

TRANSCORP POWER LIMITED

Annual reports and accounts
For the year ended 31 December 2022

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Corporate information

Company Registration No. RC 1067143

Registered Office 38 Glover Road, Ikoyi
Lagos
Nigeria.

Plant address Transcorp Power Limited
KM 20 Warri/Patani Expressway
Ughelli
Delta State.

Board of Directors	Mr. Emmanuel Nnorom	Chairman
	Mr. Christopher Ezeafulukwe	Managing Director/Chief Executive Officer
	Mrs. Owen Omogiafo	Non-Executive Director
	Mr. Adim Jibunoh	Non-Executive Director
	Mr. Peter Hertog (Dutch)	Non-Executive Director
	Mr. Risqua Muhammed	Non-Executive Director
	Prof. Sylvester Monye	Independent Non-Executive Director
	Mr. Peter Ikenga	Non-Executive Director
Mr. Vincent Ozoude	Non-Executive Director	

Auditors Messrs. Deloitte & Touche
Chartered Accountants
Civic Towers Plot GA 1
Ozumba Mbadiwe Avenue
Victoria Island, Lagos
Nigeria

Bankers United Bank for Africa Plc

Company Secretary (Ag.) Oluwafunmilayo Olofintuyi
38 Glover Road
Ikoyi, Lagos, Nigeria.

Reports of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022, to the members of Transcorp Power Limited ("the Company"). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

The Company is the successor company from the merger of Transcorp Ughelli Power Limited and Ughelli Power Plc. Transcorp Ughelli Power Limited was incorporated in Nigeria on 24 September 2012 under the Companies and Allied Matters Act, CAMA 2020 as a private limited liability company for the purpose of acquiring 100% shareholding in Ughelli Power Plc from the Federal Government of Nigeria on 1 November 2013.

On 1 October 2015, Transcorp Ughelli Power Limited merged with its subsidiary, Ughelli Power Plc with a resultant change in name to Transcorp Power Limited and cancellation of the share capital of Ughelli Power Plc. No new company was formed.

The address of the Company's registered office is:

38 Glover Road, Ikoyi
Lagos
Nigeria.

Principal activities

The Company is mainly engaged in the generation and sale of electric power.

Results	31 December 2022 N'000	31 December 2021 N'000
Revenue	90,349,386	74,330,710
Profit before income tax	28,618,977	23,090,385
Income tax expense	(11,335,571)	(3,546,936)
Profit for the year	<u>17,283,406</u>	<u>19,543,450</u>

Directors

The names of the Directors at the date of this report and of those who held office during the year are as follows:

Mr. Emmanuel Nnorom	Chairman
Mr. Christopher Ezeafulukwe	Managing Director
Mrs. Owen Omogiafo	Non-Executive Director
Mr. Adim Jibunoh	Non-Executive Director
Mr. Peter Hertog (Dutch)	Non-Executive Director
Mr. Risqua Muhammed	Non-Executive Director
Prof. Sylvester Monye	Independent Non-Executive Director
Mr. Peter Ikenga	Non-Executive Director
Mr. Vincent Ozoude	Non-Executive Director

Reports of the Directors (cont'd)

Directors' interests in contracts

For the purpose of the Companies and Allied Matters Act, CAMA 2020, Thomassen Service Middle East LLC ("Thomassen") provides technical services to Transcorp Power Limited. Thomassen is a company where Mr. Peter Hertog has controlling interest. No other Director has notified the Company of his or her direct or indirect interest in contracts or proposed contracts with the Company during the year.

Directors' shareholding

For the purpose of Sections 302 and 303 of the Companies and Allied Matters Act, CAMA 2020, none of the Directors had direct holding in the Company during the year under review. However, some of the Directors have indirect holding in the Company as a result of being principal officers or key shareholders in the various companies that are shareholders of Transcorp Power Limited.

Full Name	Position	Direct Holding	Indirect Holding	Companies represented by indirect holding
Mr. Emmanuel Nnorom	Chairman	N/A	N/A	N/A
Mr. Christopher Ezeafulukwe	Managing Director	N/A	N/A	N/A
Mrs. Owen Omogiafo	Non-Executive Director	N/A	40,925,262	Transnational Corporation Plc
Mr. Adim Jibunoh	Non-Executive Director	N/A	N/A	N/A
Mr. Peter Hertog (Dutch)	Non-Executive Director	N/A	2,041,267	Thomassen Holding Limited
Mr. Risqua Muhammed	Non-Executive Director	N/A	9,858,713	Woodrock Energy Resources Limited
Prof. Sylvester Monye	Independent Non-Executive Director	N/A	N/A	N/A
Mr. Peter Ikenga	Non-Executive Director	N/A	N/A	N/A
Mr. Vincent Ozoude	Non-Executive Director	N/A	N/A	N/A

Shareholding

According to the register of members as at 31 December 2022, the shareholding in the Company was as follows:

	Number of shares held	Percentage
Transnational Corporation Plc	40,925,262	51.02%
RichPoint Limited	24,284,918	30.27%
Woodrock Energy Resources Limited	9,858,713	12.29%
Seaforce Investments Limited	3,007,861	3.75%
Thomassen Holding Limited	2,041,267	2.54%
PSL Engineering and Control Limited	98,392	0.12%
	80,216,413	100%

Equal employment opportunity

The Company pursues an equal employment opportunity policy. It does not discriminate against any person on the ground of race, religion, colour, or physical disability.

Reports of the Directors (cont'd)

Employment of disabled persons

The Company has a policy of fair consideration of job applications by physically challenged persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination against such persons in the recruitment, training and career development of its employees. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues, and that appropriate training arrangements are made.

Employee health, safety and welfare

The Company maintains business premises and work environments that guarantee the safety and health of its employees and other stakeholders. The Company's rules and practices in these regards are reviewed and tested regularly. Also, the Company provides free medical insurance for its employees and their families through selected health management organisations and hospitals.

Employee training and involvement

The Company places a high premium on the development of its manpower and consults with employees on matters affecting their well-being. Formal and informal channels of communication are employed in keeping staff abreast of various factors affecting the performance of various businesses in the Company. In-house and external training are carried out at various levels across the business chains in the Company. The Company's skill base has been extended by a range of training provided to employees.

Prohibition of Insider Trading – Code of Conduct for Directors & Staff

The Company has a Code of Conduct which guides all directors, staff, contractors, suppliers, consultants and business partners in areas of health and safety, anti-bribery, ethical behaviour, money laundering, securities trading, insider dealing, discrimination, drugs, alcohol and substance abuse or trafficking, conflict of interest disclosures, anti-trust, relationships with customers, information security management and more. Each staff and Director is made to sign an undertaking to abide by the Company's Code of Conduct.

Compliant Management Procedure

The company has a dedicated process and feedback mechanism for the management and resolution of shareholders' complaints is in place and can also be accessed on the Company's website.

Risk Management Policy and Practices

The Company has an Enterprise Risk Management Framework, which sets out the governance structure, process and policy requirements for the consistent management of risks. The Framework was developed to institutionalize risk management practices in the Company. It covers principles such as Risk Management Objectives, Risk Management Strategies, Risk Management Philosophy and Culture, Risk Appetite and Risk Oversight as well as the processes including risk identification, analysis, management, monitoring, reporting and communication. The Board sets the tone and risk appetite for each business and risks identified. Management assesses the risks following a quarterly risk assessment exercise. The Finance and Investment Committee (FIC) has oversight over risk management. The risk report is presented quarterly at each FIC meeting and key risks noted are escalated to the Board with recommendations from the FIC on how to manage them effectively. The risk management systems and practices at the Company are effective and efficient.

Property, plant and equipment

Information relating to changes in Property, plant and equipment is provided in Note 15 to the financial statements. In the opinion of the Directors, the market value of the property, plant and equipment is not less than the carrying value.

Reports of the Directors (cont'd)

Format of the financial statements

The financial statements are presented in accordance with the reporting and presentation requirements of the Companies and Allied Matters Act, CAMA 2020 and International Financial Reporting Standards. The Directors consider that the format adopted is the most suitable for the Company.

Events after the reporting date

As stated in Note 32, no events or transactions have occurred since the reporting date which would have a material effect on the financial statements as presented.

Donations/charitable gifts

The company made donations of N637million during the year (2021: N494million) to support various organisations.

Auditors

Messrs Deloitte & Touche have expressed their willingness to continue to be the Company's auditors in accordance with Section 401 (1) of the Companies and Allied Matters Act, CAMA 2020. A resolution shall be made at the annual general meeting authorizing the Directors to determine their remuneration.

By Order of the Board



Oluwafunmilayo Olofintuyi
Company Secretary (Ag.)
FRC/2022/PRO/NBA/002/316763

2 March 2023

Statement of Directors' responsibilities

The Directors of Transcorp Power Limited are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2022, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act 2020, and the Financial Reporting Council of Nigeria Act, 2011.

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

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

Going Concern

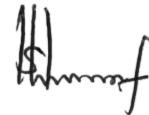
The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2022 were approved by the Directors on 2 March 2023.

On behalf of the Directors of the Company.



Christopher Ezeafulukwe
MD/CEO
FRC/2015/NBA/00000013304



Emmanuel Nnorom
Chairman
FRC/2014/ICAN/00000007402

Certification of Financial Statement

In accordance with section 405 of the Companies and Allied Act of Nigeria, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the

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

We state that management and directors:

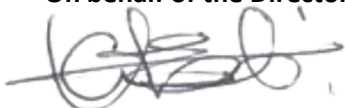
- (i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the Company, particularly during the period in which the audited financial statement report is being prepared,
- (ii) has evaluated the effectiveness of the company's internal controls within 90 days prior to the date of its audited financial statements, and
- (iii) certifies that the Company's internal controls are effective as of that date;

We have disclosed:

- (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and has identified for the Company's auditors any material weaknesses in internal controls, and
- (ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the company's internal control; and
- (iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the Company for the year ended 31 December 2022 were approved by the Directors on the 2 March, 2023.

On behalf of the Directors of the Company.



Christopher Ezeafulukwe
MD/CEO
FRC/2015/NBA/00000013304



Evans Okpogoro
Chief Finance Officer
FRC/3722021001000000023056

Independent Auditor's report

To the shareholders of TRANSCORP POWER LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Transcorp Power Limited** set out on pages 4 to 53, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of financial position of **Transcorp Power Limited** as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act (CAMA) 2020, and Financial Reporting Council Act 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work we have performed on the other information obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors 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, the requirements of the Companies and Allied Matters Act 2020, the Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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 management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Fifth schedule of Companies and Allied Matters Act 2020, we expressly state that:

- i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The Company has kept proper books of account, so far as appears from our examination of those books.
- iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.



Abraham Udenani, FCA – FRC/2013/ICAN/00000000853

For: Deloitte & Touche

Chartered Accountants

Lagos, Nigeria

24 March 2023



Statement of profit or loss and other comprehensive income

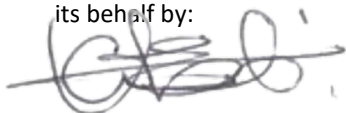
	Notes	31 December 2022 N'000	31 December 2021 N'000
Continuing operations			
Revenue from contracts with customers	7	90,349,386	74,330,710
Cost of sales	8	<u>(48,147,009)</u>	<u>(39,711,272)</u>
Gross profit		42,202,377	34,619,438
Other operating income	9	189,109	123,581
Impairment loss on financial assets	12	(812,741)	(346,932)
Administrative expenses	11	<u>(5,709,134)</u>	<u>(4,551,196)</u>
Operating profit		35,869,611	29,844,891
Finance income	10	1,259,925	1,105,327
Finance cost	10	<u>(8,510,559)</u>	<u>(7,859,832)</u>
Profit before income tax	10.1	28,618,977	23,090,386
Income tax expense	13	<u>(11,335,571)</u>	<u>(3,546,936)</u>
Profit for the year		<u>17,283,406</u>	<u>19,543,450</u>
Basic and diluted earnings per share (N)	14	<u>218.36</u>	<u>251.88</u>

The notes on pages 8 to 53 are an integral part of these financial statements.

Statement of financial position
As at year ended 31 December 2022

	Notes	31 December 2022 N'000	31 December 2021 N'000
Assets			
Non-current assets			
Property, plant and equipment	15	54,702,571	54,032,161
Intangible asset	16	9,701,191	9,701,191
Investments	22	2,208,918	1,525,563
Deferred tax assets	13	-	659,646
		<u>66,612,680</u>	<u>65,918,561</u>
Current assets			
Inventories	17	4,314,347	3,748,019
Trade and other receivables	18	94,558,786	77,001,193
Cash and cash equivalents	19	2,701,632	8,746,571
Total current assets		<u>101,574,765</u>	<u>89,495,783</u>
Total assets		<u>168,187,445</u>	<u>155,414,344</u>
Equity and liabilities			
Equity			
Share capital	25	40,108	39,468
Share premium	26	34,967,736	31,127,668
Retained earnings	27	2,956,132	2,839,001
Total equity		<u>37,963,976</u>	<u>34,006,137</u>
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21	29,967,161	20,590,468
Deferred tax liabilities	13	5,056,075	-
		<u>35,023,236</u>	<u>20,590,468</u>
Current liabilities			
Trade and other payables	20	76,306,380	73,340,621
Current tax payable	13.1	5,789,349	3,191,123
Interest-bearing loans and borrowings	21	13,104,504	24,285,995
		<u>95,200,233</u>	<u>100,817,739</u>
Total liabilities		<u>130,223,469</u>	<u>121,408,207</u>
Total equity and liabilities		<u>168,187,445</u>	<u>155,414,344</u>

The financial statements on pages 4 to 54 were approved by the Board of Directors on the 2nd March, 2023 and signed on its behalf by:



Christopher Ezeafulukwe
MD/CEO
FRC/2015/NBA/00000013304



Evans Okpogoro
Chief Finance Officer
FRC/3722021001000000023056



Emmanuel Nnorom
Chairman
FRC/2014/ICAN/00000007402

The notes on pages 8 to 53 are an integral part of these financial statements.

Statement of changes in equity

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
Balance at 1 January 2021	39,468	31,127,668	(6,631,004)	24,536,132
Profit for the year	-	-	19,543,451	19,543,451
Interim dividends (Note 30)	-	-	(10,073,446)	(10,073,446)
Balance at 31 December 2021	39,468	31,127,668	2,839,001	34,006,137
Profit for the year	-	-	17,283,406	17,283,406
Right issue	640	3,840,068	-	3,840,708
Interim dividends (Note 30)	-	-	(17,166,275)	(17,166,275)
Total transactions with owners, recognised directly in equity	640	3,840,068	117,131	3,957,839
Balance at 31 December 2022	40,108	34,967,736	2,956,132	37,963,976

Statement of cashflow

	Notes	31 December 2022 N'000	31 December 2021 N'000
Cash generated from operations			
Profit before tax		28,618,977	23,090,386
Adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property, plant, and equipment	15	3,472,313	3,405,149
Finance income	10	(1,259,925)	(1,105,327)
Write off of property, plant and equipment	15	183,342	-
Profit from the sales of property, plant, and equipment		(338)	-
Effect of foreign exchange rate	21.2	(739,083)	-
Finance cost	10	8,510,559	7,859,832
Net Impairment allowance on financial assets	12	812,741	346,932
Working capital adjustments:			
(Increase)/Decrease in trade and other receivables		(17,557,592)	11,310,059
(Increase)/Decrease in inventories		(566,327)	25,318
Increase/(decrease) in trade and other payables		2,965,759	(5,313,592)
Net cash flows from operating activities		24,440,426	39,618,757
Tax paid	13	(3,021,624)	(575,108)
		21,418,802	39,043,649
Investing activities			
Purchase of property, plant, and equipment	15	(4,326,546)	(8,060,439)
Investment in bonds/shares	22	(683,355)	(1,523,063)
Sales proceed of property, plant, and equipment		820	-
Interest income		1,259,925	1,110,227
Net cash used in investing activities		(3,749,156)	(8,473,275)
Financing activities			
Dividend paid	5	(12,950,053)	(6,980,937)
Scrip issue	26.1	(3,840,707)	-
Proceeds from borrowings	21.2	15,767,246	22,882,518
Repayments of borrowings	21.2	(22,691,071)	(37,000,471)
Net cash used in financing activities		(23,714,585)	(21,098,890)
Net movement in cash and cash equivalents		(6,044,939)	9,471,485
Cash and cash equivalents at the beginning of the year		8,746,571	(724,914)
Cash and cash equivalents at the end of the year	19	2,701,632	8,746,571

The notes on pages 8 to 53 are an integral part of these financial statements.

Notes to the financial statements

1 General information

Transcorp Power Limited (formerly Transcorp Ughelli Power Limited) ("the Company") was incorporated in Nigeria on 24 September 2012 under the Companies and Allied Matters Act as amended as a private limited liability company and is domiciled in Nigeria. The Company is a subsidiary of Transnational Corporation Plc (Transcorp).

The company's principal activity is the generation of electric power.

The financial statements are presented in Naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

1.1 Basis of preparation

The financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting a Committee (IFRIC) and in the manner required by the Companies and Allied Matters Act (CAMA) 2020 and the Financial Reporting Council Act 2011. Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to interpretations issued by the IFRIC

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

1.2 Financial period

These financial statements cover the financial year from 1 January 2022 to 31 December 2022, with comparative figures for the financial year ended 31 December 2021.

1.3 Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Composition of financial statements

The financial statements are drawn up in Naira, the functional currency of Transcorp Power Limited in accordance with the International Financial Reporting Standards (IFRS). These financial statements comprise:

- Statement of profit or loss and other comprehensive income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements.

Other National Disclosures

- Value added statement
- Five-year financial summary

Notes to the financial statements

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and amended standards and interpretations that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 Reference to the Conceptual Framework

The Company has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use

The Company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories."

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

Notes to the financial statements

2.1 New and amended standards and interpretations that are effective for the current year (cont'd)

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

2.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following relevant new and revised IFRS Accounting Standards that have been issued but are not yet effective. They are listed below:

- 1) Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- 2) Amendments to IAS 1 and IFRS - Disclosure of Accounting Policies
- 3) Amendments to IAS 8 Definition of Accounting Estimates
- 4) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

Notes to the financial statements

2.2 New and revised IFRS Standards in issue but not yet effective (cont'd)

The effective date of the amendment is to be determined by the IASB. It is unlikely that the amendment will have a material impact on the Company's consolidated and separate financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendment is to be determined by the IASB, however earlier application of the amendment is permitted. It is unlikely that the amendment will have a material impact on the Company's consolidated and separate financial statements.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The amendments to the definition of material is not expected to have a significant impact on the Company's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting

Notes to the financial statements

2.2 New and revised IFRS Standards in issue but not yet effective (cont'd)

policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

"The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements."

It is unlikely that the amendment will have a material impact on the Company's consolidated and separate financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Notes to the financial statements

2.2 New and revised IFRS Standards in issue but not yet effective (cont'd)

It is unlikely that the amendment will have a material impact on the Company's consolidated and separate financial statements.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:"

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset"
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

It is unlikely that the amendment will have a material impact on the Company's consolidated and separate financial statements.

3 Significant accounting policies

3.1 Accounting principles and policies

Pursuant to the accrual basis of accounting followed by Transcorp Power Limited, the financial statements reflect the effects of transactions and other events when they occur. Assets and liabilities such as property, plant and equipment and intangible assets are measured at cost. Financial assets and liabilities are usually measured at fair values.

Notes to the financial statements

3.2 Summary of significant accounting policies

The principal accounting policies adopted are set out below:

a) Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

a) Current versus non-current classification (cont'd)

A liability is current when:

- It is expected to be settled in the normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Revenue from contract with customers

The Company is in the business of generation of electric power. They also provide ancillary services of black start service to Transmission Company of Nigeria (TCN).

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

The Company has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Company reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Company has also been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorise the different revenue stream detailed below.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

b) Revenue from contract with customers (cont'd)

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3. (The company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers).

At contract inception, the Company assesses the goods or services promised to a customer and identifies as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

In arriving at the performance obligations, the Company assessed the goods and services as capable of being distinct and as distinct within the context of the contract after considering the following:

- If the customer can benefit from the individual good or service on its own;
- If the customer can use the good or service with other readily available resources; service on its own;
- If multiple promised goods or services work together to deliver a combined output(s); and
- whether the good or service is integrated with, highly interdependent on, highly interrelated with, or significantly modifying or customising, other promised goods or services in the contract

Energy and capacity charge

Capacity charge is recognised monthly based on the average of available capacity declared at the beginning of the month. Revenue from energy sent out is calculated on the basis of megawatts of electricity pushed to the transmission grid. The capacity charge and energy sent out are included in revenue reported in the profit and loss account.

Contract for the sale of electric power begins on performance and revenue is recognised overtime using an output method to measure progress towards completion of the service because the customer simultaneously receives and consumes the benefits provided by the Company.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (if any). In determining the transaction price for the sale of electric power, the Company considers the existence of significant financing components and consideration payable to the customer (if any).

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

b) Revenue from contract with customers (cont'd)

Ancillary Services

Ancillary services relate to services provided by the Company, other than the primary production of electricity, which is used to operate a stable and secure Power System including but not limited to reactive power, operating reserve, frequency control and black start capability. The ancillary services are provided in line with the existing agreement.

The Company recognises revenue from ancillary services overtime as control is transferred.

Significant financing component

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component since it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Amount received from customers or guests in advance of receiving the goods or services is recognised as liability in the statement of financial position described as unearned income.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

c) Current and deferred tax

The tax for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively. Pioneer status incentive exempts the Company from current tax over the period covered by the incentive.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

c) Current and deferred tax (cont'd)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of profit or loss, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax liabilities on a net basis.

Deferred tax assets and liabilities are presented as non-current in the statement of financial position.

d) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which Transcorp Power Limited operates ('the functional currency'). The functional currency of Transcorp Power Limited is the Nigerian Naira (N).

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

d) Foreign currency translation (cont'd)

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the company's functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the company determines the transaction date for each payment or receipt of advance consideration.

e) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to the Statement of Profit or loss during the financial period in which they are incurred.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

e) Property, plant and equipment (cont'd)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold buildings	2%
Plant and machinery - Turbines	2.5%
Furniture and fittings	20%
Computer equipment	10%
Motor vehicles	20%

The Company allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognised when replaced. Residual values, method of amortisation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other income or expense - net in the Statement of profit or loss for the period.

f) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Transcorp Ughelli Power 's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree, Ughelli Power Plc and the fair value of the non-controlling interest in the acquiree. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For purposes of impairment testing, each turbine set is treated as a cash generating unit.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

f) Intangible assets (cont'd)

intangible assets when the following criteria are met:

- The directors intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

g) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, (i.e. capitalised) until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Currently, the Company has no qualifying assets on which borrowing costs are being capitalised.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

I) Financial instruments (Recognition and measurement)

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

i) Initial recognition and measurement

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

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

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

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

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

ii) Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)."

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

i) Financial instruments (Recognition and measurement) (cont'd)

ii) Subsequent measurement (cont'd)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
- The Company's financial assets at amortised cost includes trade receivables, staff loans, cash and cash equivalents, treasury bills and related parties receivables."

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

i) Financial instruments (Recognition and measurement) (cont'd)

ii) Subsequent measurement (cont'd)

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

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Trade receivables

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 using the loss rate model.

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

i) Financial instruments (Recognition and measurement) (cont'd)

ii) Subsequent measurement (cont'd)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Company considers a financial asset in default when contractual payments are 90 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.

ii) Financial liabilities

Initial recognition and measurement

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.

Subsequent measurement

The measurement of financial liabilities depends on their classification

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

i) Financial instruments (Recognition and measurement) (cont'd)

ii) Financial liabilities (cont'd)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss 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 statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 21.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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, to realise the assets and settle the liabilities simultaneously.

j) Inventories

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventory includes purchase costs and costs directly attributable to the purchase.

Inventory comprises of engineering spares that are not ready for use (complex installation process), tools and lubricants.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

j) Inventories (cont'd)

Subsequent to initial recognition, inventory is measured at the lower of cost and net realisable value. Any write down of inventory to net realisable value is recognised in the statement of profit or loss. Inventories are stated at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

k) Cash, cash equivalents and bank overdrafts

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Provisions are not recognised for future operating losses.

m) Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

m) Fair value measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, is summarised below:

- Financial instruments (including those carried at cost) Note 6.2

n) Dividend distribution

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. In respect of interim dividends, these are recognised when declared by the Board of Directors.

o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Retained earnings

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves.

Share premium

Share premium refers to the excess of the share price paid for the Company's shares by the shareholders over the nominal value of the shares issued.

Notes to the financial statements

3.3 Significant accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3.3.1 Critical Judgement in Applying the Company's Accounting Policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue from contracts with customers

The company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction

The company concluded that revenue from energy and capacity charge will be recognised overtime because, as the company performs, the customer simultaneously receives and consumes the benefits provided by the company's performance.

The company has determined that the output method is the best method in measuring progress rendering the services to the customer. The Output method recognises revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

The company has assessed that there is a direct relationship between the company's measurement of the value of goods or services transferred to date, relative to the remaining goods or services promised under the contract.

Taxes

Deferred tax assets are recognised for 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.

Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the management are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Company are remote.

Notes to the financial statements

3.3.2 Key sources of estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The fair value of the assets of is based on the market value. This is the price which an asset may be reasonably expected to be realised in a sale in a private contract. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 16.

Provision for expected credit losses of trade receivables and contract assets

The company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating).

The provision matrix is initially based on the company's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the company's trade receivables is disclosed in Note 5.

Impairment of property, plant and equipment and right-of-use assets

The Company assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment and right-of-use assets have been determined based on value-in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted.

The carrying amount of the Company's property, plant and equipment at the end of reporting period is disclosed in Note 15 to the financial statements.

Notes to the financial statements

3.3.2 Key sources of estimation uncertainties (cont'd)

Estimation of useful lives of property, plant and equipment

As described in Note 3.2 (e), the Company reviews the estimated useful life of property, plant and equipment at each reporting date. In assessing the useful life of property, plant and equipment, and specially with respect to the plant and ancillary facilities management considers, amongst other things, the expected usage of the assets by the Company and the terms of relevant sales and purchase agreements. Any changes in estimating of the remaining useful life of property, plant and equipment will result in a higher or lower level of depreciation expenses in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management Note 4
- Financial instruments risk management and policies Note 5
- Sensitivity analyses disclosures Note 5

4 Capital management

For the purpose of the Company's capital management, capital includes issued capital, share premium and retained earnings attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 50% and 70%. The Company includes within net debt, interest bearing loans and borrowings, less cash and bank balances.

	31 December 2022 N'000	31 December 2021 N'000
Interest-bearing loans and borrowings (Note 21.2)	43,071,665	44,876,463
Less: cash and cash equivalent (Note 18)	<u>(2,701,632)</u>	<u>(8,746,571)</u>
Net debt	40,370,033	36,129,892
Total capital: Equity	<u>37,963,976</u>	<u>34,006,137</u>
Capital and net debt	<u>78,334,009</u>	<u>70,136,029</u>
Gearing ratio	51%	52%

Notes to the financial statements

5 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has established the finance and investment committee, who is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risk it faces, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly by the executive management to reflect changes in the market conditions and the Company's activities.

The Board 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 Board is supported by various management functions that checks and undertakes both regular and ad hoc reviews of compliance with established controls and procedures.

5.1 Financial risk factors

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not hedge any of its risk exposures.

Risk management is carried out in line with policies approved by the board of directors. The board provides written policies for overall risk management, as well as set the overall risk appetite for the Company. Specific risk management approaches are defined for respective risks such as interest rate risk, credit risk, liquidity and investment risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk in the Company are borrowings and deposits.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is been reduced since the Company's long-term debt obligations are fixed interest rates.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

Management monitors rolling forecasts of the Company's liquidity reserve and cash and bank balances (Note 18) on the basis of expected cash flows.

This is generally carried out in accordance with practice and limits set by the Company. These limits vary to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the foreign currency denominated borrowings that the Company has.

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

	31 December 2022 N'000	31 December 2021 N'000
Cash and bank balances:	7,417	11,276
USD	17	26
 Financial liabilities:		
Other payables	1,490,680	577,680
USD ('000)	3,592	1,392
 Borrowings	13,104,504	20,789,051
USD ('000)	28,426	47,791

Foreign Currency Sensitivity

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates at the reporting date. The Company has borrowings, trade payables and cash denominated foreign currencies.

The table below shows the impact on the Company's profit and equity if the exchange rate between the Naira and the US Dollars had increased or decreased by 2%, with all other variables held constant:

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(d) Foreign currency risk (cont'd)

	31 December 2022 N'000	31 December 2021 N'000
Impact on profit or loss		
US/NGN exchange rate- increase 2% (2022: 2%)	291,755	427,109
US/NGN exchange rate- decrease 2% (2022: 2%)	291,755	427,109

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum national rating of 'A' are accepted.

There is no independent rating for customers. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

Sales to customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The credit ratings of the investments are monitored for credit deterioration.

(ii) Security

No security is obtained for trade receivables either in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There are no credit ratings for Transcorp power Limited's trade and other receivables.

(iii) Impairment of trade receivables

For trade receivables, the Company applied the simplified approach in computing ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 18. The Company does not hold collateral as security.

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(d) Foreign currency risk (cont'd)

(iii) Impairment of trade receivables (cont'd)

Set out below is the information about the credit risk exposure on the Company's trade receivables using provisional matrix:

As at 31 December 2022 In thousands of naira	Trade receivables							Total
	Days past due							
	<30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	151 - 360 days	>360 days	
Expected credit loss rate		0.00%	6.93%	3.81%	6.69%	10.55%	11.65%	
Estimated total gross carrying amount at default	14,271,144	6,557,254	2,838,991	6,076,954	3,475,879	6,951,758	39,713,325	79,885,306
Expected credit loss	-	145,071	212,168	626,639	177,939	471,648	4,383,787	6,017,252

As at 31 December 2021 In thousands of naira	Trade receivables							Total
	Days past due							
	<30 days	31 - 60 days	61 - 90 days	91 - 120 days	121 - 150 days	151 - 360 days	>360 days	
Expected credit loss rate		2.21%	7.47%	10.31%	5.12%	13.81%	11.04%	
Estimated total gross carrying amount at default	3,983,291	5,418,100	2,633,097	2,247,917	4,539,985	5,310,566	41,916,699	66,049,655
Expected credit loss	-	119,868	196,781	231,799	232,414	733,467	4,627,008	6,141,337

Set out below is the movement in the allowance for expected credit losses of trade receivables:

<i>In thousands of Naira</i>	2022	2021
Balance as at 1 January	6,141,337	6,142,634
Impairment no longer required write back (writeback)	(857,880)	-
Impairment charged for the year (Note 12)	733,795	(1,297)
Balance at 31 December	6,017,252	6,141,337

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(d) Foreign currency risk (cont'd)

(iv) Impairment of other financial assets

Expected credit loss measurement - other financial assets

The Company applied the general approach in computing expected credit losses (ECL) for intercompany receivables. 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.

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).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and Lifetime PDs are derived by mapping the internal rating grade of the obligors to the PD term structure of an external rating agency for all asset classes. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs, etc. – are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period. The significant changes in the balances of the other financial assets including information about their impairment allowance are disclosed below respectively.

The Company considers a financial asset in default when contractual payments are 30 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.

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(iv) Impairment of other financial assets

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Central Bank of Nigeria, Standards and Poor's etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2019 and 31 December 2021.

The tables below show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

31 December 2022

Key drivers			Assigned	ECL			
Crude Oil Price (USD)			Probabilities	Scenario	2021	2022	2023
10%	Upturn		52.30	53.50	54.96	124.28	124.28
80%	Base		51.9	52.7	53.87	80.88	80.88
10%	Downturn		49.98	50.78	51.91	33.99	33.99
Unemployment rate %							
10%	Upturn		0.34	0.36	0.36	0.44	0.44
80%	Base		0.32	0.34	0.37	0.44	0.44
10%	Downturn		0.26	0.33	0.33	0.44	0.44
Inflation rate %							
10%	Upturn		0.11	0.11	0.11	0.13	0.13
80%	Base		0.11	0.11	0.11	0.17	0.17

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(c) Liquidity risk

Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the covenant compliance, and compliance with internal financial position ratio.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities.

Maturity analysis

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. There is concentration risk in this regard as United Bank for Africa Plc is the major lender to the Company.

31 December 2022	0 - 30 days	31 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years	Total
Financial liabilities	N'000	N'000	N'000	N'000	N'000	N'000
Trade and other payables	27,670,544	4,165,314	44,270,523	-	-	76,106,380
Borrowings	8,729,434	1,472,559	2,902,511	7,179,949	22,787,212	43,071,665
	36,399,978	5,637,873	46,745,782	29,967,161	-	119,178,045
	<hr/>					
31 December 2021	0 - 30 days	31 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years	Total
Financial liabilities	N'000	N'000	N'000	N'000	N'000	N'000
Trade and other payables	73,340,621	-	-	-	-	73,340,621
Borrowings	20,789,051	1,705,152	1,791,795	13,711,440	6,879,025	44,876,463
	94,129,672	1,705,152	1,791,795	13,711,440	6,879,025	118,217,084

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

	Changes in liabilities arising from financing activities									
	1 January 2022 N'000	Right Issues paid with dividend N'000	Additional loan N'000	Loan repayment N'000	Interest accrued N'000	Additional dividend N'000	Dividend paid N'000	Foreign exchange N'000	Others N'000	31-Dec-22 N'000
Interest-bearing loans and borrowings	44,876,463	-	15,767,246	(22,691,071)	4,379,945	-	-	739,083	-	43,071,666
Dividends payable (Net of WHT)	8,998,102	-	-	-	-	15,449,647	(12,950,053)	-	(3,840,708)	7,656,989
	53,874,565	-	15,767,246	(22,691,071)	4,379,945	15,449,647	(12,950,053)	739,083	(3,840,708)	50,728,655
	1 January 2021 N'000	Right Issues paid with dividend N'000	Additional loan N'000	Loan repayment N'000	Interest accrued N'000	Additional dividend N'000	Dividend paid N'000	Foreign exchange N'000	Others/ Adjustment N'000	31-Dec-21 N'000
Interest-bearing loans and borrowings	57,381,038	-	22,882,518	(37,000,471)	4,616,099	-	-	(3,002,720)	-	44,876,463
Dividends payable (Net of WHT)	2,457,098	-	-	-	-	9,066,101	(5,220,549)	-	-	6,302,650
	59,838,136	-	22,882,518	(37,000,471)	4,616,099	9,066,101	(5,220,549)	(3,002,720)	-	51,179,114

6 Financial instruments and fair values

6.1 Measurement categories

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Amount N'000		Fair Amount N'000	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
Interest-bearing loans and borrowings	43,071,665	44,876,463	43,071,665	44,876,463

The management assessed that the fair values of cash and bank balances, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Notes to the financial statements

6.2 Fair value measurement

Fair value measurement hierarchy for liabilities as at 31 December 2022:

Liabilities for which fair values are disclosed

	Date of valuation	Fair value measurement using			
		Total N '000	Quoted prices in active markets (Level 1) N '000	Significant observable inputs (Level 2) N '000	Significant unobservable inputs (Level 3) N '000
Interest-bearing loans and borrowings:	31-Dec-22	43,071,665	-	43,071,665	-
Interest-bearing loans and borrowings:	31-Dec-21	44,876,463	-	44,876,463	-

The fair value of the instruments classified as Level 2 (see above) was calculated using the discounted cash flow method. 3-month LIBOR rate was used for discounting future cash flows. There were no financial instruments that are measured at amortised cost that the fair value disclosed was classified as Level 3 either in current year or in prior year.

7 Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the company's revenue from contracts with customers:

	31 December 2022 N'000	31 December 2021 N'000
Capacity charge	32,061,245	25,713,965
Energy delivered	58,264,441	48,587,345
Ancillary services	23,700	29,400
Total revenue from contracts with customers	<u>90,349,386</u>	<u>74,330,710</u>
Timing of revenue recognition		
Services transferred over time	<u>90,349,386</u>	<u>74,330,710</u>
Total revenue from contracts with customers	<u>90,349,386</u>	<u>74,330,710</u>
Revenue generated from:		
Local customers	78,751,220	65,144,463
International customers	<u>11,598,166</u>	<u>9,186,247</u>
Total revenue from contracts with customers	<u>90,349,386</u>	<u>74,330,710</u>

There is no other revenue item outside IFRS 15

Ancillary services include earnings from Blackstart operations and frequency control services provided.

Notes to the financial statements

		31 December 2022 N'000	31 December 2021 N'000
8	Cost of sales		
	Natural gas and fuel costs	39,948,977	32,808,189
	Salaries and wages	646,102	576,453
	Repairs and maintenance	3,376,767	1,842,356
	Depreciation (Note 11.1)	3,453,059	3,360,425
	Insurance	240,710	244,504
	Other direct expenses	481,394	879,345
	Total cost of sales	<u>48,147,009</u>	<u>39,711,272</u>
9	Other operating income		
	Other income	189,109	123,581
		<u>189,109</u>	<u>123,581</u>
10	Finance income and finance costs		
	Finance income		
	Interest income	1,259,925	1,105,327
		<u>1,259,925</u>	<u>1,105,327</u>
	Finance costs		
	Interest expense on loans (Note 21.2)	(4,379,945)	(4,616,099)
	Other finance charges	-	(241,013)
	Foreign exchange loss on financing activities	(4,130,614)	(3,002,720)
		<u>(8,510,559)</u>	<u>(7,859,832)</u>
	Net finance cost	<u>(7,250,634)</u>	<u>(6,754,505)</u>
10.1	Profit before income tax	28,618,977	23,090,386
	The profit after income taxation was arrived at after charging/(crediting):		
	Depreciation	3,472,313	3,405,149
	Interest expense	8,510,559	7,859,832
	Interest income	(1,259,925)	(1,105,327)
	Auditors' fees	37,975	30,000
	Director's' remuneration	178,990	127,135

Notes to the financial statements

11 Administrative expenses	31 December 2022 N'000	31 December 2021 N'000
Auditors' remuneration	37,975	30,000
Bank charges	188,654	142,538
Depreciation (Note 11.1)	19,254	44,725
Directors' remuneration	178,990	127,135
Donations and CSR	636,815	509,411
Bad debt write off	-	435,254
Insurance	3,384	4,496
Management fees	2,399,807	1,336,237
Marketing and promotion	6,392	25,526
Other operating expenses	1,399,177	981,714
Professional fees	70,011	156,658
Rent and rates	19,851	20,064
Repairs and maintenance	143,580	55,509
Security services	89,483	87,548
Staff costs	361,215	468,730
Pension cost	19,172	21,166
Subscriptions and fees	19,823	6,691
Travel and accommodation	115,551	97,794
	<u>5,709,134</u>	<u>4,551,196</u>

Included in staff cost is N161 million (2021: N172 million) paid to teachers of Transcorp Power Limited Staff School. The staff school is seen by management as part of the Corporate Social Responsibility of the Company and the net expenses are included in other operating expenses. Also Included in the other operating expense are entertainment, feeding/canteen expenses, medical expenses, printing and stationeries, ICT expenses, community relates expenses and other admin expenses.

11.1 Total depreciation included in the statement of profit or loss

		31 December 2022 N'000	31 December 2021
Depreciation- Cost of sales	(Note 8)	3,453,059	3,360,425
Depreciation- Administrative expenses	(Note 11)	19,254	44,724
Total depreciation expense		<u>3,472,313</u>	<u>3,405,149</u>

12 Impairment loss on financial assets

Trade receivables (Note 5.1)		280,711	(1,297)
TLF Provision (Note 5.1, 34)		453,084	-
Due from related companies		78,946	348,229
Total impairment loss on financial assets		<u>812,741</u>	<u>346,932</u>

Notes to the financial statements

13 Income tax

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	31 December 2022 N'000	31 December 2021 N'000
Current income tax	4,828,541	2,417,298
Education tax	789,878	604,325
Police Trust Fund	1,431	1,155
	5,619,850	3,022,778
Deferred tax:		
Relating to origination and reversal of temporary differences	5,715,721	524,158
	11,335,571	3,546,936

13.1 The movement in tax payable is as follows:

Balance as at 1 January	3,191,123	743,453
Income tax for the year	4,828,541	2,417,299
Tertiary Education tax for the year	791,309	605,479
Tax paid during the year	(3,021,624)	(575,108)
	5,789,349	3,191,123

Corporate tax is calculated at 30 per cent of the estimated taxable profit for the year. The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act as amended. The charge for education tax of 2 percent is based on the provisions of the Education Tax Act, as Amended.

13.2 A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate (30%) for the years ended 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022 N'000	31 December 2021 N'000
Profit before tax	28,618,977	23,090,386
Tax at Nigeria Corporation Tax Rate of 30% (2020: 30%)	8,585,693	6,927,116
Tertiary Education tax	789,878	604,325
Nigeria Police Trust Fund	1,431	1,155
Changes in recognised deductible income deductible income	6,157,062	(1,043,048)
Non-deductible expenses for tax purposes:		
Donation and fines	(636,715)	(509,411)
Other non-deductible expenses	(3,561,778)	(2,433,201)
	11,335,571	3,546,936
Tax credit for the year		
	40%	15%

Notes to the financial statements

13.3 Deferred tax assets

	31 December 2022 N'000	31 December 2021 N'000
Deferred tax relates to the following:		
Statement of financial position		
Accelerated depreciation for tax purposes	14,125,111	13,737,299
Expected credit losses of debt financial assets	(2,178,030)	(2,192,279)
Unrealised FX losses	(1,342,450)	(975,884)
Losses available for offsetting against future taxable income	(5,548,556)	(11,228,782)
Net deferred tax liabilities/(assets)	5,056,075	(659,646)
Statement of profit or loss		
Accelerated depreciation for tax purposes	14,125,111	47,340
Expected credit losses of debt financial assets	(2,178,030)	(272,327)
Unrealised FX losses	(1,175,285)	(404,539)
Losses available for offsetting against future taxable income	(5,056,075)	1,153,684
Deferred tax expense	5,715,721	524,158

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

14 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive ordinary shares at either year end; hence the basic and diluted earnings per share have the same value.

	31 December 2022	31 December 2021
Profit for the year attributable to shareholders (in N'000)	17,283,406	19,543,451
Weighted average number of shares in issue (units'000)	79,150	77,590
Basic earnings per share (N)	218.36	251.88

The denominator for the purposes of calculating basic earnings per share is based on issued and fully paid ordinary shares of N0.50 each.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Notes to the financial statements

15 Property, plant and equipment

	Land N'000	Building N'000	Furniture and fittings N'000	Plant and machinery N'000	Motor vehicles N'000	Work in progress N'000	Total N'000
Cost							
1 January 2021	442,348	1,766,473	263,890	64,734,835	136,872	1,938,605	69,283,023
Additions	-	-	13,842	4,581,135	-	3,465,462	8,060,439
31 December 2021	442,348	1,766,473	277,732	69,315,970	136,872	5,404,067	77,343,462
1 January 2022	442,348	1,766,473	277,732	69,315,970	136,872	5,404,067	77,343,462
Classification	-	-	-	3,971,036	-	(3,971,036)	(3,971,036)
Disposal	-	-	(890)	-	-	(183,341)	(184,232)
Additions	358,612	-	136,234	1,859,979	-	1,971,721	4,326,546
31 December 2022	800,960	1,766,473	413,076	75,146,986	136,872	3,221,411	81,485,777
Accumulated depreciation							
1 January 2021	-	221,119	225,489	19,352,844	106,702	-	19,905,745
Depreciation for the year	-	35,443	25,593	3,325,629	18,484	-	3,405,149
31 December 2021	-	256,562	251,082	22,678,473	125,186	-	23,311,301
1 January 2022	-	256,562	251,082	22,678,473	125,186	-	23,311,301
Depreciation for the year	-	35,333	8,169	3,418,400	10,410	-	3,472,313
Disposal	-	-	(409)	-	-	-	(409)
31 December 2022	-	291,895	258,842	26,096,873	135,596	-	26,783,205
Carrying amounts							
At 31 December 2021	442,348	1,509,798	26,762	46,637,499	11,687	5,404,067	54,032,161
At 31 December 2022	800,960	1,474,578	154,234	49,050,112	1,276	3,221,411	54,702,571

16 Intangible asset

	31 December 2022 N'000	31 December 2021 N'000
Goodwill		
Balance at 1 January	9,701,191	9,701,191
Adjustments	-	-
Balance at 31 December	9,701,191	9,701,191

Goodwill arose from the excess of the consideration over acquisition-date fair values of identifiable asset i.e. purchase of Ughelli Power Plc on 1 November 2013. The goodwill amount relates to pre-existing goodwill from previous business combinations.

In assessing goodwill impairment at 31 December 2022 and 2021, the Company compared the aggregate recoverable amount of the asset to the carrying amounts. Recoverable amount has been determined based on the value in use using five-year cash flow budgets approved by directors that made maximum use of observable markets for inputs and outputs. For periods beyond the budgeted period, cash flows were extrapolated using growth rates that do not exceed the long-term average for the business.

The key assumptions used for the value-in-use calculations are as follows:

	31 December 2022	31 December 2021
Budgeted gross margin %	45%	44%
Weighted average growth rate	2.5%	2.5%
Pre-tax discount rate	16%	16%

17 Inventories

	N'000	N'000
General stores	4,199,569	3,633,575
Stationery	21,840	14,499
Lubricant	92,938	99,945
	4,314,347	3,748,019

General stores, stationery and lubricants are carried as inventories and recognised in profit or loss as consumed. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to N1.844 billion (2021: N1.826 billion). The impairment provision on inventory is based on specific identification of damaged items that are assessed as unlikely to be useable effectively for intended purposes. There was no inventory write down during the year.

Notes to the financial statements

		31 December 2022 N'000	31 December 2021 N'000
18	Trade and other receivables		
	Trade receivables (Note 18.1)	73,868,053	59,908,318
	Due from related companies (Note 18.2)	20,234,243	15,769,356
	Prepayments	216,996	37,779
	Advances to suppliers	172,311	711,112
	Other receivables	67,183	574,628
		<u>94,558,786</u>	<u>77,001,193</u>
18.1	Trade receivables		
	Trade receivables	79,885,305	66,049,655
	Less: provision for impairment of trade receivables (Note 5.1)	<u>(6,017,252)</u>	<u>(6,141,337)</u>
		73,868,053	59,908,318
		<u>73,868,053</u>	<u>59,908,318</u>

Interest clause in the Power Purchase Agreement

The Company is entitled to interest on electricity bills that are not paid within the contractual period as stipulated in the Power Purchase Agreement (PPA) signed with the Company's sole customer (NBET) on 21 February 2013. The Company started selling electricity to NBET in 2015 and had not recognise any interest since then 2019, the Regulator (NERC) ordered an industry wide reconciliation of outstanding amount of electricity supplied including all applicable interest on electricity bills that were not paid by NBET within the contractual period stipulated in the PPA.

The reconciliation was done during the year and the interest component amounted to ₦44.68billion (2021: ₦37.9billion). The Board of Directors decided not to recognize but to disclose the interest income in the financial statements as no payment has been made by NBET.

		31 December 2022 N'000	December 2021 N'000
18.2	Due from related companies		
	Receivables from related parties (Note 23.2)	20,918,623	16,374,790
	Less: provision for impairment	<u>(684,380)</u>	<u>(605,434)</u>
		<u>20,234,243</u>	<u>15,769,356</u>

Notes to the financial statements

19	Cash and cash equivalents	31 December 2022 N'000	December 2021 N'000
	Cash in hand	43	64
	Cash at bank	1,679,741	6,442,074
	Fixed deposit	<u>1,021,848</u>	<u>2,304,433</u>
	Bank and cash balances	2,701,632	8,746,571
	Bank overdrafts	<u>-</u>	<u>-</u>
	Cash and cash equivalents	<u>2,701,632</u>	<u>8,746,571</u>

Cash and cash equivalents comprise cash and bank balances. The carrying amount of these assets approximate their fair value.

20	Trade and other payables	31 December 2022 N '000	31 December 2021 N '000
	Trade payables	55,499,711	59,369,634
	Other payables	6,218,915	5,253,977
	Other accruals	4,200,955	2,062,099
	Withholding tax	2,728,213	2,079,325
	PAYE tax deductions	1,598	1,598
	Dividend payable	7,656,988	4,542,263
	Value added tax	<u>-</u>	<u>31,725</u>
		<u>76,306,380</u>	<u>73,340,621</u>

21 Financial assets and financial liabilities

21.1	Financial assets	31 December 2022 N '000	31 December 2021 N '000
	Debt instruments at amortised cost		
	Trade receivables (Note 18)	73,868,053	59,908,318
	Due from related companies (Note 18.2)	<u>20,234,243</u>	<u>15,421,127</u>
		<u>94,102,296</u>	<u>75,329,445</u>

Debt instruments at amortised cost include trade receivables and receivables from related parties.

Notes to the financial statements

21.2 Financial liabilities: Interest-bearing loans and borrowings

	Maturity	31 December 2022 N '000	31 December 2021 N '000
Term loan	2022 - 2030	29,967,161	24,087,412
\$215 million acquisition loan	2023	13,104,504	20,789,051
Total interest-bearing loans and borrowings		43,071,665	44,876,463
Non-current		29,967,161	20,590,468
Current		13,104,504	24,285,995
		43,071,665	44,876,463

Movement in interest-bearing loans and borrowings

	31 December 2022 N'000	31 December 2021 N'000
The movement in borrowings is as follows:		
Balance as at 1 January	44,876,463	57,381,037
Additions	15,767,246	22,882,518
Interest accrued (Note 10)	4,379,945	4,616,099
Repayments	(22,691,071)	(37,000,471)
Foreign exchange difference	739,084	(3,002,720)
Balance as at 31 December	43,071,665	44,876,463

Qualitative description of interest-bearing loans and borrowing

Term loans

Term loans are facilities obtained by the Company from its bankers. These facilities are repayable by instalments at various dates between 2022 and 2030 with interest rate ranging from 11% to 13.5%.

\$215 million acquisition loan

\$215 million acquisition loan obtained by the Company from its bankers for the purpose of acquiring 100% interest in Ughelli Power Plc. The balance was due for repayment in December 2021. However, in January 2022, the tenor of the loan was restructured to 2023 with a floating interest rate of 90 days LIBOR +7%.

Security on loans

The securities to the lenders over the company's borrowings include the irrevocable domiciliation of the entity's operational proceeds with the lender, the assignment of rights over all material contracts and Legal Charge over the shares of the Sponsor.

Notes to the financial statements

	31 December 2022 N'000	31 December 2021 N'000
22 Investment		
Investment in shares	602,650	2,500
Investment in bond securities	1,606,268	1,523,063
	2,208,918	1,525,563

23 Related party transactions and balances

The Company is a subsidiary of Transnational Corporation Plc which is domiciled in Nigeria.

The parent company, Transnational Corporation Plc provided management services during the year to the Company and other intercompany related expenses/transaction. (Note 11)

23.1 Balances with related parties during the year

		31 December 2022 N'000	31 December 2021 N'000
Receivables from related parties	Nature of relationship		
Transnational Corporation Plc	Parent company	7,714,200	8,168,033
Transcorp Hotel Plc, Abuja	Subsidiary of the group	8,199,928	7,134,501
Transcorp OPL 281 Limited	Subsidiary of the group	14,017	14,017
Transcorp Hotel Calabar	Subsidiary of the group	102	102
Trans-Afam Power Limited	Subsidiary of the group	4,788,735	1,014,064
Transcorp Energy Limited	Subsidiary of the group	200,000	-
Teragro Commodities Limited	Subsidiary of the group	2,000	2,000
		20,918,624	16,374,790

The receivables from the related parties are short-term interest-bearing amounts arising from settlement of expenses.

There was provision recognised in the current and prior year for bad or doubtful debts in respect of the amounts owed by related parties.

Terms and conditions of transactions with related parties

All transactions are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Company recognized N684mn (2021: N605mn) as provision for expected credit losses relating to amounts owed by related parties.

b. Key management personnel

Key management personnel constitute those individuals who have the authority and the responsibility for 'planning, directing and controlling the activities of Transcorp Power Limited, directly or indirectly, including any director (whether executive or non-executive). The individuals who comprise the key management personnel are the Board of Directors as well as certain key management and officers.

Directors' emoluments are disclosed in Note 28.

Notes to the financial statements

		31 December 2022 N'000	31 December 2021 N'000
25	Share capital		
	Allotted, called up, issued and fully paid:		
	At 1 January	39,468	39,468
	Right issues - 1,280,236 number of shares (Note 26.1)	640	-
		<u>40,108</u>	<u>39,468</u>
26	Share premium		
		N'000	N'000
	Balance as at 1 January	31,127,668	31,127,668
	Rights issued (Note 26.1)	3,840,068	-
	Balance as at 31 December	<u>34,967,736</u>	<u>31,127,668</u>
26.1	During the year, the directors recommended a right issue of one new share for every fifty-three (53) shares which is to be paid for from the declared dividend (scrip dividend). Some shareholders exercised their rights while some did not. Total shares taken was 1,280,326		
27	Retained earnings		
	The movement in retained earnings during the year is as follows:		
	Balance as at 1 January	2,839,001	(6,631,004)
	Profit for the year	17,283,406	19,543,451
	Interim dividend (Note 30)	(17,166,275)	(10,073,446)
	Balance as at 31 December	<u>2,956,132</u>	<u>2,839,001</u>
28	Particulars of employees and directors		
	The table below shows the number of employees (excluding directors), who earned less N240,000 as emoluments in the year and were within the bands stated		
	Employees	Number	Number
	Less than N240,000	5	5
	N1,000,001 - N2,000,000	32	33
	N2,000,001 - N5,000,000	94	92
	Above N5,000,000	52	53
		<u>183</u>	<u>183</u>

Notes to the financial statements

28 Particulars of employees and directors (cont'd)

	31 December 2022 N'000	31 December 2021 N'000
Staff costs for the above persons (excluding Directors):		
Salaries and wages	1,007,317	1,045,183
Pension cost	19,172	21,166
	1,026,489	1,066,349
Analysis of staff costs:		
Cost of sales (Note 8)	646,102	576,453
Administrative expenses (Note 11)	380,387	489,896
	1,026,489	1,066,349
Emoluments of directors		
The remuneration paid to the Directors of the Company was:		
Salaries	135,000	108,045
Fees and allowances	43,990	19,090
	178,990	127,135
Amount paid to the highest paid director (excluding pension contributions)		
Fees	62,784	62,784
	62,784	62,784
Compensation of managers		
Salaries and short-term employee benefits	251,968	125,687
Defined contribution	11,962	5,967
	263,930	131,654

Managers excludes directors (executive and non-executive). The compensation paid or payables to managers for services is as shown above.

The number of directors of the Company (including the highest paid Director) whose remuneration, excluding pension contributions in respect of services to the Company fell within the following ranges

Notes to the financial statements

28 Particulars of employees and directors (cont'd)

	31 December 2022 Number	31 December 2021 Number
Less than N10,000,000	7	7
Over N10,000,000	1	1
	8	8
	8	8

29 Capital commitments and contingent liabilities

The Directors have disclosed that all known liabilities and commitments which are relevant in assessing the state of affairs of the Company have been taken into consideration in the preparation of these financial statements.

The Company has committed capital expenditure up to N3bn to Thomassen Service Middle East (TSME) and General Electric for the rehabilitation of Gas Turbine (GTs) 7, 9 and 19

Legal claim contingency

The Company is involved in some legal action in the ordinary course of the business which we are not material. The Company has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

	31 December 2022 N'000	31 December 2021 N'000
30 Distributions made and proposed		
Dividend for 2022	17,166,275	-
Dividend for 2021	-	10,073,446
	17,166,275	10,073,446
	17,166,275	10,073,446

There is no proposed dividends on ordinary shares that is awaiting approval at the annual general meeting.

31 Segment reporting

In accordance with the provisions of IFRS 8 – Operating Segments; the operating segments used to present segment information were identified on the basis of internal reports used by the Company's Managing Director to allocate resources to the segments and assess their performance. The Managing Director is Transcorp Power Limited's "Chief operating decision maker" within the meaning of IFRS 8.

Segment information is provided on the basis of geographical segments as the Company manages its business through two customer groups - International and Local customers. The business segments presented reflect the management structure of the Company and the way in which the Company's management reviews business performance. The accounting policies of the reportable segments are the same as described in Note 3

Notes to the financial statements

31 Segment reporting (cont'd)

The Company has identified two operating segments:

- (i) International - this segment is responsible for the sale of electric power to customers outside Nigeria.
- (ii) Local - this segment is responsible for the sale of electric power to customers within Nigeria.

Segment assets and liabilities are not disclosed as these are not regularly reported to the Chief Operating decision maker.

Segment revenue and expenses

	Foreign Sales		Local Sales		Total	
	Dec 2022	Dec 2021	Dec 2022	Dec 2021	Dec 2022	Dec 2021
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Revenue	11,598,166	9,186,247	78,751,220	65,144,463	90,349,386	74,330,710
Cost of sales	(7,810,478)	(5,497,378)	(40,336,531)	(34,213,893)	(48,147,009)	(39,711,271)
Gross profit	3,787,688	3,688,869	38,414,689	30,930,570	42,202,377	34,619,439
Operating Costs	(633,277)	(572,946)	(5,699,490)	(4,201,601)	(6,301,208)	(4,774,547)
Finance Costs	(851,056)	(943,180)	(6,399,578)	(5,811,325)	(7,250,634)	(6,754,505)
Profit before tax	2,303,356	2,172,743	26,315,621	20,917,643	28,618,977	23,090,386

The company commenced sale of electric power to international customers in October 2020.

32 Events after statement of financial position date

There are no significant subsequent events, which could have had a material effect on the state of affairs of the Company as at 31 December 2022 that have not been adequately provided for or disclosed in these financial statements.

33 Liquidated Damages

Following the commencement of the partial activation effective July 1, 2022 were generating companies (GenCos) are assigned contracted capacities and failure to meet the contracted capacity, the GenCo is charged a penalty as liquidated damages when such failure is attributed to the GenCo. In the course of the financial year 2022, the Market Operator has charged Transcorp Power Limited N2,286,350,264.84 as liquidated damage for not meeting its contracted capacity. Transcorp Power Limited has questioned the Market Operator and challenged this amount as its not correct and the Market Operator is yet to respond to our queries and call for reconciliation meetings. However, as prudent company we have made adequate provisions for this N2,286,350,264.84 in these financial statements.

Notes to the financial statements

34 Transmission Loss Factor (TLF)

Nigeria Electricity Regulatory Commission (NERC) issued an order effective January 1, 2022 reducing the transmission loss factor (TLF) from 8.05% to 7.5%. This deduction is reflected in the Final Statement (FSS) issued by the Market Operator (MO). However, NBET application and implementation is contrary to our signed contract. We have written to NBET rejecting their understanding, implementation and requesting them to refer the matter to NERC for clarity. However, as a prudent company, we have made adequate provisions in the total sum of N453,803,205.62 in these financial statements. (Note 12).

OTHER NATIONAL DISCLOSURES

Statement of value added

	31 December 2022 N'000	%	31 December 2021 N'000	%
Turnover	90,349,386		74,330,710	
Bought-in materials and services (local)	(32,343,731)		(29,463,166)	
Brought- in materials and services (foreign)	<u>(660,076)</u>		<u>(601,289)</u>	
	57,345,578		44,266,255	
Other operating income	<u>189,109</u>		<u>123,581</u>	
Value added	<u>57,534,687</u>	<u>100</u>	<u>44,389,836</u>	<u>100</u>
Distributed as follows:				
Employees:				
To pay salaries, wages and other staff costs	1,026,489	2	1,066,349	2
Provider of funds				
Interest	7,250,634	13	6,754,505	15
Dividend	17,166,275	30	10,073,446	23
Government:				
To pay tax	5,619,850	7	3,022,778	7
Retained for future growth:				
Deferred tax	5,715,721	4	524,158	1
Depreciation	3,472,313	6	3,405,149	8
Profit for the year	<u>17,283,406</u>	<u>38</u>	<u>19,543,451</u>	<u>44</u>
Value added	<u>57,534,687</u>	<u>100</u>	<u>44,389,836</u>	<u>100</u>

Value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth amongst employees, fund providers, government, and that retained for future creation of wealth.

TRANSCORP POWER LIMITED
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Five-year financial summary

	2022	2021	2020	2019	2018
	N'000	N'000	N'000	N'000	N'000
Statement of financial position					
Non-current assets	66,612,680	65,918,561	60,261,865	62,542,578	66,530,639
Net current assets/(liabilities)	6,374,532	(11,321,956)	20,251,828	3,225,762	(7,775,576)
Non-current liabilities	(35,023,236)	(20,590,468)	(55,977,561)	(52,182,202)	(36,164,194)
Net assets	<u>37,963,976</u>	<u>34,006,137</u>	<u>24,536,132</u>	<u>13,586,138</u>	<u>22,590,869</u>
Share capital	40,108	39,468	39,468	37,076	33,076
Share premium	34,967,736	31,127,668	31,127,668	26,346,049	15,117,159
Retained earnings	2,956,132	2,839,001	(6,631,004)	(12,796,987)	7,440,634
Total equity	<u>37,963,976</u>	<u>34,006,137</u>	<u>24,536,132</u>	<u>13,586,138</u>	<u>22,590,869</u>
Statement of profit or loss and other comprehensive income					
Revenue	90,349,386	74,330,710	65,118,677	55,941,017	86,737,819
Profit before income tax	28,618,977	23,090,386	11,997,910	9,259,855	20,750,784
Income tax (expense)/credit	(11,335,571)	(3,546,936)	(475,762)	(5,148,931)	651,058
Profit after taxation transferred to retained earnings	<u>17,283,406</u>	<u>19,543,450</u>	<u>11,522,148</u>	<u>4,110,924</u>	<u>21,401,842</u>