851,987
Gearing ratio at year end	60%		55%
The Company's capital structure (Unit of shares) during the year was as follows:			
		%	
Amperion Power Distribution Company Limited	8,000,000	80	8,000,000
Bureau of Public Enterprises	1,020,000	10.2	1,020,000
Ministry of Finance Incorporated	980,000	9.8	980,000
	10,000,000		10,000,000
6. Revenue			
Energy sold	34,837,020		27,326,785
Capacity charge	18,839,646		14,837,253
	53,676,666		42,164,038
7. Cost of sales			
Gas supply and transportation	26,681,240		21,762,195
Plant depreciation	4,154,175		4,093,790
	30,835,415		25,855,985
Gross profit	22,841,251		16,308,053
Gross profit Margin	43%		39%
8. Other income			
Foreign exchange gain realised	525,545		318,221
Gains on disposal of scrap batteries, vehicles and gas condensa	-		4,913
Provision no longer required on trade receivables (Note 8.1)	-		507,636
Business Interruption Insurance claim (Note 8.2)	161,228		284,304
	686,773		1,115,074

8.1 Discounted trade receivables due to re-measurement of the expected credit loss as at 31 December 2020.

8.2 This represents the agreed business interruption claim receivable from Leadway Assurance on GT11 start-up problems.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 N'000	31-Dec-19 N'000
9. Administrative expenses		
Repairs and maintenance of plant and machinery	512,470	232,363
Energy import and regulatory charges	10,425	7,191
Personnel cost (Note 9.1)	1,244,404	567,155
Depreciation and amortization expenses	126,985	90,959
Plant and machinery insurance	251,916	283,550
Postages, printing and stationery	3,141	3,162
Rent and rates	55,748	5,347
Other repairs and maintenance expenses	26,666	9,948
Telephone and internet expenses	57,919	37,231
Market development, promotions and advertisement	55,463	44,985
Transport and travel costs	216,026	172,765
Legal fees	8,260	12,128
Cleaning, safety and security expenses	93,035	69,839
Audit fees	5,000	5,000
Board meeting expenses	5,663	7,604
Professional and consultancy fees	278,612	212,475
Other insurance expenses	13,752	8,058
Bank charges	15,360	11,013
Directors' fees and allowances	742,022	502,920
Obsolete and expired spares	27,389	-
Electricity	480	-
Discounted trade receivable expense	673,481	-
	<u>4,424,217</u>	<u>2,283,693</u>
9.1 Personnel expenses		
Salaries, wages and allowances	560,907	212,463
Medical expenses	17,138	9,137
Contributions to pension fund scheme	34,446	13,407
Defined benefit plan - current service cost (Note 19)	24,830	45,817
Training, recruitment and canteen expenses	479,060	217,211
Contract manpower	107,557	46,998
Other personnel expenses	20,466	22,122
	<u>1,244,404</u>	<u>567,155</u>
10. Finance income and cost		
10.1 Finance income		
Interest income on bank deposits (Note 10.1.1)	16,432	294,290
Other interest income (Note 10.1.2)	1,441,935	-
Other income from government grant on loan (Note 10.1.3)	113,508	454,032
Interest income	<u>1,571,875</u>	<u>748,322</u>
10.2 Finance cost		
Interest expense on bank loan (Note 10.2.1)	<u>(26,945)</u>	<u>(333,935)</u>
Net finance income	<u>1,544,930</u>	<u>414,387</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10.1.1 Interest income represents income earned on bank deposits.

10.1.2 Other interest income represents interest earned on other financial assets carried at amortised cost.

10.1.3 Other income from Government grant on loan represents fair value gain on below the market interest rates in line with IAS 20.1A provisions.

10.2.1 Finance cost represent interest expense, which are charges paid on term loan utilised during the year.

	31-Dec-20 N'000	31-Dec-19 N'000
11. Taxation		
11.1 Tax expense		
Back duty assessment charged:		
Income tax	-	35,906
Education tax	-	1,863
Current year tax provision:		
Income tax	-	-
Education tax	511,225	373,017
Police trust fund levy	1,032	760
Prior year under provision	-	16,911
Tax provision no longer required	-	(12,409)
	<u>512,257</u>	<u>416,048</u>
Deferred tax (Note 11.3)	<u>6,011,123</u>	<u>4,744,902</u>
Total income tax expense/(credit)	<u>6,523,380</u>	<u>5,160,950</u>
Reconciliation of income tax expense to accounting profit:		
Profit before tax	<u>20,648,737</u>	<u>15,553,821</u>
Tax calculated using the domestic corporation tax rate of 30% (30 December 2018 : 30%)	6,194,621	4,666,146
Non-deductible expenses	(4,134,631)	(2,587,382)
Tax provision no longer required	-	(12,409)
Effect of education tax levy	511,225	373,017
Effect of income tax	-	35,906
Effect of police trust fund levy	1,032	760
Deferred tax	6,011,123	4,744,902
Capital allowance relief	(2,059,990)	(2,059,990)
Income tax expense/(credit) recognised in profit or loss	<u>6,523,380</u>	<u>5,160,950</u>

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004 as amended. The charge for education tax is based on the provisions of the Education Tax Act, CAP E4 LFN 2004. Deferred Income tax are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2019 : 30%). This is in line with International Accounting Standard (IAS) 12.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 N'000	31-Dec-19 N'000
<p>The tax rate used for the 31 December 2019 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.</p>		
11.2 Current income tax liability		
At 1 January	361,368	397,816
Current tax provision	512,257	416,048
Payment in the year	<u>(360,529)</u>	<u>(452,496)</u>
At 31 December	<u>513,096</u>	<u>361,368</u>
11.3 Deferred tax liabilities		
At 1 January	(209,460)	4,535,442
Charge	<u>(6,011,123)</u>	<u>(4,744,902)</u>
At 31 December	<u>(6,220,583)</u>	<u>(209,460)</u>
11.4 Analysis of deferred tax liability		
Deferred tax (liabilities)/assets at 1 January	(209,460)	4,535,442
Property, plant and equipment	<u>(6,011,123)</u>	<u>(4,744,412)</u>
Long-term employee benefits	-	(490)
Recognised deferred tax liabilities at 31 December	<u>(6,220,583)</u>	<u>(209,460)</u>

12. Earnings per share

a) Basic earnings per share

The company's basic earnings per share of N1,412.54 (31 December 2019: N1,039.29) is based on the profit attributable to ordinary shareholders of N14.125billion (31 December 2019: N10.392billion), and on the 10,000,000 (31 December 2019: 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.

	31-Dec-20 N'000	31-Dec-19 N'000
Profit attributable to ordinary shareholders		
Profit for the year	<u>14,125,357</u>	<u>10,392,871</u>
Profit attributable to ordinary shareholders	<u>14,125,357</u>	<u>10,392,871</u>
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	<u>10,000</u>	<u>10,000</u>
Issued ordinary shares at 31 December	<u>10,000</u>	<u>10,000</u>
Basic/diluted earnings per share in (N)	<u>1,412.54</u>	<u>1,039.29</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

13. Property, plant and equipment

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

	Gas Turbine Plant #'000	Lease- hold Land #'000	Buildings #'000	Trucks and Vehicles #'000	Furniture & Fittings #'000	Office Equipment #'000	Computer Equipment #'000	Total #'000
Cost								
At 1 January 2019	62,078,819	122,787	1,233,192	86,966	9,726	10,716	59,493	63,603,699
Additions	-	-	-	116,130	-	30,776	9,291	156,197
Disposal	-	-	-	(11,740)	-	-	-	(11,740)
At 31 December 2019	62,078,819	122,787	1,233,192	193,356	9,726	41,492	68,784	63,748,156
At 1 January 2020	62,078,819	122,787	1,233,192	193,356	9,726	41,492	68,784	63,748,156
Additions	-	-	-	132,405	7,569	15,349	18,246	173,569
At 31 December 2020	62,078,819	122,787	1,233,192	325,761	17,295	56,841	87,030	63,921,725
Accumulated depreciation and impairment								
At 1 January 2019	11,177,510	6,588	157,558	83,145	7,093	3,271	41,185	11,476,351
Charge	4,093,790	1,324	49,328	11,538	2,432	4,624	18,915	4,181,951
Disposal	-	-	-	(11,153)	-	-	-	(11,153)
At 31 December 2019	15,271,299	7,913	206,886	83,531	9,526	7,894	60,099	15,647,148
At 1 January 2020	15,271,299	7,913	206,886	83,531	9,526	7,894	60,099	15,647,148
Charge	4,154,174	1,324	49,328	49,655	2,258	9,815	8,092	4,274,646
At 31 December 2020	19,425,473	9,237	256,214	133,186	11,784	17,709	68,191	19,921,794
Carrying amount								
At 31 December 2020	42,653,346	113,550	976,978	192,575	5,511	39,132	18,839	43,999,931
At 31 December 2019	46,807,520	114,874	1,026,306	109,825	200	33,596	8,685	48,101,008

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) of N120,470,000 (31 December 2019 : N88,161,000) is included in the administrative expenses of the statement of profit or loss and other comprehensive income. Gas turbine depreciation of N4,154,175,000 is included in the cost of sales (31 December 2019 : N4,093,790,000).

c) There was no lien on any of the Company's property, plant and equipment as at 31 December 2020.

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

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 N'000	31-Dec-19 N'000
14. Intangible assets		
The movement on this account in the year was as follows:		
Cost		
At 1 January	53,409	27,348
Additions	-	26,061
At 31 December	53,409	53,409
Accumulated amortisation		
At 1 January	29,151	26,351
Charge	6,515	2,800
At 31 December	35,666	29,151
Carrying amount	17,743	24,258

- 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 **N6,515,000** (31 December 2019 : N2,800,000).
c) No impairment charge on intangible asset during the year.
d) No lien on the intangible assets of the Company at 31 December 2020.

15. Deferred tax liabilities

a) Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Property, plant and equipment	-	-	6,220,582	209,460	(6,220,582)	(209,460)
Other liabilities	-	-	-	-	-	-
	-	-	6,220,582	209,460	(6,220,582)	(209,460)

	1-Jan-20 N'000	Recognized in profit or loss N'000	Recognized in OCI N'000	31-Dec-20 N'000
b) Movement in temporary differences during the year				
Property, plant and equipment	-	(6,011,123)	-	(6,011,123)
Other liabilities	-	-	-	-
	-	(6,011,123)	-	(6,011,123)

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004 as amended. The charge for education tax is based on the provisions of the Education Tax Act, CAP E4 LFN 2004. Deferred Income tax are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2019:30%). This is in line with International Accounting Standard (IAS) 12.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 N'000	31-Dec-19 N'000
16. Inventories		
Spares, tools and consumables (Note 16.1)	<u>725,875</u>	<u>847,116</u>

16.1 Inventories include spare parts, tools and consumables in stores. These inventories valued at N725.8 million (2019 : N847.1 million) were carried at net realisable value. The amount charged to statement of profit or loss and other comprehensive income in respect of written down value of inventories to net realisable value is N27.3 million (2019 : Nil). There are no inventories pledged as securities for liabilities as at 31 December 2020.

	31-Dec-20 N'000	31-Dec-19 N'000
17. Trade and other receivables		
Trade receivables (Note 17.1)	54,715,541	47,842,145
Due from related party (Note 17.2)	21,079,885	1,851,068
Staff loans and advances	<u>465,436</u>	<u>52,689</u>
	76,260,862	49,745,902
Impairment allowance (Note 17.3)	<u>(3,215,798)</u>	<u>(2,660,258)</u>
	<u>73,045,064</u>	<u>47,085,644</u>

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

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

The Federal Government of Nigeria has also put in place, the extended Payment Assurance Facility of N600bn to pay 100% of all energy and capacity invoices from January 2019 to June 2020.

17.2 Related party receivables represent the intercompany balance receivable from Amperion Power Distribution Company Limited.

	31-Dec-20 N'000	31-Dec-19 N'000
17.3 Impairment allowance		
At 1 January	2,660,258	3,167,894
Impairment during the year	555,540	-
Writeback during the year	<u>-</u>	<u>(507,636)</u>
At 31 December	<u>3,215,798</u>	<u>2,660,258</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

17.3.1 Discounted trade receivables

Considering the time value of money, the Company's management has considered the discounting of the net trade receivables that are not expected to be collected immediately. Discounting requires estimating the date of collection and the actual amounts that will be collected and determining an appropriate interest rate to use. The Company uses its present cost of borrowing (i.e. 17.24%) as the discount rate on the outstanding net trade receivable.

Following the shift from the discounting of trade receivables to the application of impairment on Trade receivables using the Expected Credit Loss Model in line with the requirements of IFRS 9, the Company achieved a write back in the sum of N507,635,934.60 in the year 2019.

The amount of N507,635,934.60 was written back to other income of the statement of profit or loss in 2019 while N673,480,855 was recognised in the administrative expense of statement of profit or loss as additional impairment allowance in the current year.

	31-Dec-20 N'000	31-Dec-19 N'000
18. Other current assets		
Prepayments	458,798	153,144
Interest receivable	696	3,066
Withholding receivable on interest income	5,723	4,102
Insurance claim receivable	143,280	154,084
Provision for insurance claim receivable	<u>(117,941)</u>	<u>(154,084)</u>
	<u>490,556</u>	<u>160,312</u>
19. Cash and cash equivalent consists of balances with banks and investments in money market instruments.		
Cash and cash equivalents		
Cash at bank	332,767	186,694
Short-term deposit	<u>4,450,000</u>	<u>1,000,000</u>
As per statement of cash flows	<u>4,782,767</u>	<u>1,186,694</u>
20. Equity and reserves		
20.1 Authorised Ordinary shares:		
20,000,000 ordinary shares of 50k each	<u>10,000</u>	<u>10,000</u>
20.2 Issued and fully paid ordinary shares of 50k each		
10,000,000 ordinary shares of 50k each	<u>5,000</u>	<u>5,000</u>

20.2 In line with the company's regulations of 2020 released by the Corporate Affairs Commission in December 2020, a company that has unissued shares in its capital shall not later than 30th June 2021 fully issue such shares.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 ₦'000	31-Dec-19 ₦'000
21. Retained earnings		
Retained earnings represent the carried forward recognised income net of expenses plus current period's result attributable to shareholders.		
At 1 January	62,846,403	76,453,532
Profit for the year	14,125,357	10,392,871
Dividend declared	-	(24,000,000)
At 31 December	76,971,760	62,846,403
22. Other reserves		
At 1 January	(584)	(55)
Defined benefit plan loss/(gain)	4,322	(529)
At 31 December	3,738	(584)
22.1 Other reserves represents accumulated actuarial gains/losses on defined benefit plan.		
23. Long term employee benefits		
The movement in the present value of the long term employee benefits was as follows:		
Gratuity liability at 1 January	12,153	20,364
Charge to profit and loss	26,188	3,640
Defined benefit plan loss/(gain)	4,322	(529)
Payment during the year	-	(11,322)
Gratuity liability at 31 December	42,663	12,153
Planned asset at 1 January	(26,338)	(21,515)
Additional funding during the year	(20,000)	(2,000)
Actual return on planned assets	(1,358)	(2,823)
Over funded position at 31 December	(5,033)	(14,185)
Expenses recognised in statement of profit or loss and other comprehensive income		
Current service costs (21.1.1)	26,188	2,585
Interest costs	-	1,055
Return on planned assets	(1,358)	(2,823)
	24,830	817

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

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The actuary valuation report was signed in January 2021 this report also relate to the actuarial valuation for the year 2020. The report was carried out in line with IAS 19 requirements by Miller Kingsley (FRC/2012/NAS/00000002392) of KMC Actuarial Services, a Fellow of the Society of Actuaries, USA.

The funded planned asset with Mansard Investment Limited at 31 December 2020 is N47,695,484.46 (31 December 2019 : N26,337,896.08).

	31-Dec-20	31-Dec-19
Stated below are the key assumptions used:		
Discount rate/average rate of return on assets	7.23% p.a.	14.60% p.a.
Average rate of salary increase	12% p.a.	10% p.a.
Inflation rate	12% p.a.	12% p.a.
Mortality of members	A67/70 English Life tables	A49/52 English tables

The weighted average liability duration of the Plan is 17.58 years. The average weighted duration of the longest Nigerian bond as at the valuation date, 31st December 2020, is the 16.25% 18-April-2037 bond with a weighted average duration of 16.29 years and with a gross redemption yield of about 7.23% as at 31st December 2020.

Sensitivities

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

Revised liability	31-Dec-20	31-Dec-19
-300 basis point change in investment return	48,210	16,042
+300 basis point change in investment return	39,677	9,723
20% higher withdrawals	48,210	13,976
20% less withdrawals	34,557	8,507
10% higher mortality	43,047	12,214
10% lower mortality	42,279	12,093
10% higher salary increase rate	52,049	14,949
10% lower salary increase rate	34,984	10,087

Percentage change from base results

-300 basis point change in investment return	13%	32%
+300 basis point change in investment return	-7%	-20%
5% higher withdrawals	13%	15%
5% less withdrawals	-19%	-30%
10% higher mortality	0.9%	0.50%
10% lower mortality	-0.9%	-0.50%
10% higher salary increase rate	22%	23%
10% lower salary increase rate	-18%	-17%

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.

The estimated additional accrual for the year is N26,188,000 (31 December 2019 : N3,640,000).

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	31-Dec-20 N'000	31-Dec-19 N'000
24. Trade and other payables		
Current trade and other payables		
Trade and other payables		
Trade payable	33,921,966	28,030,607
Other creditors	<u>317,630</u>	<u>274,426</u>
	34,239,596	28,305,033
Non-trade payables and other creditors		
Non-trade payables and other creditors (Note 24.1)	<u>5,120,673</u>	<u>4,971,152</u>
	<u>39,360,269</u>	<u>33,276,185</u>

Trade and other payables are stated at their original invoiced value. The Directors consider the carrying amount of other payables to approximate their fair value.

24.1 Non-trade payables and other creditors consists of N4.8billion dividend payable, about N271 million accrued expenses; N2,468,000 for account payable staff; N45.15 million for WHT liabilities; N1.73 million for retention fees and N222,000 insurance claim payable as at 31 December 2020.

25. Deferred fair value gain on loan

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

	31-Dec-20 N'000	31-Dec-19 N'000
At 1 January	113,508	567,541
Released during the year	<u>(113,508)</u>	<u>(454,033)</u>
At 31 December	<u>-</u>	<u>113,508</u>
Analysis of current and non-current portions		
Non-current	-	-
Current	<u>-</u>	<u>113,508</u>
	<u>-</u>	<u>113,508</u>

In June 2015, the Bank of Industry through First Bank of Nigeria Limited granted Geregu Power Plc the sum of **₦9,924,963,400.00** long-term loan repayable over 5 years at an all-in annual interest rate of 7% for part-financing the overhaul of the 3 gas turbines of the Geregu 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 secured the loan, it is considered to have an element of deferred fair value gain.

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 a charge over sponsors shares (100%) in Amperion Power Distribution Company Limited. The deferred fair value gain has been fully released all through the lifespan of the loan.

26. Loans and borrowings

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

	31-Dec-20 ₦'000	31-Dec-19 ₦'000
At 1 January	606,709	2,908,389
Addition	-	331,290
Repayment	(606,709)	(2,632,970)
At 31 December	-	606,709
Analysis of current and non-current portions		
Non-current	-	-
Current	-	606,709
	-	606,709

Loans and borrowings of N606,709,000 represents the net remeasured amount amortized at prime interest rate that has been disbursed to the Company by First Bank of Nigeria from the CBN/BOI PAIF facility of N9,924,963,400.00 to part-finance the overhaul of the Company's three(3) Gas Turbines.

The collateral for the loan from First Bank are: Charge on the 51% shares of Geregu Power Plc owned by Amperion; Charge over sponsors shares (100%) in 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 while the facility subsists.

			31-Dec-20 Present value ₦'000	31-Dec-19 Present value ₦'000
Terms and debt repayment schedule				
Terms and condition of outstanding loan:				
Secured term loan	Naira	17.24%	2020	-
				606,709

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 N'000	31-Dec-19 N'000
27. Financial instruments		
Credit risk		
<i>Exposure to credit risk</i>		
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)	76,260,862	47,842,145
Cash and cash equivalents (Note 19)	<u>4,782,767</u>	<u>1,186,694</u>
	<u>81,043,629</u>	<u>49,028,839</u>
 The aging of trade and other receivables at the reporting date was:		
0-2 months	12,256,895	11,151,012
2-3 months	3,746,654	2,134,076
3-6 months	8,423,412	7,897,983
6-12 months	34,746,837	13,283,741
More than 12 months	<u>17,087,064</u>	<u>13,375,333</u>
	<u>76,260,862</u>	<u>47,842,145</u>
 Foreign exchange exposure		
Bank balances denominated in other currencies	<u>77,566</u>	<u>69,778</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

28. Liquidity risk

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

	Carrying amount #’000	Contractual cash flows #’000	6 months or less #’000	6-12 months #’000	1-2 years #’000	2-5 years #’000	More than 5 years #’000
31-Dec-20							
Non-derivative financial liabilities:							
Secured bank loans	39,360,269	39,360,269	14,016,792	11,545,872	1,900,019	11,307,728	572,124
Trade and other payables	-	-	-	-	-	-	-
	<u>39,360,269</u>	<u>39,360,269</u>	<u>14,016,792</u>	<u>11,545,872</u>	<u>1,900,019</u>	<u>11,307,728</u>	<u>572,124</u>
31-Dec-19							
Non-derivative financial liabilities:							
Secured bank loans	606,709	631,107	631,107	-	-	-	-
Trade and other payables	33,276,185	33,276,185	14,498,536	10,386,069	8,391,579	-	-
	<u>33,882,894</u>	<u>33,907,292</u>	<u>15,129,643</u>	<u>10,386,070</u>	<u>8,391,579</u>	<u>-</u>	<u>-</u>

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

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 N'000	31-Dec-19 N'000
29. Transactions with key management personnel		
29.1 Directors' emoluments		
The aggregate emoluments of the Directors were:		
Directors' fees and allowances	<u>-</u>	<u>-</u>
Chairman	750	750
Directors	<u>500</u>	<u>500</u>
Executive Directors are not entitled to and do not get paid directors fees.		
Directors earned fees in the following ranges:		
N N	Number	Number
250,000 - 500,000	<u>5</u>	<u>5</u>
501,000 - 750,000	<u>1</u>	<u>1</u>
29.2 Key management personnel and compensation		
The company has 121 employees as at 31 December 2020 (31 December 2019 : 63 employees).		
	31-Dec-20	31-Dec-19
Chief Executive Officer	Akin Akinfemiwa	Adeyemi Adenuga
Deputy Chief Executive Officer	JB Omodayo-Owotuga	-
Chief Technical Officer	Ezeh Ferdinand	Ezeh Ferdinand
Chief Financial Officer	Ganiyu Lamidi Adisa	Ganiyu Lamidi Adisa
Head, Bussiness Assurance and Compliance	Iyimola Akinbola	-
	31-Dec-20 N'000	31-Dec-19 N'000
Key management personnel of the company are the three management staff stated above. Key management personnel's remunerations include the following expenses:		
Short-term employee benefits:		
Salaries including allowances	<u>250,271</u>	<u>62,944</u>
Post-employment benefits:		
Defined contribution to compulsory pension fund scheme	3,497	3,631
Defined benefit gratuity scheme	<u>18,679</u>	<u>14,066</u>
	<u>22,176</u>	<u>17,697</u>
	<u>272,447</u>	<u>80,641</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 Number	31-Dec-19 Number
Staff numbers and costs:		
The average number of persons employed (excluding Directors) in the Company during the year were as follows:		
Management	11	3
Senior	38	29
Junior	71	31
	<u>120</u>	<u>63</u>

29.3 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:

₦	₦		
1 -	1,000,000	14	15
1,000,001 -	2,000,000	57	19
2,000,001 -	4,000,000	15	12
4,000,001 -	8,000,000	17	8
8,000,001 -	16,000,000	17	9
		<u>120</u>	<u>63</u>

30. 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-20 ₦'000	31-Dec-19 ₦'000	31-Dec-20 ₦'000	31-Dec-19 ₦'000
Receivables from related parties						
Amperion Power Distribution Company Ltd	Loan	Parent	19,151,882	12,450,239	21,079,885	1,928,004
			<u>19,151,882</u>	<u>12,450,239</u>	<u>21,079,885</u>	<u>1,928,004</u>
Payables to related parties						
Amperion Power Distribution	Dividend	Parent	(76,935)	19,200,000	-	76,936
			<u>(76,935)</u>	<u>19,200,000</u>	<u>-</u>	<u>76,936</u>

GEREGU POWER PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

31. Capital commitments

There are no capital commitments in the year.

31. Impacts of COVID 19 on business operations

Associated with the COVID-19 virus as well as other drivers that may impact the going concern assessment, management have considered all possible events and conditions and have concluded that none would have adverse effect on the operations of the company. Electricity remains very important even during this Global pandemic of online meetings, trainings, seminars and other events to ensure everyone is still staying safe.

Geregu Power Plc is planning to expand and acquire more power assets hence the need for the company's Proposed N100 Billion Bond Issuance Programme (The "Programme"). The additional proposed capacity is 300Mw that will take the company to new 735Mw installed capacity at the end of this programme.

32. Events after the financial position date

The sum of N8,550,433,337.66 has been received as at 26th March, 2021 from the Nigerian Bulk Electricity Trading Plc (NBET) being part of the reported trade receivables.

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

33. 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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Other National Disclosures

GEREGU POWER PLC

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20		31-Dec-19	
	N'000	%	N'000	%
Turnover	53,676,666		42,164,038	
Other income	686,773		1,115,074	
Net finance income	<u>1,544,930</u>		<u>414,387</u>	
	55,908,369		43,693,499	
Brought-in-material and services - local	<u>(29,734,068)</u>		<u>(23,387,774)</u>	
Value added	<u>26,174,301</u>	<u>100</u>	<u>20,305,725</u>	<u>100</u>
Applied as follows:				
To pay employees:				
Salaries, welfare and staff retirement benefits	1,244,404	5	567,155	3
To pay Government:				
Income tax	512,257	2	416,048	2
To provide for replacement of assets:				
- Deferred tax	6,011,123	23	4,744,902	23
- Depreciation of property, plant, and equipment	4,281,160	16	4,184,749	21
- Profit for the year	<u>14,125,357</u>	<u>54</u>	<u>10,392,871</u>	<u>51</u>
Value added	<u>26,174,301</u>	<u>100</u>	<u>20,305,725</u>	<u>100</u>

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

GEREGU POWER PLC

FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2020

	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-18 N'000	31-Dec-17 N'000	31-Dec-16 N'000
Statement of financial position					
Funds employed					
Ordinary shares	5,000	5,000	5,000	5,000	5,000
Retained earnings	76,971,760	62,846,403	76,453,532	65,419,816	52,461,039
Other reserves	(3,738)	584	55	55	55
Shareholder's fund	76,973,022	62,851,987	76,458,587	65,424,871	52,466,094
Current liabilities	39,873,365	34,357,770	22,224,918	27,292,661	18,670,093
Non-current liabilities	6,220,582	209,460	388,927	2,792,033	5,042,530
	<u>123,066,969</u>	<u>97,419,217</u>	<u>99,072,432</u>	<u>95,509,565</u>	<u>76,178,717</u>
Assets employed					
Non-current assets	44,022,707	48,139,451	56,664,938	58,247,466	59,391,344
Current assets	79,044,262	49,279,766	42,407,494	37,262,099	16,787,373
	<u>123,066,969</u>	<u>97,419,217</u>	<u>99,072,432</u>	<u>95,509,565</u>	<u>76,178,717</u>
Statement of profit or loss					
Revenue	53,676,666	42,164,038	35,005,972	36,613,569	12,943,953
Operating profit	19,103,807	15,139,434	8,183,148	11,317,961	3,093,076
Profit before income tax	20,648,737	15,553,821	9,411,139	11,028,947	2,331,042
Profit after tax	14,125,357	10,392,871	11,033,715	13,458,777	2,301,732
Basic & diluted earnings per share in (N)	1,412.54	1,039.29	1,103.37	1,345.88	230.17

GEREGU POWER PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

For management use only

GEREGU POWER PLC

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 N'000	2019 N'000
Revenue	53,676,666	42,164,038
Cost of sales	<u>(30,835,415)</u>	<u>(25,855,985)</u>
Gross profit from operation	22,841,251	16,308,053
Other income	686,773	1,115,074
Finance cost	<u>1,544,930</u>	<u>414,387</u>
Gross profit and other income	<u>25,072,954</u>	<u>17,837,515</u>
Administrative expenses		
Generator repairs/plant maintenance	512,470	232,363
Energy import and regulatory charges	10,425	7,191
Personnel cost	1,244,404	567,155
Depreciation and amortization expenses	126,985	90,959
Plant and machinery insurance	251,916	283,550
Postages, printing and stationeries	3,141	3,162
Rent and rates	55,748	5,347
Other repairs and maintenance expenses	26,666	9,948
Telephone and internet expenses	57,919	37,231
Public relations, promotions and advertisement	55,463	44,985
Transport and travel costs	216,026	172,765
Legal fees	8,260	12,128
Cleaning, safety and security expenses	93,035	69,839
Audit fees	5,000	5,000
Board and AGM expenses	5,663	7,604
Professional and consultancy fees	278,612	212,475
Other insurance expenses	13,752	8,058
Bank charges	15,360	11,013
Directors' fees and allowances	742,022	502,920
Obsolete and expired spares	27,389	-
Electricity	480	-
Discounted trade receivables	<u>673,481</u>	<u>-</u>
	<u>4,424,217</u>	<u>2,283,693</u>
Profit before taxes	20,648,737	15,553,821
Income tax expense	<u>(6,523,380)</u>	<u>(5,160,950)</u>
Defined benefit plan actuarial gain	<u>(4,322)</u>	<u>529</u>
Total comprehensive income for the year	<u>14,121,035</u>	<u>10,393,400</u>