

THIS LISTING MEMORANDUM IS IMPORTANT AND SHOULD BE READ CAREFULLY

If you are in doubt about its content or the action to be taken, you should consult your Stockbroker, Accountant, Solicitor, Banker, or any other professional adviser for guidance before subscribing.

This Listing Memorandum (hereinafter referred to as the "Memorandum") has been prepared on behalf of Transcorp Power Plc ("Transcorp Power", "TPP" or the "Company") solely in connection with the listing of the Company's shares on the Main Board of Nigerian Exchange Limited ("NGX") (the "Listing"). In particular, it has not been prepared and published in relation to any offer to sell new or existing shares of the Company.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE FOR, OR A SOLICITATION OF AN OFFER TO SUBSCRIBE FOR, SHARES BY PERSONS IN ANY JURISDICTION. NO PUBLIC OFFERING OF THE SHARES IS BEING CONDUCTED ON THE BASIS OF THIS MEMORANDUM IN ANY JURISDICTION.

TranscorpPower
RC: 1067143

TRANSCORP POWER PLC

**LISTING BY INTRODUCTION
ON THE MAIN BOARD OF THE NIGERIAN EXCHANGE LIMITED OF
7,500,000,000 ORDINARY SHARES OF 50 KOBO EACH
AT
₦240.00 PER SHARE**

FINANCIAL ADVISERS:

 **United Capital**
RC: 444999

 **VETIVA**
ADVISORY SERVICES LIMITED
RC 1004609

STOCKBROKER

 **United Capital**
Securities
RC: 649134

This Listing Memorandum is dated February 28, 2024

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IMPORTANT DISCLOSURE

The information in this Memorandum has been prepared on behalf of Transcorp Power Plc (the "Company"). Transcorp Power Plc has engaged United Capital Plc as its Lead Financial Adviser, Vetiva Advisory Services Limited as Joint Financial Adviser, United Capital Securities Limited as Stockbroker, and G.Elias as Solicitor (the financial advisers, stockbroker and solicitors are collectively referred to as the "Advisers") in connection with the Listing.

This Memorandum (references to which and to any information contained herein shall be deemed to include any information, whether or not in writing, supplied in connection herewith, or in connection with any further enquiries) is confidential.

The sole purpose of this Memorandum is to support the Company's application to Nigerian Exchange Limited (NGX) in connection with the Listing. It is not intended to provide the basis of any investment decision, credit or any other evaluation and is not to be considered as a recommendation by the Advisers or Transcorp Power Plc or any of their respective affiliates, directors, partners, officers, employees, representatives, managers, advisers, or agents (the "Affiliates") that any person invests in the Company.

This Memorandum does not constitute or form part of, and should not be construed as, an offer, solicitation, or invitation to purchase, subscribe for, or otherwise acquire, any securities of the Company and/or its Affiliates. The Company accepts responsibility for the information contained in this Listing Memorandum. To the best of knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case) the information contained in this Listing Memorandum is in accordance with the Listing Requirements of NGX and contains no wrong information and/or omission to affect its import.

The Advisers and their respective Affiliates are acting exclusively for the Company and no one else in connection with the matters referred to in this Listing Memorandum and will not regard any other person (whether or not a recipient of this Memorandum) as their respective clients in relation to such matters or any transaction, arrangement or other matter referred to in this Listing Memorandum and will not be responsible to any other person for providing the protections afforded to their respective clients, or for providing advice in relation to such matters.

The distribution of this Listing Memorandum in certain jurisdictions may be restricted by law, and therefore persons into whose possession this Listing Memorandum comes should inform themselves about and observe any such restrictions. This Memorandum is not a prospectus or an offering document.

This Memorandum contains "forward-looking statements," which are all statements other than statements of historical facts. Such forward-looking statements include statements regarding the Company's intentions, beliefs, current expectations, and projections about future events concerning, among other things, the Company's results of operations, financial condition, prospects, growth, strategies, and the markets in which the Company operates or will operate.

Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "proposes", "considers", "predicts", "continues", "assumes", "positioned", "guidance", "targets" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. Such forward looking statements involve known and unknown risks; and factors beyond the Company's control could cause the actual results, performance, or achievements of the Company to be materially different from the projected results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements relate to events and depend on circumstances that may or may not occur in the future. The Company cautions that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition, prospects, growth, strategies, and the development of the markets in which the Company will operate may differ materially from those made in or suggested by the forward-looking statements contained in this Memorandum. Such forward-looking statements speak only as at the date as of which they are made, and none of the Company, the Advisers, or their respective Affiliates, undertakes to review, update or confirm expectations or estimates or to release any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this Memorandum. Accordingly, any reliance placed on such forward-looking statements will be at the sole risk of such a reliable party.

PRESENTATION OF INFORMATION

The financial information in this Memorandum relates to the Company. Certain figures included in this Memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown in totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Some statistical information reported in this Memorandum have been reproduced from official publications of, and information supplied by, several of the Nigerian government agencies and ministries, and other third-party sources. Views may necessarily vary among the sources from which the information in this Memorandum was obtained. This third-party information is presented under "*Overview of the Macroeconomic Environment*", "*Overview of the Nigerian Power Sector*" and "*Risk Factors*". Where such third-party information appears in this Memorandum, it has been cited as such. The Company has accurately reproduced such information, has not independently verified such information included in this Memorandum and, so far as the Company is aware and can ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Recipients are therefore advised to consider such information with caution. The underlying information on which market studies are based, is to all intents and purposes, speculative. As such, these market and industry studies may not be accurate or appropriate. While neither the Company nor the Advisers have any reason to believe that any of the market or industry is materially inaccurate, neither the Company nor the Advisers have independently verified the figures, market data or other information on which third parties have based their studies and no representation is made by the Company or the Advisers concerning the accuracy or completeness of any of these market or industry studies.

DEFINITION OF TERMS

Unless the context otherwise requires, the following expressions shall have the meanings respectively assigned to them:

| TERM | DEFINITION |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ATC&C | Aggregate Technical and Commercial Collection |
| “Board” | The board of directors of the Company, whose names are set out on page 9 of this Listing Memorandum |
| “CAC” | Corporate Affairs Commission |
| “CAMA” or the “Act” | The Companies and Allied Matters Act, No 3 of, 2020 (as amended) |
| “CBN” | The Central Bank of Nigeria |
| “Company” or “TPP” or “Transcorp Power” | Transcorp Power Plc, a Company registered in the Federal Republic of Nigeria with RC number 1067143 and registered address of 38b Glover Road, Opposite Golden Gate, Ikoyi, Lagos State |
| “Directors” | The members of the Board of Directors of Transcorp Power Plc as at the date of this Listing memorandum are those persons listed out on page 9 of this document |
| “DisCos” | Power Distribution Companies in Nigeria |
| “EPSR” | Electricity Power Sector Reform |
| “FGN” | Federal Government of Nigeria |
| “FX” | Foreign Exchange |
| “GDP” | Gross Domestic Product |
| “GenCos” | Power Generating Companies |
| “HSE” | Health, Safety and Environment |
| “IMF” | The International Monetary Fund |
| “IPP” | Independent Power Plant |
| “kwh” | Kilowatts per hour |
| “LFN” | Laws of the Federation of Nigeria |
| “MW” | Megawatt |
| “MYTO” | Multi-Year Tariff Order |
| “Naira”, or “N” | The Naira, or such lawful currency of the government of the Federal Republic of Nigeria from time to time |
| “NBET” | The Nigerian Bulk Electricity Trading Plc |
| “NBS” | National Bureau of Statistics |
| “NERC” | Nigerian Electricity Regulatory Commission |
| “NESI” | Nigerian Electricity Supply Industry |
| “NGX” or the “Exchange” | The Nigerian Exchange Limited |
| “Ordinary Shares” | Ordinary shares of 50 kobo each in the share capital of the Company |
| “OPEC” | Organisation of the Petroleum Exporting Countries |
| “PHCN” | Power Holding Company of Nigeria |
| “PLC” or “Plc” | Public Limited Company |
| “SEC” or The “Commission” | The Securities & Exchange Commission |
| “Transaction” | Listing by Introduction of Transcorp Power Plc on NGX |
| “Plant” | Transcorp Power Plant |
| “United Capital” or “Lead Financial adviser” | United Capital Plc |
| “USD” | United States Dollar or such lawful currency of the government of the United States from time to time |
| “Vetiva” or “Joint Financial Adviser” | Vetiva Advisory Services Limited |

CORPORATE DIRECTORY

Corporate Head Office:

38b, Glover Road

Opposite Golden Gate

Ikoyi, Lagos State

Website: <https://transcorppower.com/>

Telephone: 08145652652, 09062303605

Email: info@transcorppower.com

Power Plant Operations:

Kilometer 12 Warri Patani Road

Ughelli, Delta State, Nigeria

LISTING APPLICATION SUMMARY



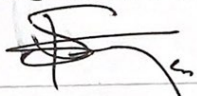




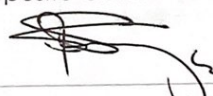
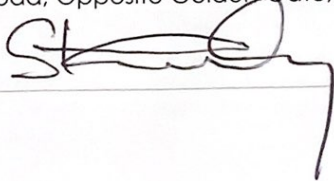
This is a summary of information contained elsewhere in this listing memorandum. It does not contain all the facts to be considered in approving this application. Hitherto, you should read this summary in conjunction with the more detailed information, including the financial statements and notes to same as contained in this listing memorandum.

| Company: | Transcorp Power Plc | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------------------|---|------------------------------------------|---------------|---------|--------------------|---------------|---------|-----------------------------------|-------------|--------|------------------------------|-------------|--------|---------------------------|-------------|--------|-----------------------------------|-----------|--------|---------------------|------------|--------|------------------------|------------|--------|-----------------------------|------------|--------|-------------------|-----------|--------|--------------------|------------|--------|---------------------------------|---------|--------|--------------|----------------------|------------|
| Lead Financial Adviser: | United Capital Plc | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Joint Financial Adviser: | Vetiva Advisory Services Limited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stockbroker: | United capital Securities Limited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Share Capital (as at the date of the Memorandum): | ₦3,750,000,000.00 comprising 7,500,000,000 ordinary shares of 50 Kobo each | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mode of Listing: | Listing by Introduction (of all issued and fully paid-up Ordinary Shares of Transcorp Power) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Purpose: | Transcorp Power is undertaking a listing by introduction of its entire issued Ordinary Shares as a strategic move to increase the Company's visibility, enhance its access to capital from both local and international investors, and improve its liquidity in the secondary market, ultimately benefiting its valued investors and stakeholders | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Market Capitalization at Listing: | ₦ 1,800,000,000,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Shareholding Structure | <p>As at the date of this listing memorandum, the 7,500,000,000 Ordinary Shares in the share capital of the Company are beneficially held as follows:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>No. of Ordinary Shares Held</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Transnational Corporation of Nigeria Plc</td> <td>3,867,409,275</td> <td>51.565%</td> </tr> <tr> <td>Rich Point Limited</td> <td>2,495,397,989</td> <td>33.272%</td> </tr> <tr> <td>Woodrock Energy Resources Limited</td> <td>559,306,833</td> <td>7.457%</td> </tr> <tr> <td>Seaforce Investments Limited</td> <td>270,090,271</td> <td>3.601%</td> </tr> <tr> <td>Thomassen Holding Limited</td> <td>192,898,381</td> <td>2.572%</td> </tr> <tr> <td>PSL Engineering & Control Limited</td> <td>9,298,011</td> <td>0.124%</td> </tr> <tr> <td>Mr. Nnorom Emmanuel</td> <td>17,549,873</td> <td>0.234%</td> </tr> <tr> <td>Dr. Omogiafo Owen, OON</td> <td>17,549,873</td> <td>0.234%</td> </tr> <tr> <td>Mr. Ezeafulukwe Christopher</td> <td>10,968,671</td> <td>0.146%</td> </tr> <tr> <td>Mr. Nwanze Samuel</td> <td>8,774,937</td> <td>0.117%</td> </tr> <tr> <td>HH Capital Limited</td> <td>50,455,886</td> <td>0.673%</td> </tr> <tr> <td>United Capital Trustees Limited</td> <td>300,000</td> <td>0.004%</td> </tr> <tr> <td>Total</td> <td>7,500,000,000</td> <td>100</td> </tr> </tbody> </table> | Shareholder | No. of Ordinary Shares Held | % | Transnational Corporation of Nigeria Plc | 3,867,409,275 | 51.565% | Rich Point Limited | 2,495,397,989 | 33.272% | Woodrock Energy Resources Limited | 559,306,833 | 7.457% | Seaforce Investments Limited | 270,090,271 | 3.601% | Thomassen Holding Limited | 192,898,381 | 2.572% | PSL Engineering & Control Limited | 9,298,011 | 0.124% | Mr. Nnorom Emmanuel | 17,549,873 | 0.234% | Dr. Omogiafo Owen, OON | 17,549,873 | 0.234% | Mr. Ezeafulukwe Christopher | 10,968,671 | 0.146% | Mr. Nwanze Samuel | 8,774,937 | 0.117% | HH Capital Limited | 50,455,886 | 0.673% | United Capital Trustees Limited | 300,000 | 0.004% | Total | 7,500,000,000 | 100 |
| Shareholder | No. of Ordinary Shares Held | % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Transnational Corporation of Nigeria Plc | 3,867,409,275 | 51.565% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rich Point Limited | 2,495,397,989 | 33.272% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Thomassen Holding Limited | 192,898,381 | 2.572% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| HH Capital Limited | 50,455,886 | 0.673% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United Capital Trustees Limited | 300,000 | 0.004% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 7,500,000,000 | 100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Indebtedness | As of 30 th of September 2023, the Company's indebtedness stood at ₦38,998,824,445 (Thirty-Eight Billion, Nine Hundred and Ninety-Eight Million, Eight Hundred and Twenty-Four Thousand, Four Hundred and Forty-Five Naira) in the ordinary course of business. This represents total borrowings from related parties, and third parties. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

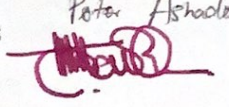
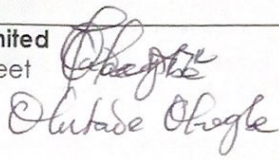
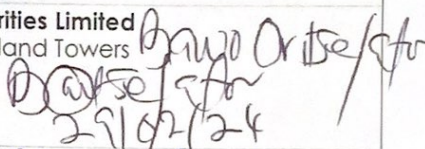
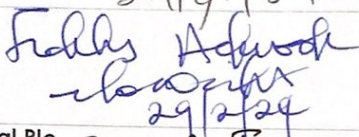
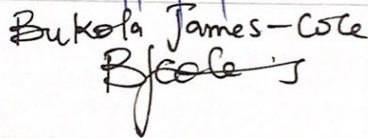

| Consolidated Financial Summary | In millions of naira | | | | |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|--|
| | 2020 | 2021 | 2022 | Q3 2023 | |
| Revenue | 65,119 | 74,331 | 90,349 | 89,120 | |
| Gross Profit | 26,306 | 34,619 | 42,202 | 29,717 | |
| Profit after tax | 11,522 | 19,543 | 17,283 | 29,717 | |
| Total Assets | 152,296 | 155,414 | 168,187 | 197,418 | |
| Shareholder Funds | 24,536 | 34,006 | 37,963 | 67,681 | |
| Claims and Litigation | <p>As of November 7, 2023, Transcorp Power was involved in six cases (the suits) wherein the company is involved in five of the suits as a defendant and in one as a claimant. The total claim against Transcorp Power in the suits is ₦1,201,180,000 (One billion, two hundred and one million, one hundred and eighty thousand naira). The Company is also claiming ₦100,000,000 (One hundred million naira) in one of the suits.</p> <p>Based on the review of the suits by the Solicitors, they are of the opinion that the portion of the contingent liability in the suits that are realistically likely to materialize will neither impact the Company significantly nor affect the ability of the Company to undertake the transaction, as the subject matter of the suits are not connected to the Transaction.</p> | | | | |

DIRECTORS, COMPANY SECRETARY AND PROFESSIONAL PARTIES TO THE LISTING

Transcorp Power Plc - Directors and Company Secretary

| | |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairman | Mr. Emmanuel N. Nnorom 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |
| Managing Director/CEO | Peter Ikenga 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |
| Non-Executive Director | Dr. Owen Omogiafo, OON 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |
| Non-Executive Director | Adim Jibunoh 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |
| Non-Executive Director | Peter Hertog 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |
| Non-Executive Director | Risqua Muhammed 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |
| Independent Non-Executive Director | Sylvester Monte, MFR 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |
| Non-Executive Director | Vincent Ozoude 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |
| Company Secretary | Stanley Chikwendu 38B, Glover Road, Opposite Golden Gate, Ikoyi, Lagos  |

DIRECTORS, COMPANY SECRETARY AND PROFESSIONAL PARTIES TO THE LISTING

| Professional Parties | |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lead Financial Adviser | <p>United Capital Plc 3rd and 4th Floor, Afriland Towers 97/105 Broad Street Lagos</p> <p style="text-align: right;"><i>Peter Ashade</i> </p> |
| Joint Financial Adviser | <p>Vetiva Advisory Services Limited Plot 266B, Kofo Abayomi Street Victoria Island Lagos</p> <p style="text-align: right;"><i>Olubade Obogbe</i> </p> |
| Stockbroker | <p>United Capital Securities Limited 3rd and 4th Floor, Afriland Towers 97/105 Broad Street Lagos</p> <p style="text-align: right;"><i>David Oritse/str</i>  29/02/24</p> |
| Solicitors | <p>G. Elias 6, Broad Street Lagos</p> <p style="text-align: right;"><i>Felix Adunbi</i>  29/2/24</p> |
| Registrars | <p>Africa Prudential Plc 220B, Ikorodu Road Palmgrove Lagos</p> <p style="text-align: right;"><i>Bukola James-Cole</i> </p> |
| Auditors | <p>Deloitte Nigeria Civic Towers Ozumba Mbadiwe Avenue Victoria Island Lagos</p> <p style="text-align: right;"><i>Abraham Udenani</i>  1/3/24</p> |

OVERVIEW OF TRANSCORP POWER PLC

Overview of the Business

Transcorp Power Plc is a leading power generation company and a subsidiary of Transnational Corporation Plc ("Transcorp Group"), a publicly listed conglomerate in Nigeria. As the largest gas-powered generating station in the nation, the Company is at the forefront of energy production, playing a pivotal role in enhancing the lives of millions in Nigeria and across Africa. TPP was founded on September 24, 2012, as Transcorp Ughelli Power Limited ("TUPL"), TPP started the operations of the plant in November 13, 2013.

During the privatization of the national electricity assets by the Federal Government of Nigeria in 2012, Transcorp emerged the preferred bidder for, and eventually went ahead to acquire Ughelli Power Plc (UPP), a successor generation company to erstwhile Power Holding Company of Nigeria (PHCN) and the owner of the 972MW installed capacity Power Plant at Ughelli, Delta State, Nigeria ("Ughelli Power Plant").

Upon acquiring the Ughelli Power Plant, Transcorp Group embarked on a strategic plan to revitalize and upgrade the facility. The aim was to increase the plant's capacity and efficiency, address operational challenges and implement modern technologies to enhance power generation. This effort was part of Transcorp Group's commitment to improving the reliability of electricity supply in Nigeria and supporting the country's economic growth by providing more stable power to industries and communities.

TPP emerged from the merger of TUPL and UPP in November 2015. The merger unified the administration and operations of Transcorp's power division for increased efficiency. This consolidation aimed to streamline the management and operations of Transcorp's power business, enhancing overall efficiency. TPP went ahead to surpass the five-year performance target of 670MW set for it in 2013 by the Federal Government of Nigeria through the Bureau of Public Enterprises (BPE), by increasing the available capacity of Ughelli Power Plant from 160MW to 680.83MW within four years of taking over the Plant.

TPP joined the West African Power Pool (WAPP) in November 2018, and since then, has remained an active member of the regional electricity body, with the goal of exploring and maximizing the opportunities that abound in the market.

TPP is at the forefront driving Transcorp's strategic goal of providing 25% of power generation in Nigeria, through a combination of capacity expansion, brownfield acquisitions and investments in renewable energy.

The Company's goal is to drive positive change through effective energy generation. From 160MW in November 2013, the Company's combined installed power capacity has increased to 972MW as of December 2023.

Plants Operations and Assets Description

Transcorp Power has eighteen (18) gas turbines of different capacities comprising twelve (12) Hitachi H25 gas turbines of 23.8MW capacity each and six (6) Frame 9E General Electric (GE) gas turbines of 105MW capacity each. The turbines are open cycle in nature and are all fired by natural gas from sources very close to the Power Plant.

In each line of turbine lies a high pressure (HP) compressor, a turbine, and a generator of varying speeds and ratings. Gas and atmospheric air are introduced into the compressor from gas suppliers and air intake housing respectively. The combination of these elements is burned in the combustion chamber where kinetic energy is generated and propelled to the blades of the turbine rotor. The turbine rotor is latched with the compressor rotor and the generator rotor to produce a uniform rotational speed.

Excitation is induced in the generators producing electric lines of flux, with the constant motion from the turbine rotor cutting across the generator-induced flux. In line with Fleming's right-hand rule, an electromotive force (voltage) is produced. The terminal voltage of our gas turbines is 11.5kV. Our generators are stepped up to either a 132kV or 330kV at the switchyard with adequate flexibility (interbus) to enable the flow of power across both voltage level switchyards

OVERVIEW OF TRANSCORP POWER PLC

Gas is TPP's major feedstock. TPP has the exclusive privilege of having two independent sources of gas supply to its Plant. This ensures stable power generation in the face of gas supply challenges. The two sources are the Ughelli East gas fields that supply natural gas directly to TPP and the Utorogu gas fields, which at their peak, provides volumes of up to one hundred and thirty million standard cubic feet of gas per day (130MMscf/d) for TPP's Plant operations.

TPP's evacuation corridors include two (2) double circuit 330kV lines to Sapele and Benin, three (3) 132kV lines, one (1) 132kV Transcorp-Isoko line under construction, and a future 330kV double circuit line from our Plant to Onne, Port Harcourt. These transmission infrastructures ensure continued evacuation of electricity from the Plant, even if one (1) 330KV line is out of service.

Transcorp Power has a gas-fired open cycle thermal power plant located in Ughelli, Delta State (the "Transcorp Power Plant" or the "Plant"). It is the largest fossil-fuel-based power-generating station in the country. The Plant has an installed capacity of 972 MW and can generate 2,500 GWh of electricity annually. The Plant uses natural gas supplied by Nigeria Gas Infrastructure Company (NGIC) as the primary fuel for power generation.




The Plant has three (3) major sections respectively referred to as Delta II, Delta III and Delta IV. Each "Delta" has gas turbines (GTs) of different capacities.

- Delta II comprises six (6) Hitachi H25 natural gas-fired open-cycle turbine-generators (GTs 3 – GT8). The generating units currently in Delta II were installed in 2002 and 2003 replacing the original GE Frame 5 gas turbines installed in 1990. These units are connected to the 132kV switchyard.
- Delta III has identical generating equipment to Delta II. The six (6) generating units (GT9 – GT14) were installed in 2005, replacing the original GE Frame 5 units. These units are also connected to the 132kV switchyard.
- Delta IV comprises six (6) GE Frame 9E natural gas-fired open-cycle turbines. These units (GT15 – GT20), which were installed between 1990 - 2015 and have been modified several times since then. They are connected to the 330kV switchyard.

The Plant is equipped with a hydrogen production plant that provides hydrogen at 99.9% purity for cooling of the generator and a demineralized water plant that supports the Plant cooling water requirement. The hydrogen plant works on the principle of water electrolysis.

Through effective maintenance and upgrading programmes, TPP has continued to ensure optimal performance of its turbines, irrespective of the section of the Plant in which they are located.

Health Safety Environment Policy

| Environment  | Social  | Governance  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ☐ Climate resilience: Investing in our operational infrastructure, assets, and internal systems to proactively mitigate risk and adapt to new climate change. Medium to long term goal upgrading combustion system to lower emissions ☐ Waste and materials management: Preventing, reducing, reusing, and recycling hazardous and non-hazardous waste generated across our operations and value chain to minimize negative impacts on air, land, water, natural resources, and wildlife. Upgrading stator insulation from asbestos to eco-friendly materials. ☐ Energy efficiency: Efficiently managing our consumption (e.g., fuel and electricity) and promoting energy reliability, affordability, and demand reductions with our customers. ☐ Water management: Effective withdrawal and consumption of water, treatment of wastewater, and management of wastewater discharge across our operations to minimize negative impacts on fresh water and groundwater sources while benefiting the communities where we operate. | <ul style="list-style-type: none"> ☐ Community support and economic development: Supporting and investing in community development that stimulates local social, cultural, and economic growth. Our vocational skills acquisition programs trains and empowers youths and entrepreneurs from the host communities, equipping them with critical technical skills and startup funding to set up their own businesses and becoming employers of labour. ☐ Education: Our Transcorp Power School provides quality education to the community and currently ranks as top school in the state ☐ Diversity, equity, and inclusion: Promoting a culture of equality and inclusion, where all employees receive fair and equal treatment and diverse perspectives are celebrated. ☐ Employee health and safety: Creating and upholding a safety culture focused on the mental, emotional, and physical health of employees and contractors. ☐ Indigenous relations: Actively engaging with Indigenous communities, respecting their interests and partnering with them on projects that create positive mutual benefits. ☐ Public health and safety: Managing our assets and operations in a manner that safeguards the health, safety, and well-being of all stakeholders in the communities where we operate. | <ul style="list-style-type: none"> ☐ Ethics and integrity: Maintaining the highest standards of ethics and integrity throughout all levels of our business, and in our working relationships with all stakeholders, while ensuring compliance with all applicable laws and regulations. ☐ Cybersecurity & Data Protection: Investing in proactive measures to strengthen our internal controls and adopting best-practice technologies and employee training to monitor for and prevent data breaches. ☐ Governmental affairs and public policy: Having a proactive government affairs approach to manage risk, proactively influence and support policy agendas, and advocate for causes that affect our local communities and create opportunities. ☐ Risk management: Forecasting, evaluating, and disclosing financial, environmental, social, and governance risks and identifying procedure, plans, or initiatives to avoid or minimize negative impacts of the associated risks. ☐ Sustainable procurement: Adopting standards that ensure we work with like-minded suppliers who align with our social and environmental practices and considerations. ☐ Transparency disclosure: Committing to publicly sharing reliable and accurate information on our environmental, social, and governance performance |

OVERVIEW OF TRANSCORP POWER PLC

Profile of Board of Directors

Transcorp Power currently has eight (8) directors, comprising (1) Executive Director and seven (7) Non-Executive Directors. The profiles of the Board members and the Company Secretary are as follows:

Mr. Emmanuel N. Nnorom, Chairman

Mr. Emmanuel N. Nnorom was appointed as a director of the Company on 30 January 2014. He is the Group Chief Executive Officer of Heirs Holdings Limited. He previously served as President/CEO of Transcorp Plc, overseeing the Transcorp businesses, including Transcorp Power, Transcorp Hilton Abuja, Transcorp Hotels, Calabar and Transcorp Energy. He currently serves as the Chairman of Transcorp Hotels Plc. Prior to Transcorp, Emmanuel had held senior positions at Heirs Holdings and had served as an Executive Director at United Bank for Africa Plc (UBA) and Managing Director of UBA Africa, overseeing the Group's African subsidiaries, and executing corporate strategy in eighteen (18) African countries.

He is an alumnus of Oxford University's Templeton College where he obtained an Advanced Management Programme Certificate in 1996 and a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) (1992). He is also an honorary member of the Chartered Institute of Bankers of Nigeria (CIBN).

Mr. Peter Ikenga, Managing Director/CEO

Mr. Peter Ikenga is the Managing Director and Chief Executive Officer of Transcorp Power Plc, a role he assumed in September 2023. Until his current role, he was previously the Managing Director/CEO of Transcorp Energy Limited. In his capacity as MD/CEO of Transcorp Energy, he was at the forefront of guiding the upstream petroleum development initiatives undertaken by Transcorp Energy. As the newly appointed MD/CEO of Transcorp Power, he is resolutely committed to advancing the transformation of the Transcorp Power Plant, with the goal of establishing it as the leading power generation company in Nigeria and the broader West African region. Peter is a value-driven and result-oriented oil and gas professional with a wealth of global experience, having directly developed or managed major oil, gas and power assets and operations in multiple regions including Nigeria, Brazil and United States of America.

Prior to joining Transcorp Energy, he was refining director for Niger Delta Exploration and Production Limited. Peter's oil and gas industry experience spans upstream, midstream and downstream. He previously held senior technical, business, and commercial leadership positions in new business/asset development, project management, engineering management and operations support. His roles include developing multi-billion-dollar projects, managing non-operated asset portfolio, overseeing strategic acquisition opportunities, negotiating contracts and strategic partnerships, optimising production operations and leading the full execution, construction, and commissioning of major projects. In 1992 Peter earned a Bachelor of Engineering degree in Electrical and Electronics Engineering from Federal University of Technology Owerri, Nigeria and a Master of Business Administration degree from The University of Texas at Austin, United States of America in 2008.

Dr. Owen Omogiafo, OON, Non-Executive Director

Dr. Owen Omogiafo is the President and Group CEO of Transnational Group. Prior to her appointment, she served as the MD/CEO of Transcorp Hotels Plc where she was responsible for driving positive transformation both in Transcorp Hilton Abuja and Transcorp Hotels Calabar. Owen has over two (2) decades of corporate experience in organisational development, human capital management, banking, change management, hospitality, and energy. She was the Chief Operating Officer at the Tony Elumelu Foundation, before joining the Transcorp Group, where she oversaw the \$100m Programme aimed at identifying, mentoring, and funding ten thousand (10,000) entrepreneurs over ten (10) years. She also worked as the Director of Resources at Heirs Holdings Limited, a family-owned investment company chaired by Tony O. Elumelu, CON. Her experience equally includes working at the United Bank for Africa Plc as HR Advisor to the GMD/CEO, and at Accenture as an Organisation and Human Performance Consultant, specializing in change management. She sits on the board of Avon Healthcare Limited in a non-executive capacity and is a member of the Finance, Investment & Risk Committee as well as the Audit & Governance Committee of Avon Healthcare Limited. She is also a member of the board of trustees of the Association of Power Generation Companies (APGC) in Nigeria. In 2000, Owen earned a B.Sc. in Sociology & Anthropology from the University of Benin, an M.Sc. in Human Resource Management from the London School of Economics and Political Science in 2008. She is an alumnus of the Lagos Business School and IESE Business School advanced management programmes. She is a member of the Chartered Institute of Personnel and Development, UK, a certified Change Manager with the Prosci Institute, USA, and is a member of the Institute of Directors (IoD) Nigeria.

OVERVIEW OF TRANSCORP POWER PLC

In recognition of her many contributions to the economic and social development of Nigeria, Owen has won numerous awards. To mention a few, in 2018 she was named in the YNaija! Power List for Corporate Nigeria while in 2019, was recognized as one of the Top 100 Female CEOs in Africa by Reset Global People as well as one of Nigeria's Leading Ladies in Corporate Nigeria by Leading Ladies Africa; and was also recognized by The Guardian Newspapers as one of Nigeria's 100 most inspirational women. Recently, she was listed among the 100 Most Influential African Women in 2020 by the Avance Media Group. Owen has also been awarded one of the 2020 Top CEOs and Next Bulls Awards in Nigeria by Business Day Media and the Nigerian Stock Exchange (now The Nigerian Exchange Limited). This award category recognized CEOs of listed companies who through sound strategy, disciplined execution, world-class governance, and a customer-first ethos have delivered competitive shareholder value on the Nigerian Exchange Limited.

Mr. Adim Jibunoh, Non-Executive Director

Mr. Adim Jibunoh was appointed as a director of the Company on 1 July 2017. He graduated with a First-Class Honours degree in Economics from the University of Port Harcourt, 1984 and obtained a master's in business administration from the University of Lagos, 1992. His career in the financial and non-financial services sector spans over three (3) decades. His prior positions have included: Executive Director at Standard Trust Bank Plc; and the Chief Executive Officer of Continental Trust Bank. He is also a Non-Executive Director of United Capital Plc. He was previously the President/CEO of Transcorp Power. Over the years, he has attended several trainings and courses both in Nigeria and abroad including Harvard Business School in Advanced Management Courses in Lagos Business School, IMD Switzerland, and Citibank.

Mr. Peter Hertog, Non-Executive Director

Mr. Peter Hertog was appointed to the board of directors of the Company on 6 November 2012. He is a Dutch National and the CEO of the Thomassen Group of companies, an energy supporting business for the Africa, Middle East and Pakistan region. Peter has been based in Dubai, United Arab Emirates since 1992. After obtaining his bachelor's degree in mechanical engineering in 1984 from HTS Rotterdam, The Netherlands, Peter started working for Thomassen International BV, The Netherlands; a globally operating OEM supplier of gas turbines and gas compressors to the electricity, refining and oil & gas industries. Thomassen also owns and operates specialized GT component repair workshop facilities located in Dubai as well as the Sultanate of Oman where Thomassen operates and maintains in excess of 1,500 MW of thermal power plants using GE-type gas turbines. Other power plant related investments include Karachi Electricity Supply Company (KESC) a privatized utility company in Pakistan, producing 2,300MW of electrical power for the Capital Karachi in the province of Sindh. Peter was a member of the Board of Directors of KESC from the date of privatization in December 2005 until May 2009.

Prof. Sylvester Monye, MFR, Independent Non-Executive Director

Professor Sylvester O. Monye MFR who has been on the board of Transcorp Power since 1 December, 2014, is an academic and a seasoned technocrat who has served Nigeria diligently in a number of strategic positions, including as Director, International Economic Relations, Federal Ministry of Finance; Executive Secretary, National Planning Commission; Member, National Economic Management Team; Member of the Technical Committee that set up the Africa Finance Corporation (AFC), Secretary of the Committee on the Management of Excess Crude Oil Account (a precursor to the Sovereign Wealth Fund), Alternate Director for Nigeria at the African Export-Import Bank, Alternate Governor for Nigeria at the World Bank, International Monetary Fund, Africa Development Bank and Organization of the Petroleum Exporting Countries (OPEC) Fund. Professor Monye was also a Board Director at the Federal Inland Revenue Service; National Hospital Abuja; Nigerian Investment Promotion Commission and the Bank of Industry. He was made a Member of the Order of the Federal Republic (MFR) in the 2008 National Honours List, for services to the country. Professor Monye was President Goodluck Jonathan's Special Adviser on Performance Monitoring & Evaluation, and the Head of the Presidential Delivery Unit at the State House, Aso Villa, Abuja. He is currently the Senior Policy Adviser to the Governor of Delta State.

In 1984, he obtained an Advance Diploma in Economics from the University of London]. He obtained an MBA (South Bank University, London) in 1992, M.Sc in International Marketing Management from University of Strathclyde, Glasgow in 1985 and a PhD in International Business (University of Strathclyde, Glasgow) in 1989. A Fellow of several professional bodies, Professor Monye has published extensively in newspapers, professional journals as well as in peer-reviewed journals, and has written books and contributed chapters in books. He is the author of the best-seller, The International Business Blueprint (Blackwell Publishers), The Ministerial Scorecard: Critical Lessons in Performance Management (AIPP Publishing) and A Compendium of National Development Plans 1999– 2020: Incorporating Implementation Plans (AIPP Publishing).

OVERVIEW OF TRANSCORP POWER PLC

Mr. Risqua Muhammed, Non-Executive Director

Mr. Risqua Murtala Muhammed was appointed as a director of the Company on 6 November 2012. He graduated from University of Lagos with a B.Sc in Banking and Finance in 1992. He later went on to attain a Post Graduate Diploma in Business Administration at the Prestigious Cardiff Business School of University of Wales in 1994. Shortly after his Post Graduate qualification, he joined Asset Management Group as a Marketing Officer and rose to the Position of Executive Director of Marketing & Business Development before becoming the Group Managing Director of AMG Petroenergy Limited. Mr. Muhammed was Special Assistant to former President, Olusegun Obasanjo, on International Relations and Privatization. Mr. Muhammed is currently the Group Chief Executive Officer of AMG Petroenergy Group Limited.

Mr. Vincent Ozoude, Non-Executive Director

Mr. Vincent Ozoude is the MD/CEO Trans Afam Power Limited. He was appointed on 1 February 2021, to lead the newly acquired 966MW Power plant asset located in Afam, Oyigbo, Rivers State. He is leading the team in transforming the Trans Afam Power asset into a notable leading power generation company in Nigeria and West Africa. Prior to this role, Vincent was the Services Sales Director covering entire Sub-Saharan Africa for General Electric (GE) Power Generation Services portfolio, a role he managed for two (2) years. Vincent comes with fifteen (15) years' work experience in General Electric's International Operations with vast experience in the various business segments such as services, operations, sales and commercial segments of the business.

Vincent started his GE career as a Field Engineer and rose to Project Manager and at some point, a member of the Field Engineering advisory board for Africa, India & Middle East while in the services arm of the business. He later moved on to the Operations arm to become the Sub Sahara Africa Repair Service Manager and later moved to the Sales – Commercial arm where he rose to become the Sub-Saharan Africa Sales Director covering nearly 300 Gas Turbine installed base fleet across numerous GE customers in the region.

Vincent led numerous successful complex projects while in the GE service arm such as the first Gas Turbine modular change out (Flange to Flange replacement) on a Frame 7EA Train 1 production plant at Nigeria Liquefied Natural Gas complex in Bonny Island. He won numerous awards such as Everyday Excellence Expertise Award from GE Global leadership, Clear Thinker Award and Imagination and Courage Award for always executing with integrity by the Power Services Africa, India & Middle East (AIM Region) leadership.

With over twenty (20) years' work experience, Vincent obtained a degree in Chemical Engineering from Enugu State University in 1998 and is currently completing a M.Eng in Chemical Engineering from the same Institution. He is a member of Nigeria Society of Engineer (NSE), Council for the Regulations of Engineering in Nigeria (COREN) and is green belt (lean six sigma) certified.

Profile of Management Team

The management team of the Company, led by the Chief Executive Officer, is responsible for the day-to-day management of the Company and reports to the Board of Directors. In addition to the Managing Director, the following are other members of the Company's executive management team:

Mr. Peter Ikenga, Managing Director/CEO

Please see profile above.

Mr. Stanley Chikwendu, Company Secretary

Mr. Stanley is an accomplished professional in the fields of law and corporate governance, with a background spanning various sectors such as financial services, real estate, and aviation. Before joining the current company, he held the positions of Company Secretary and Head of Legal at Heirs Life Assurance Limited, a part of the Heirs Holdings Group. Additionally, he has served as Company Secretary and Head of Legal and Corporate Services at both Law Union & Rock Insurance Plc and Tangerine General Insurance Limited.

He graduated from the University of Ibadan, Nigeria, and the University of Leicester, England, and also attended the Lagos Business School. Stanley is a Chartered Secretary and holds memberships in the Nigerian Bar Association, International Bar Association, and Association of Corporate Counsel.

OVERVIEW OF TRANSCORP POWER PLC

Mr. Oluwaseun Fadare, Chief Technical Officer

Oluwaseun is the Chief Technical Officer of Transcorp Power. Prior to joining the Company, Oluwaseun served as the Ag. Chief Operating Officer of Olorunsogo Generation Company Limited. He also worked as an Operations and Maintenance (O&M) Manager (Plant Manager) and COO support of Benin Generation Company Limited, Ihovbor, Edo State, Shift lead and training officer at Omotosho Power Station, Omotosho, Ondo State, and a mechanical maintenance engineer at Kainji Hydro Electric Plc, Kainji in Niger State. Oluwaseun has extensive experience in engineering, maintenance, and operations. His areas of specialization include managing the operations and maintenance of gas turbine thermal power plant, as well as hydro power generation systems. He holds a Ph.D, Technology Management, 2019 an M.Sc. Technology Management, (2012) and B.Sc. Mechanical Engineering, (2003) from Obafemi Awolowo University, Ile-Ife Nigeria. He also holds a certificate in sustainable Business Strategy from Harvard Business School. He is a Fellow of the Nigerian Institution of Power Engineers (NIPE), a Corporate Member of the Council for Regulation of Engineers in Nigeria (COREN) and Member of Nigerian Society of Engineers (NSE).

Mr. Evans Okpogoro, Chief Financial Officer

Evans is the Chief Financial Officer of Transcorp Power. He is a Chartered Accountant with fifteen (15) years' experience in the Financial Services and Oil & Gas sector. Prior to joining Transcorp Power, Evans was the Financial Controller, WhiteDove Shipping Company Limited (a subsidiary of Nestoil Plc) and has served in different capacities in Nestoil Plc and its subsidiaries. He also served in other various reputable organizations like Keystone Bank Limited, Kedari Capital Limited and ServArmour Limited.

Evans earned a B.Sc. in Accounting from Delta State University, 2005, where he was named Best Graduate by the Head of Department. He holds an MBA in Finance from Obafemi Awolowo University, 2012 and is a member of the Institute of Chartered Accountants of Nigeria (FCA) and the Institute of Chartered Taxation of Nigeria (FCTI).

Evans specializes in Audit, Financial Reporting, Business Intelligence, Partnership and Decision Support, IFRS, Tax, Business Performance Improvement, Budgeting and Control, Business Planning and Analysis, Business Development and Strategy, Project Management, Treasury, and Risk Management.

Ms. Adeshola Shittu, Head Marketing & Corporate Communication

Adeshola is the Head of Marketing and Corporate Communication for Transcorp Power. She is an accomplished Marketing & Communications professional with over thirteen (13) years hands-on experience in the Financial Services Industry. With a strong background in strategic marketing, digital marketing, she has also worked as a Project Manager in multi-location and cross-functional contexts.

Prior to this role, Adeshola worked as the Head of Digital & Insights for Coronation where she developed the company's digital strategy and help grow its virtual community. She served as the Digital Media Manager at the United Bank for Africa Plc (UBA) where she worked on different marketing strategies and digital initiatives to transform UBA's perception and grow its customer base. Adeshola holds a Bachelor of Science in Marketing from Babcock University, 2006, a Post Graduate Diploma in Marketing from the Nigerian Institute of Marketing, 2010, and a master's in marketing communications from the University of Westminster, 2013.

Mr. Ose Ikhisemon-Oje, Head Human Resources

Ose is the Head of Human Resources at Transcorp Power. His career began with Doheney Services Limited- a Human Resources Management consulting company as Human Resources Officer before moving on to Nosak Group, a leading Nigerian conglomerate based in Lagos State, as Human Resources Manager. He went on to work as Human Resources Manager for Macmahon Contractors- an Australian Mining/Construction Multinational - before moving on to African Pits & Quarries Limited as Head, Human Resources. He has attended numerous courses both in Nigeria and United Kingdom. Ose is well-versed in Nigerian and international labor laws and regulations, and has extensive experience in training, coaching, mentoring, office administration, performance evaluation, and apprenticeship or graduate trainee program establishment and management. He is passionate about people and connecting their professional aspirations with the corporate objectives of their employers. Ose holds a Bachelor's degree in Agricultural Economics from Ambrose Alli University, Ekpoma, Edo state, 2002 and an M.Sc in Economics from University of Lagos, 2010. He is also an associate member of the Chartered Institute of Personnel Management of Nigeria.

OVERVIEW OF TRANSCORP POWER PLC

Mr. Tambi Minasechimbo, Head Electric Maintenance

Tambi is the Head, Electrical Maintenance of the Company. He is a generator specialist with over nineteen (19) years of experience in the power generation business, specializing in generator stator and field rewind, high and medium voltage switchyards, electric motors, excitation systems, gas turbine maintenance, transformer test, and general inspections. He is responsible for ensuring the continued optimal health of the Plant's electrical aspects and interfaces. Tambi led numerous successful complex projects while in General Electric (GE) in the USA, France, United Arab Emirates, Qatar, Tunisia, Chad, Ghana, Morocco, Mali, Cote d'Ivoire, Algeria and Nigeria, such as the first complete generator stator rewind done onsite on an asbestos insulated stator bars (hydrogen cooled) generator in Nigeria. He won numerous awards while in GE and Field Core Service Solutions, a GE-owned company. Tambi is a certified Generator Specialist and Electrical technical adviser with GE, having successfully completed the prestigious generator specialist training at the GE Energy Learning Centre in Schenectady New York and Houston learning center all in the US.

Tambi holds a degree in Electrical engineering from the Rivers state university, 2001, he is a registered member of Nigerian society of engineers (NSE) and Council for the regulations of engineering in Nigeria (COREN) and Lean Six sigma Certified.

Mr. Bernard Otuoraha, Head, Instrumentation and Control

Bernard is the Head, Instrumentation and Control (I & C) at Transcorp Power. He has twenty-five (25) years continuous experience in gas turbine operation, protection, control, optimisation, and maintenance. He was part of the team involved in the recovery of GT18 in 2021 and he contributed immensely to the return to service of GT17 in 2019. He leads the team towards the implementation of predictive and preventive maintenance for I&C in gas turbine systems and Balance of Plant (BOP) in ensuring optimal performance of Transcorp Power's generating assets. Bernard has a degree in Electrical/Electronic Engineering from the University of Benin, Benin city, Edo state, 2007, he is a registered member of Nigeria Society of Engineers (NSE) and Council for the Regulation of Engineering in Nigeria (COREN). Bernard was an Instrumentation and Control Engineer under Steang Enotech West Africa (SEWA), an Operations and Maintenance contractor responsible for managing NDPHC, NIPP Alaoji 1,074MW combined cycle power plant in Aba, Abia state before joining Transcorp Power in 2018.

Mr. Blessed Onokurhefe, Head, Material Warehouse and Logistics

Blessed is the Head, Material Warehouse and Logistics for Transcorp Power. He is a Power Generation Expert with over thirty-three (33) years cumulative experience. Prior to this role, he worked with NEPA-PHCN from 1985 to 2013 and transited to TPP in 2013 and he rose to the position of Head Mechanical Maintenance. He has achieved significant feats in the Power Industry including the historic primer repair of H25 Hitachi exhaust stack, splinters, and buffers. He has also been involved in management of change at the Plant to improve on the overall performance of the Gas Turbines (GTs) through the innovative fabrication of metallic stainless steel expansion joint bellow for the GTs amongst other initiatives. He possesses a B. Engineering Degree from the University of Port Harcourt, River State, (1999). He is a Professional member of NIMechE, NSE and COREN.

Mr. Aniebiet Umoh, Head, Operations

Aniebiet is the Head of Operations at Transcorp Power. He holds an OND, (2003) and HND, (2006) in Electrical/Electronic Engineering from Rivers State Polytechnic, Bori, Rivers State. Thereafter, he attended the Maritime Academy of Nigeria, Oron for his post graduate degree in Shipping Technology. He also holds PGD in power management from the revered University of Petroleum & Energy Studies, India. Prior to joining Transcorp Power, he worked as Operations General Service Supervisor before he rose to become Operations Manager with Ibom Power Limited. He has over twelve (12) years' experience in the power sector. Aniebiet Umoh is a member of the Institute of asset management (IAM), Nigeria institute of Management (NIM) and Nigeria Association of Technologies in Engineering.

Mr. Monday Sampson, Head, Mechanical Maintenance

Monday heads Transcorp Power's Mechanical Maintenance Team. He is a Process, Oil and Gas, and Power Generation Expert with over thirty (30) years cumulative experience. Prior to this role, he was the Mechanical Supervisory Field Engineer with Field Core Service Solutions, a General Electric (GE) owned Company. In GE, he worked in several capacities including Mechanical Supervisor, Site Leader (Nigeria), Service Manager, Team Lead West Africa, Mechanical Technical Adviser and Mechanical Technician. Monday has worked on several projects around the world including Bonny NLNG, EDM Darsalam Power Mali, Senelec Power Station in Senegal, Azito Power Ivory Coast, Ibom Power Station, Tico Power Ghana and Bagdad Electric Power Station Iraq. Monday is a certified Technical Instructor with GE having successfully completed the Instructors

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Training Course in GE Energy Learning Centre in Houston Texas. He possesses a BSc. in Business Administration from Rivers State University of Science and Technology (RUST), 2000 and he has a Master of Business Administration in Oil & Gas and Energy Management (MBA) from UNICAF University, Zambia, 2021 as well as a Mechanical field Service Engineering Certificate from GE Energy Learning Centre, Belfort, France, 2008. Monday is a fellow of the institute of professional managers and Administrators.

Mr. Oluwafemi Sogunle, Head, Internal Audit

Oluwafemi Sogunle is the Head, Internal Audit for Transcorp Power Plc. Oluwafemi provides high-level strategic support to our Executive Management. Oluwafemi possesses over eleven (11) years' professional experience gained from various fields. His core competencies are internal audit, control, compliance, risk management, accounting advisory and corporate governance. Oluwafemi holds a B.Sc. degree in Accounting (Second class upper) from the University of Lagos Akoka, 2013 He is an Associate of the Institute of Chartered Accountants of Nigeria (ACA), 2010 and a member of the Institute of Internal Auditors (IIA). Prior to joining Transcorp Power, Oluwafemi worked at Food Concepts Plc as an Internal Audit Manager, Law Union and Rock Insurance Plc Now Tangerine General Insurance as an Internal Audit Associate and Olajide Oyewole LLP (a member of DLA Piper Africa) as a Financial Accountant amongst others.

Mrs. Freda Omonigho Abdullahi, Acting Procurement Manager

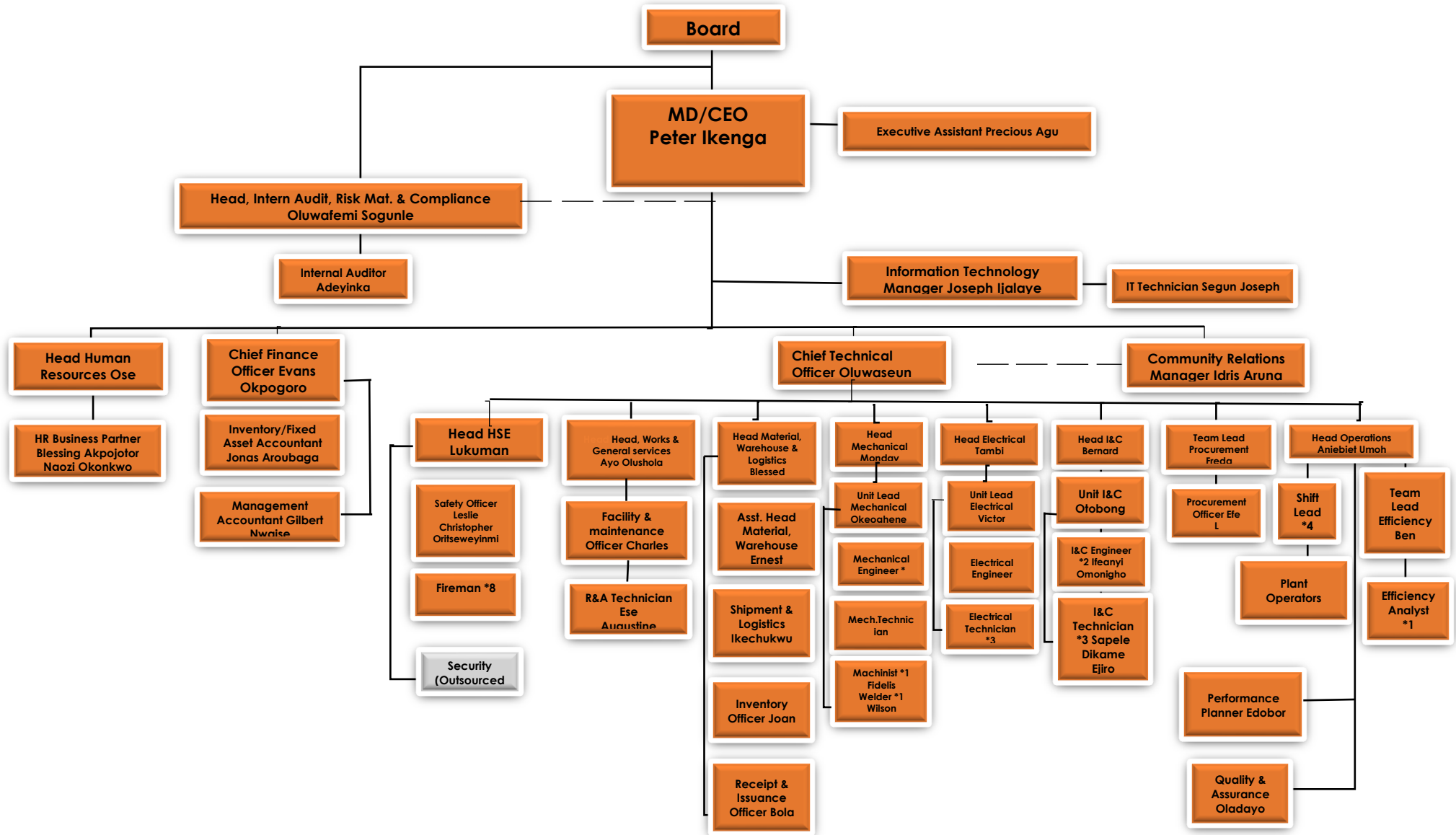
Freda is acting as Procurement Manager of Transcorp Power. Prior to joining the Company, Freda worked as the Lead Consultant and CEO at F. G Trinity Consulting Services Lagos. She was the Procurement Specialist at Baker Hughes Company Ltd Port Harcourt, working in different capacities. She has over twenty-five (25) years' experience, within the Oil & Gas industry and the downstream sector, accumulating knowledge and skills including Directional wellbeing, Data Management, New Applications/End User trainings, SAP/Order Fulfilment, Billing/Account Receivable, Credit Collection, Sourcing and Procurement Freda holds a BTech. Physics and Computer Science from Federal University of Technology Minna, Niger State, (1995).

Mr. Joseph Ijaleye, ICT Manager

Joseph holds a B.Sc. degree in Management from the University of Jos, 2004, having graduated as the best student in his department and a master's degree in information technology from the Ladole Akintola University of Technology, 2014. He is a member of various professional bodies like Oracle, Project Management, ITIL, Lean Six Sigma Prior to joining Transcorp Power, Joseph worked at Comviva Technologies Limited/Airtel Africa Project as a Country Manager, ZAIN NIGERIA ITO as a Senior Technical Lead, and at International Turnkey Systems as a Customer Support Specialist. He possesses over 14 years of experience dealing with strategic IT solutions across Africa, garnered from various fields, including executive management, system engineering, IT advisory, IT operations & support, service delivery, mobile money & payments, vendor and third-party management, and project management.

OVERVIEW OF TRANSCORP POWER PLC

Company Organogram



CORPORATE GOVERNANCE

Transcorp Power understands the overarching importance of implementing best practice global corporate governance standards and has implemented same in a bid to protect the interests of all stakeholders including shareholders, customers, suppliers, employees, regulators, and the entire public. The Board has established robust governance processes and policies founded on the pillars of accountability, effectiveness, fairness, responsibility, transparency, and independence. To always ensure good corporate governance practices, the Company will strive to continuously review its governance processes to align with the various applicable local legislation and international best practices.

The Board of Directors ("Board") is made up of eight (8) members comprising one (1) Executive Director and seven (7) Non-Executive Directors. This is in alignment with the Nigerian Corporate Governance Guidelines and global best practice that encourages a higher percentage of Non-Executive Directors to Executive Directors.

The Board is led by the Non-Executive Chairman and includes individuals who are highly respected and distinguished by their high level of competencies, professional experience and high standards of integrity.

The Board meets regularly to set broad policies for its business and operations ensuring that actions are taken on a fully informed basis, in good faith with due diligence in the best interest of all stakeholders.

Responsibilities of the Board are well defined, and the Board is not dominated by one individual. The position of the Chairman is separate from that of the Chief Executive Officer and the Chairman is not involved in the day-to-day operations of the Company.

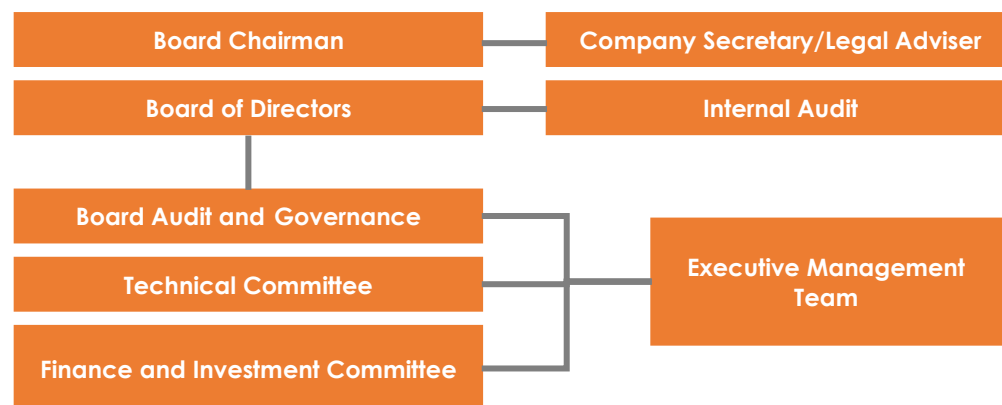
The Board is accountable to shareholders and ensures that the conduct of the Company's activities is within the applicable regulatory framework. The Board of Directors carries out its responsibilities through its standing committees. These are the

Board Responsibilities

The Board provides guidance and policy direction to Management. Key Roles of the Board Include the following:

1. Strategic Direction: The Board is responsible for setting the long-term vision and strategy for the company and ensuring that these plans are successfully executed.
2. Policy Formulation: The Board is responsible for the formulation of policy as the primary mechanism it will use to guide the operation of the Company.
3. Decision making: The Board acts as the ultimate decision-making body of the Company on behalf of shareholders.
4. Oversight: The Board, on behalf of shareholders, is responsible for the management and performance of the business and affairs of the Company and other oversight functions as may be determined by the Board from time to time.

Board Governance Structure



CORPORATE GOVERNANCE

Board Committees

The Board delegates some of its specific authorities to the board committees below:

- Board Audit & Governance Committee
- Finance and Investment Committee
- Technical Committee

Board Audit & Governance Committee

The Board Audit & Governance Committee (BAGC) is responsible for carrying out the Board's specific functions and responsibilities as it relates to the following:

- Board governance, appointment, and remuneration.
- Oversight of the Company's governance.
- Internal audit and control.
- Monitoring integrity of financial statements.
- Human resource management.
- Policy formulation as it relates to the committee's mandate.

Members of the Board Audit & Governance Committee are as follows:

- Prof Sylvester Monye, MFR
- Dr. Owen Omogiafo, OON
- Mr. Vincent Ozoude
- Mr. Adim Jibunoh

Finance and Investment Committee

The Finance and Investment Committee (FIC) is responsible for discharging the board's specific functions as it relates to:

- Strategic direction and budgeting.
- Oversight on financial matters.
- The performance of the Company.
- Risk monitoring and management.
- Information Technology (IT) governance.
- General matters requiring the Board's attention and oversight.
- Policy formulation as it relates to the Committees mandate.

Members of the Finance and Investment Committee are as follows:

- Dr. Owen Omogiafo, OON
- Mr. Peter Ikenga
- Mr. Risqua Muhammed
- Mr. Adim Jibunoh

Technical Committee

The Technical Committee (TC) is responsible for discharging the Board's specific functions as it relates to:

- Oversight over the Plant maintenance expansion plans.
- Plant performance and target output.
- Oversight of Health, safety, and environmental standards.
- Policy formulation as it relates to the Committees mandate.

Members of the Technical Committee are as follows:

- Mr. Vincent Ozoude
- Mr. Peter Ikenga
- Mr. Peter Hertog

CORPORATE GOVERNANCE

- Dr. Owen Omogiafo, OON

Proceedings and Frequency of Meetings

The Company's Board meets regularly, at least once in every quarter. Prior to every board meeting, the Company Secretary avails each Board member a board paper detailing a clear agenda for the meeting as well as all relevant reports and information required for an effective and efficient meeting.

RISK FACTORS

Transcorp Power is exposed to a few risks accompanied by its operations or activities in the normal course of its business. The risks may affect the financial condition as well as the prospects of the Company. The following are risks Transcorp Power is exposed to and have been highlighted below:

1. Operational Risks

The activities of Transcorp Power Plc expose it to various risks, including:

- a. **Gas Supply Disruptions:** Transcorp Power heavily relies on a stable supply of natural gas to generate power. However, risks related to gas availability and reliability exist. These include potential price fluctuations, pipeline vandalism, and supplier disputes. If these risks materialize, they could lead to operational losses, revenue decline, and pose a threat to the continuity of the business.
- b. **Health, Safety and Environmental Risks:** These are operational risks pertaining to health, safety, and the environment can have significant consequences. These risks encompass a range of potential issues such as explosions, pandemics, inadequate health, safety, and environment (HSE) measures, or non-compliance with regulations and procedures. If any of these risks materialize, they could result in operational disruptions, financial losses, regulatory sanctions, reputational damage, environmental harm, and potential legal action by stakeholders.
- c. **Community and Social Risks:** Transcorp Power's power plants, which involve gas flaring, can have social and environmental impacts on neighboring communities. Failure to effectively manage these impacts could lead to substantial protests that may result in operational and reputational damage, loss of lives and assets, and pose a threat to the company's continuity.
- d. **Regulatory Risks:** The power sector in Nigeria is subject to significant regulation, introducing regulatory risks for Transcorp Power. Government policies can change at any time, impacting the company's operations and financial position. Future government regulations could potentially negatively affect the business.
- e. **Grid Reliability:** The stability and reliability of Nigeria's electricity grid are crucial for the power plant's operations. Grid failures and interconnection issues can impact smooth operations. Ensuring the grid's stability is vital to Transcorp Power's ongoing operations.
- f. **Maintenance and Equipment Failure:** Subpar maintenance, delayed repairs and inadequate availability of spare parts pose the risk of unplanned downtime, reduced efficiency, and increased operational costs. These issues can ultimately impact the company's operations and financial position.
- g. **Security Risks:** The country has experienced security challenges in certain regions, including theft, vandalism, and infrastructure damage. These risks can directly impact the gas supply chain, transmission infrastructure, and overall plant operations. They could lead to significant financial loss, business disruption, loss of lives and assets, and pose a threat to the company's going concern status.
- h. **Infrastructure Risks:** Due to existing transmission, distribution, and network gaps in Nigeria's power industry, there may be challenges regarding power evacuation and off-take. These challenges can result in business disruption and affect the company's profitability.

2. Financial Risks

Transcorp Power Plc is exposed to the following financial risks:

RISK FACTORS

- a. **Revenue Collection Risk:** After transferring power to the national grid and subsequently to the Distribution Companies (DisCos), Transcorp Power expects to receive payment for the electricity supplied to the grid through the Nigerian Bulk Electricity Trading Plc (NBET). However, there is a financial risk associated with the inability of NBET to fulfill its contractual obligations to Transcorp Power. This risk can lead to significant financial loss, business disruption, difficulties in meeting financial obligations, and pose a threat to the continuity of the business.
 - b. **Fluctuating Gas Prices:** Transcorp Power currently owns two gas-fired power plants which exposes them to higher expenses should there be a sudden increase in the price of gas. This can potentially reduce profitability.
 - c. **Economic Volatility and Currency Risks:** Nigeria's economy is exposed to various macroeconomic factors like fluctuations in oil prices, inflation, currency devaluation and unfavorable economic policies. These factors can impact the profitability of Transcorp Power Plc with regards to operating costs, debt repayment and financing as well as revenue generation. Specifically, the company is exposed to exchange rate volatilities as it settles some of its obligations in US Dollars. Severe currency devaluation and financing challenges can have various effects on the company, including refinancing difficulties, financial losses, business disruptions, reduced profitability, loss of market share, hindered business growth, and reputational damage.
 - d. **Market Volatility and Demand Fluctuations:** The electricity market can experience fluctuations in demand patterns and market prices due to changes in consumer behavior, economic conditions or regulatory policies which can impact revenue generation and profitability.
3. **Country Risk**
- a. **Regulatory Risks:** The power sector in Nigeria is subject to significant regulation, introducing regulatory risks for Transcorp Power. Government policies can change at any time, impacting the company's operations and financial position. Although Transcorp Power operates as a private entity, future government regulations could potentially negatively affect the business.
 - b. **Grid Reliability:** The stability and reliability of Nigeria's electricity grid are crucial for the power plant's operations. Grid failures and interconnection issues can impact smooth operations. Ensuring the grid's stability is vital to Transcorp Power's ongoing operations.
 - c. **Security Risks:** The country has experienced security challenges in certain regions, including theft, vandalism, and infrastructure damage. These risks can directly impact the gas supply chain, transmission infrastructure, and overall plant operations. They could lead to significant financial loss, business disruption, loss of lives and assets, and pose a threat to the company's going concern status.

OVERVIEW OF THE NIGERIAN MACROECONOMIC ENVIRONMENT

Nigerian Economy

Nigeria's economy is expected to recover in 2024, driven by a rebound in the oil sector and slow but steady growth in non-oil sectors. Nigeria's real GDP is expected to increase modestly to 2.9% in 2024, up from 2.4% in 2023 according to the IMF.

The economy is set to benefit from favourable developments in the oil sector, offering positive momentum in 2024. Net exports are expected to be the primary growth driver, with rising oil export volumes due to improved security in the Niger Delta and increased production from the Dangote refinery displacing most of the fuel and chemical imports in 2024. This will contribute to a decrease in total goods and services imports and increase the country's trade surplus.

Government reforms are expected to kick-in 2024 with petrol subsidy removal projected to enable the Nigerian National Petroleum Corporation (NNPC) to settle its arrears and fully cover the government's share of costs in joint venture operations, facilitating a gradual increase in oil production over time.

Services, particularly in banking and information and communication technology (ICT), along with the industrial sector, stand to benefit from a more stable and predictable macroeconomic environment, coupled with improved access to foreign exchange (FX) and imported inputs given the projected improvements in the current account.

Gross Domestic Product

Economic activities in Nigeria slowed in 2023 compared to the levels recorded in 2022. In Q1-2023, Nigeria's real Gross Domestic Product (GDP) slowed to 2.3% y/y, down 121bps from its 3.5% y/y print in Q4-2022 and down 80bps from its 3.1% y/y print in Q1-2022. The slowdown was as a result of the negative effects of the CBN's demonetisation policy, which led to a scarcity of the Naira, reduction of currency in circulation and subsequently a deceleration of economic activities.

The non-oil GDP remains a significant contributor to Nigeria's GDP as steady growth in Financial & Insurance, Information & Communication, Agriculture and Construction sub-sectors continue to drive economic growth. The non-oil sector accounted for 94.5% of Nigeria's GDP and grew by 2.8% y/y in Q3-2023. Meanwhile, the oil GDP contribution remains underwhelming, accounting for just 5.5% to the total GDP in Q3-2023. However, the sector recorded significant improvement in Q3-2023 as it contracted by 0.9% y/y compared to the contraction of 13.4% y/y and 22.7% recorded in Q2-2023 and Q3-2022, respectively.

Following a year of modest economic growth in 2022, we retain an upbeat expectation for the Nigerian economy in 2023. Our expectation is hinged on recovery in the oil sector and steady growth (albeit slow) in the non-oil sector, particularly the services sector. Thus, we align our GDP forecast with the International Monetary Fund (IMF) as we project that the Nigerian economy will grow by 3.1% in FY-2024.

Inflation

Since 2016, Nigeria has been grappling with persistent double-digit headline inflation, with no signs of significant improvements. Nigeria's inflation is primarily caused by cost-push factors rather than demand-pull effects. This means that price increases are not driven by higher consumer demand but rather by high costs of imported raw material for manufacturers, global inflationary environment, and the depreciating Naira against other currencies. Given Nigeria's heavy reliance on imports, pressures on Foreign Exchange (FX) and high global costs play a significant role in driving the rising inflationary trends in the country.

In FY-2023, inflationary pressures exacerbated further on the back of several policies implemented during the year. In May-2023, the Federal Government announced the removal of subsidy on fuel prices. This implies that the true cost of purchasing fuel will be reflected in the market in line with global energy costs. As a result, we saw fuel costs multiply by c.300.0%.

OVERVIEW OF THE NIGERIAN MACROECONOMIC ENVIRONMENT

Additionally, the Central Bank announced the unification of the different FX market segments, in order to allow a "willing buyer-willing seller" framework. This led to the Naira depreciating to as low as the ₦700.0/\$ region in the official market.

Consequently, Nigeria's headline inflation printed at 28.2% y/y in Nov-2023, the highest in over two decades. This represents a 638bps increase compared to January's print of 21.8% y/y. The heightened inflationary pressures during the year were primarily driven by the escalating food and fuel prices.

These market reforms are mostly going to have powerful second-round pass-through effects in 2024. This will lead to sustained upward pressure on price and eventually erode consumers' purchasing power and private consumption. Thus, we align our inflation forecast with the Economist as we project that Nigeria's headline inflation will average 23.6% in FY-2024. This forms our base case scenario.

Monetary Policy

The Monetary Policy Committee (MPC) conducted four out of the six meetings scheduled for 2023. At all four meetings, the committee maintained a hawkish stance as combatting rising inflationary pressures was the key consideration for the Central Bank. At the auctions, the MPC increased the Monetary Policy Rate (MPR) by 100bps, 50bps, 50bps and 25bps in Jan-2023, Mar-2023, May-2023 and Jul-2023, respectively. This brings the cumulative number of hikes in 2023 to +225bps, with the MPR currently at 18.75%. The committee also voted to adjust the asymmetric corridor to +100/-300bps (previously, +100/-700bps) around the MPR. Meanwhile, the Cash Reserve Ratio and liquidity ratio were retained at 32.5% and 30.0%, respectively.

However, the Monetary Policy Committee (MPC) did not meet in September and November 2023 as scheduled. The meetings were postponed due to the appointment of a new Central Bank Governor. This left a lot of uncertainties regarding the direction of the interest rate in the market for investors.

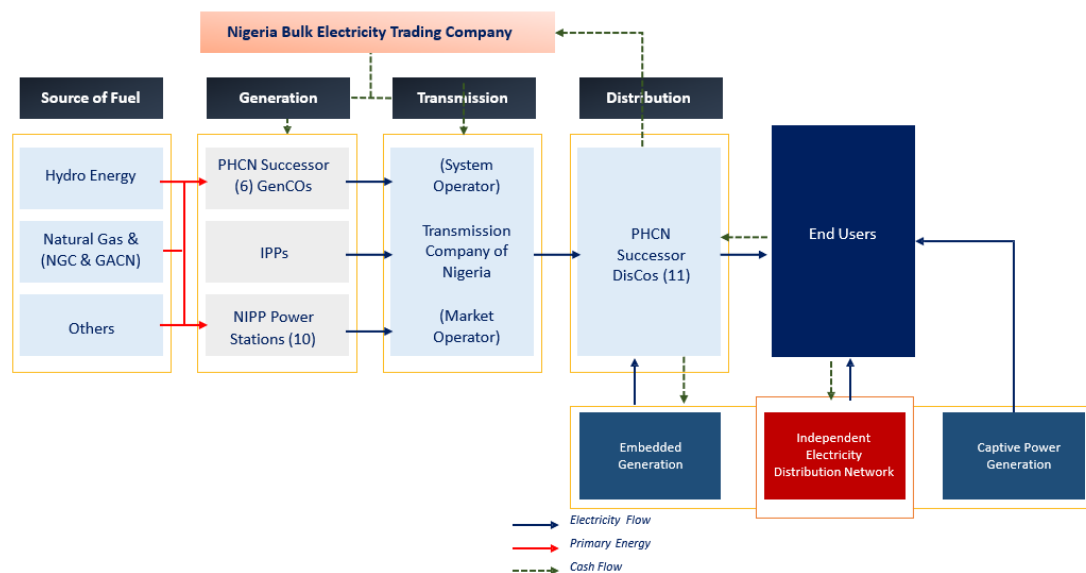
In 2024, the Monetary Policy Committee (MPC) is expected to deploy all orthodox monetary policy tools in its arsenal. This is hinged on the expectation that inflationary pressures will persist in the coming year.

OVERVIEW OF THE NIGERIAN POWER SECTOR

The Nigerian power sector consists of three primary segments: Generation Companies (GenCos), the Transmission Company, and Distribution Companies (DisCos). Presently, Nigeria's installed generation capacity stands at 16,384 megawatts, while the demand for power exceeds that at around 30,000 megawatts. The generation plants heavily rely on hydropower and fossil fuel (gas) thermal sources. This high demand and limited supply present a significant opportunity for expansion within the sector. As a result, participants in the sector, especially power generation companies, are considered market participants rather than competitors, as competition is minimal or nonexistent within the industry.

Key challenges include a significant metering gap, with seven million customers lacking meters and three million possessing outdated ones. Addressing these issues is crucial for improving liquidity and sustaining growth in Nigeria's power sector.

Over the years, the Federal Government has enacted various acts and implemented policies aimed at improving the operations of stakeholders in the power sector. Their drive to develop the sector is exemplified by the enactment of the EPSR Act, which aims to liberalize, commercialize, and privatize the electricity sector, making it more attractive for investment.



Power Generation in Nigeria

Since the implementation of the Electric Power Sector Reform (ESPR) act in 2005, the Nigerian Electricity Regulatory Commission (NERC) has emerged as an independent regulatory body overseeing the power industry within Nigeria. A significant milestone came with the unbundling of the Power Holding Company of Nigeria (PHCN), which resulted in the creation of six distinct power generating companies (GenCos). These GenCos currently operate 23 grid-connecting generating plants throughout Nigeria. Collectively, these plants boast a total installed capacity of 12,522 MW and an available capacity of 7,139.6 MW, with most power generation being sourced from thermal-based systems.

Power Transmission in Nigeria

The Transmission Company of Nigeria (TCN) is responsible for managing the electricity transmission network. Originally established in April 2004 as one of the 18 companies unbundled from the defunct Power Holding Company of Nigeria (PHCN), TCN represents a merger between the transmission and system operations sectors of PHCN. It officially became a fully incorporated entity in November 2005 and obtained its

OVERVIEW OF THE NIGERIAN POWER SECTOR

transmission license on July 1, 2006. Presently owned and operated by the Nigerian government, TCN is set to undergo reorganization and restructuring in order to enhance its reliability and expand its overall capacity as part of the government's ongoing reform efforts. As it stands, the transmission system comprises approximately 5,523.8 km of 330 kV lines, 6,801.49 km of 132 kV lines, and 24,000 km of sub-transmission lines (33 kV), as reported by KPMG in 2016. The power distribution network, on the other hand, consists of approximately 19,000 km of 11 kV lines and roughly 22,500 substations. Currently, there are 11 electricity distribution companies operating across the country, ensuring nationwide coverage and accessibility to electricity.



The Transmission Network of Nigeria

Power Distribution in Nigeria

After the privatization of the Nigerian power sector in 2013, which involved the sale of regional distribution grids to private companies, the responsibility of distributing power to various categories of consumers was placed in the hands of eleven DisCos (Distribution Companies). These DisCos receive power from the national grid through the Nigerian Bulk Electricity Trading (NBET) and allocate it proportionally based on the customer base they serve. The distribution takes place mainly at medium voltage (MV) levels at 33 kV and low voltage (LV) levels at 11 kV.

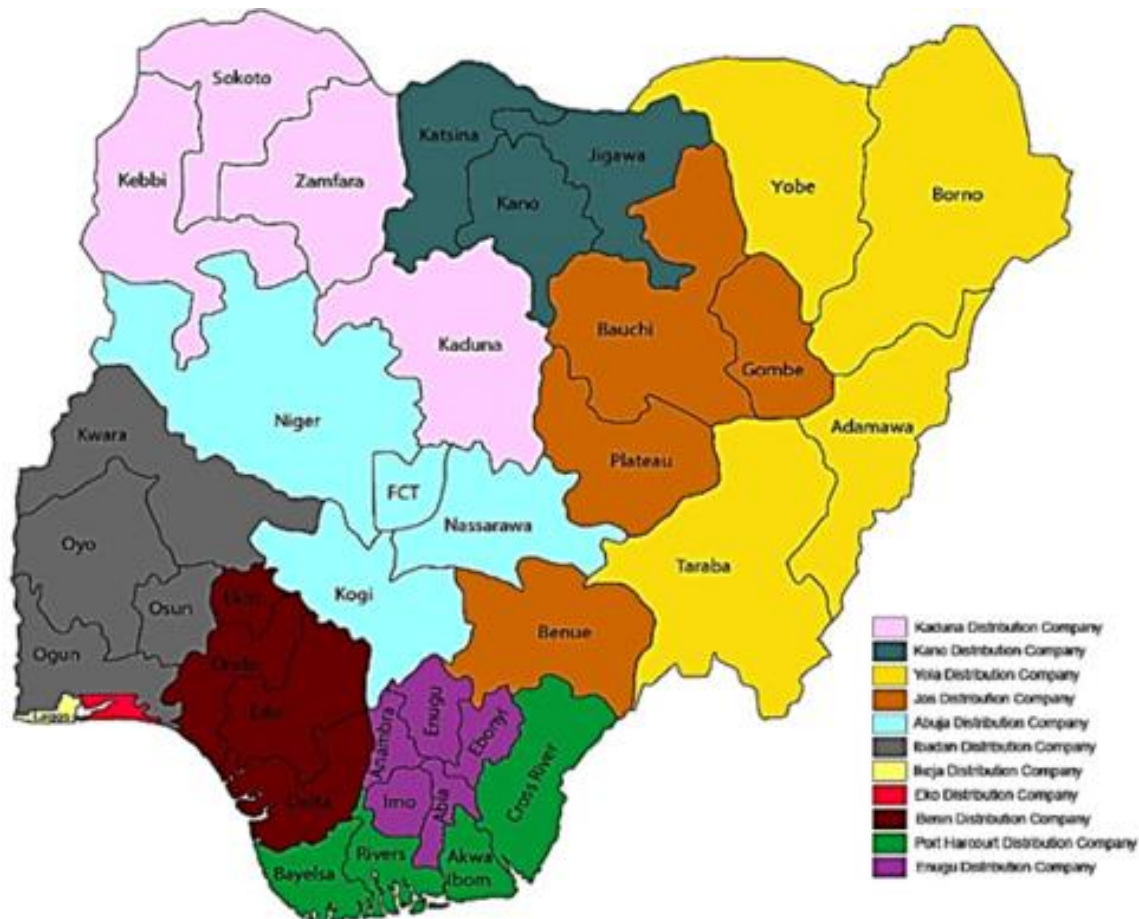
Despite the privatization of the regional grids, the performance of the DisCos has been subpar, mainly due to two factors. Firstly, the electricity tariff has been low, resulting in inadequate revenue collection for the DisCos. This poses a significant challenge to their operational efficiency. Secondly, there has been an insufficient supply of power, further hindering the DisCos' ability to provide reliable electricity to consumers. In response to these challenges, the Federal Government recently approved an increase in the cost per unit of power for all consumer classes in December 2021. This move aims to establish a cost-reflective tariff-based system and an effective tariff collection mechanism, ensuring the financial viability and sustainability of the DisCos' businesses. Additionally, the government has mandated the use of prepaid meters by all power consumers to minimize the risk of commercial losses faced by the DisCos.

Furthermore, many DisCos currently face the issue of inadequate power supply from the national grid, which undermines their ability to operate at the necessary capacity to recover their investment costs and improve

OVERVIEW OF THE NIGERIAN POWER SECTOR

existing infrastructure. Over the years, DisCos have struggled to fully finance the total cost of power purchased and have relied heavily on the government, facilitated through the NBET, which establishes various funds to settle the liabilities accrued by the GenCos.

However, with the introduction of the new tariff-based system, it is envisioned that the DisCos will become more financially viable and self-sustaining. This transition aims to address the challenges related to tariff collection and power supply, leading to improvements in the overall performance and effectiveness of the DisCos.



Nigerian Power Sector Regulatory Reforms

1. Multi-Year Tariff Order 2020

In August 2020, the Nigerian Electricity Regulatory Commission issued the Multi-Year Tariff Order 2020 ("MYTO 2020"). MYTO is a tariff-setting methodology used in the power sector. It aims to provide a transparent framework for determining electricity prices, ensuring cost recovery for power generation, transmission, and distribution companies. MYTO establishes a predictable tariff trajectory over a designated period (usually 5 years), considering factors like inflation, exchange rates, and other operational costs. This helps create a stable investment environment and promotes financial sustainability in the power sector.

The MYTO 2020 order classifies the customer tariff classes based on the quality and duration of the electricity supply to customers in various service bands, namely.

OVERVIEW OF THE NIGERIAN POWER SECTOR

- **Band A** – comprising customers receiving at least 20 hours of electricity supply per day.
- **Band B** – comprising customers receiving at least 16 hours of electricity supply per day.
- **Band C** - comprising customers receiving at least 12 hours of electricity supply per day.
- **Band D** - comprising customers receiving at least 8 hours of electricity supply per day.
- **Band E** - comprising customers receiving at least 4 hours of electricity supply per day.

2. NERC Order on Estimated Billing

In 2017, the Nigerian Electricity Regulatory Commission (NERC) introduced a landmark regulation to address the issue of estimated billing. This order provided a framework for the licensing and regulation of meter asset providers (MAPs), who are responsible for facilitating the deployment of prepaid meters and eliminating the practice of estimated billing.

3. Mini Grid Regulations

In 2017, NERC also introduced regulations to promote the development of renewable energy mini-grids. These regulations enable private investors to develop and operate mini-grids that provide electricity to unserved or underserved communities. The aim is to increase access to reliable electricity in rural areas and stimulate rural economic development.

4. Eligible Customer Policy

In 2017, the Nigerian government approved the Eligible Customer Policy, which allows eligible power consumers to purchase electricity directly from generation companies. This policy seeks to promote competition, encourage direct power purchase agreements, and provide consumers with more options and improved service quality.

5. Metering Gap Enforcement

In 2018, NERC intensified efforts to address the metering gap in Nigeria by issuing directives to DisCos to meet specific metering targets. The objective is to accelerate the deployment of prepaid meters to electricity consumers, enhance revenue collection, and promote transparency.

6. Distribution System Performance Improvement Plan (DISCOPIP)

In 2020, NERC introduced the DISCOPIP, which outlines performance targets for distribution companies. This plan aims to drive improvements in the distribution network, reduce technical and commercial losses, and enhance service delivery to electricity consumers.

7. Market Liquidity Improvement

Reforms have been implemented to address issues related to market liquidity, which directly affect the financial stability of GenCos. Measures such as the Market Operator Transitional Electricity Market (TEM) Accounting System and initiatives to improve payment discipline aim to enhance liquidity and ensure that GenCos receives timely payments for the electricity generated.

Nigerian Bulk Electricity Trading Company (NBET) Act, 2023

The Electricity Power Sector Reform Act regulates electricity trading in Nigeria by establishing the Nigeria Bulk Electricity Trading Company (NBET) as the institutional trading licensee with a bulk purchase and resale license for electricity and ancillary services. The Act grants the Nigerian Electricity Regulatory Commission (NERC) the authority to instruct NBET to cease entering contracts for electricity procurement and resale, directing the novation of existing contractual rights and obligations to other licensees within a specified timeframe. Additionally, the Act empowers NERC to issue trading licenses, allowing licensees to enter novation agreements with NBET and engage in contracts with generation companies for the purchase and resale of electricity and ancillary services.

OVERVIEW OF THE NIGERIAN POWER SECTOR

Failure to comply with the licensing requirements outlined in the Act carries significant penalties. Violators may face fines equivalent to at least ten times the application and license fees for the relevant license, imprisonment for a maximum term of five years, or a combination of both. Furthermore, the Act allows the Commission to order the permanent forfeiture of the undertaking in question.

The Electricity Act, 2023

On June 9, 2023, President Bola Ahmed Tinubu signed the Electricity Act, 2023 (the "**New Act**" or the "**Act**") into law. This is a significant milestone in the electric power sector since the passing of the Electric Power Sector Reform Act, 2005 (the "**EPSRA**" or the "**Repealed Act**").

The Act repealed the following laws – (a) EPSRA (b) Hydro Electric Power Producing Areas Development Commission (Establishment, etc.) Act, 2010 (the "**Hydro Electric Act**"); (c) Hydro Electric Act (Amendment) Act, 2013; (d) Hydro Electric Act (Amendment) Act, 2018; and (e) the Nigerian Electricity Management Services Agency (Establishment, etc.) Act, 2015. The Act has consolidated the provisions of the foregoing repealed laws with certain modifications and enhancements.

The objective of the Act includes to

- a. provide a comprehensive legal and institutional framework for the power sector in Nigeria;
- b. provide a holistic integrated policy plan that recognizes all sources for the generation, transmission, and distribution of electricity, including the integration of renewable energy into Nigeria's energy mix; and
- c. attract investment to the entire value chain of the NESI. While there are several challenges plaguing the electric power sector in Nigeria, it is anticipated that the Act will remedy most of these challenges.

The Act applies throughout the federation and across the entire NESI value chain. It also recognizes and gives force to the recent constitutional amendments empowering the Houses of Assembly of States to legislate on all matters relating to electric power within its borders, whether covered by the national grid.¹ The express recognition of the lawmaking powers of states in this regard, may effectively discourage the application of the often-ubiquitous doctrine of "covering the field".

FINANCIAL SUMMARY

Statement of Comprehensive Income (2018 – Q3 2023)

The following is a summary of the Company's Statement of Comprehensive Income for the five (5) years ended, 31 December 2022 and Q3 2023 Management Accounts.

| | 2018 | 2019 | 2020 | 2021 | 2022 | Q3 2023 |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Revenue from contracts with customers | 86,737,819 | 55,941,017 | 65,118,677 | 74,330,710 | 90,349,386 | 89,120,005 |
| Cost of sales | (50,990,774) | (35,912,025) | (38,811,751) | (39,711,272) | (48,147,009) | (43,447,573) |
| Gross Profit | 35,747,045 | 20,028,992 | 26,306,926 | 34,619,438 | 42,202,377 | 45,672,432 |
| Other Operating income | 115,041 | 914,654 | 788,737 | 123,581 | 189,109 | 492,952 |
| Impairment loss on financial assets | (274,704) | (270,539) | (4,223,766) | (346,932) | (812,741) | (264,015) |
| Administrative Expenses | (4,447,084) | (2,684,386) | (2,786,263) | (4,551,196) | (5,709,134) | (5,068,935) |
| Operating Profit | 31,140,298 | 17,988,721 | 20,085,634 | 29,844,891 | 35,869,611 | 40,832,434 |
| Finance Income | 62,110 | 176,563 | 407,818 | 1,105,327 | 1,259,925 | 1,909,999 |
| Finance Cost | (10,451,624) | (8,905,429) | (8,495,542) | (7,859,832) | (8,510,559) | (13,025,368) |
| Net Finance Cost | (10,389,514) | (8,728,866) | (8,087,724) | (6,754,505) | (7,250,634) | (11,115,369) |
| Profit before Income Tax | 20,750,784 | 9,259,855 | 11,997,910 | 23,090,386 | 28,618,977 | 29,717,065 |
| Income Tax (expense)/Credit | 651,058 | (5,148,931) | (475,762) | (3,546,936) | (11,335,571) | - |
| Profit for the year | 21,401,842 | 4,110,924 | 11,522,148 | 19,543,450 | 17,283,406 | 29,717,065 |
| Basic and diluted earnings per share | 323.53 | 61.52 | 153.84 | 251.88 | 218.35 | 347.70 |

FINANCIAL SUMMARY

Statement of Financial Position

The following is a summary of the Company's Statement of Financial Position for the five (5) years ended, 31 December 2022 and Q3 2023 Management Accounts.

| | 2018 | 2019 | 2020 | 2021 | 2022 | Q3 2023 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | ₹'000 | ₹'000 | ₹'000 | ₹'000 | ₹'000 | ₹'000 |
| Assets | | | | | | |
| Non-Current Assets | | | | | | |
| PPE | 51,017,584 | 51,757,081 | 49,376,871 | 54,032,161 | 54,702,571 | 59,236,198 |
| Intangible asset | 9,701,191 | 9,701,191 | 9,701,191 | 9,701,191 | 9,701,191 | 9,701,191 |
| Investment | - | - | - | 1,525,563 | 2,208,918 | 5,899,825 |
| Deferred tax assets | 5,811,864 | 1,084,306 | 1,183,803 | 659,646 | - | - |
| | 66,530,639 | 62,542,578 | 60,261,865 | 65,918,561 | 66,612,680 | 74,837,214 |
| Current Assets | | | | | | |
| Inventories | 4,238,381 | 3,910,219 | 3,773,337 | 3,748,019 | 4,314,347 | 1,013,515 |
| Trade and other receivables | 79,095,083 | 94,585,838 | 107,295,465 | 77,001,193 | 94,558,786 | 116,418,524 |
| Cash and cash equivalent | 516,133 | 1,819,082 | 579,658 | 8,746,571 | 2,701,632 | 5,149,000 |
| | 83,849,597 | 100,315,139 | 111,648,460 | 89,495,783 | 101,574,765 | 122,581,039 |
| Total Assets | 150,380,236 | 162,857,717 | 171,910,325 | 155,414,344 | 168,187,445 | 197,418,253 |
| Equity | | | | | | |
| Share Capital | 33,076 | 37,076 | 39,468 | 39,468 | 40,108 | 40,108 |
| Share Premium | 15,117,159 | 26,346,049 | 31,127,668 | 31,127,668 | 34,967,736 | 34,967,736 |
| Retained Earnings | 7,440,634 | 6,187,226 | 12,353,209 | 2,839,001 | 2,956,132 | 32,673,321 |
| Total Equity | 22,590,869 | 32,570,351 | 43,520,345 | 34,006,137 | 37,963,976 | 67,681,165 |
| Non- Current Liabilities | | | | | | |
| Interest-bearing Loans and borrowings | 36,164,194 | 49,021,377 | 55,977,561 | 20,590,468 | 29,967,161 | 32,860,721 |
| Deferred tax liabilities | - | - | - | - | 5,056,075 | 5,056,075 |
| | 36,164,194 | 49,021,377 | 55,977,561 | 20,590,468 | 35,023,236 | 37,916,796 |
| Current Liabilities | | | | | | |
| Trade and other payables | 73,079,176 | 67,300,386 | 70,265,489 | 73,340,621 | 76,306,380 | 81,177,078 |
| Current tax payables | 159,493 | 580,866 | 743,453 | 3,191,123 | 5,789,349 | 4,505,110 |
| Interest-bearing Loans and borrowings | 18,386,504 | 13,384,737 | 1,403,477 | 24,285,995 | 13,104,504 | 6,138,103 |
| | 91,625,173 | 81,265,989 | 72,412,419 | 100,817,739 | 95,200,233 | 91,820,291 |
| Total Liabilities | 127,789,367 | 130,287,366 | 128,389,980 | 121,408,207 | 130,223,469 | 129,737,087 |
| Total Equity and Liabilities | 150,380,236 | 162,857,717 | 171,910,325 | 155,414,344 | 168,187,445 | 197,418,252 |

FINANCIAL SUMMARY

Statement of Cashflows

The following is a summary of the Company's Statement of Cashflows for the five (5) years ended 31 December 2022 and Q3 2023 Management Accounts.

| | 2018 | 2019 | 2020 | 2021 | 2022 | Q3 2023 |
|---------------------------------------------------------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| | ₱'000 | ₱'000 | ₱'000 | ₱'000 | ₱'000 | ₱'000 |
| Cash generated from operations | | | | | | |
| Profit before tax | 20,750,784 | 9,259,855 | 11,997,910 | 23,090,386 | 28,618,977 | 29,717,065 |
| Adjustment to reconcile profit before tax to net cash flows: | | | | | | |
| Depreciation of property, plant, and equipment (PPE) | 2,512,530 | 2,552,071 | 3,108,739 | 3,405,149 | 3,472,313 | 3,139,136 |
| Finance income | (62,110) | (176,563) | (407,818) | (1,105,327) | (1,259,925) | (1,909,999) |
| Write off of PPE | 0 | 0 | 0 | 0 | 183,342 | |
| Loss on disposal of PPE | 32,951 | 114,483 | 0 | 0 | 0 | |
| Profit from the sales of PPE | 0 | 0 | 0 | 0 | (338) | |
| Effect of foreign exchange rate | 2,486,826 | 134,583 | 0 | 0 | (739,083) | (8,091,539) |
| Finance cost | 7,283,814 | 8,905,429 | 8,495,542 | 7,859,832 | 8,510,559 | 13,025,368 |
| Net Impairment allowance on financial assets | 274,704 | 270,539 | 4,223,766 | 346,932 | 812,741 | 264,015 |
| Working capital adjustments: | | | | | | |
| (Increase)/Decrease in trade and other receivables | (1,634,372) | (15,895,877) | (12,709,627) | 11,310,059 | (17,557,592) | (21,859,738) |
| (Increase)/Decrease in inventories | (325,518) | 328,162 | 136,882 | 25,318 | (566,327) | (3,300,832) |
| Increase/(decrease) in trade and other payables | (9,374,498) | 698,699 | (2,965,102) | (5,313,592) | 2,965,759 | 4,870,698 |
| Net cash flows from operating activities | 21,945,111 | 6,191,381 | 11,880,292 | 39,618,757 | 24,440,426 | 15,854,174 |
| Tax paid | 62110 | 176,563 | (412,671) | (575,108) | (3,021,624) | (1,282,887) |
| | 22,007,221 | 6,367,944 | 11,467,621 | 39,043,649 | 21,418,802 | 14,571,287 |
| Investing activities | | | | | | |
| Purchase of property, plant, and equipment | (1,957,377) | (3,406,051) | (728,529) | (8,060,439) | (4,326,546) | (3,776,659) |
| Investment in bonds/shares | 0 | 0 | 0 | (1,523,063) | (683,355) | (3,690,907) |
| Sales proceed of property, plant, and equipment | 132,780 | 0 | 0 | 0 | 820 | 0 |
| Interest income | 0 | 0 | 407,818 | 1,110,227 | 1,259,925 | 1,909,999 |
| Net cash used in investing activities | (1,824,597) | (3,406,051) | (320,711) | (8,473,275) | (3,749,156) | (5,557,567) |
| Financing activities | | | | | | |
| Dividend paid | (3,328,149) | (608,931) | (2,349,624) | (6,980,937) | (12,950,053) | 6,118,243 |
| Scrip issue | | 0 | 0 | 0 | (3,840,707) | (13,127,175) |
| Proceeds from borrowings | 689,087 | 59,049,531 | 33,185,657 | 22,882,518 | 15,767,246 | 11,390,542 |
| Repayments of borrowings | (18,453,961) | (62,231,856) | (42,807,298) | (37,000,471) | (22,691,071) | (19,752,544) |
| Net cash used in financing activities | (21,093,023) | (3,791,256) | (11,971,265) | (21,098,890) | (23,714,585) | (15,370,934) |
| Net movement in cash and cash equivalents | (910399) | (829,363) | (411,684) | 9,471,485 | (6,044,939) | 2,447,368 |
| Cash and cash equivalents at the beginning of the year | 1,426,532 | 516,133 | (313,230) | (724,914) | 8,746,571 | 2,701,632 |
| Cash and cash equivalents at the end of the year | 516,133 | (313,230) | (724,914) | 8,746,571 | 2,701,632 | 5,149,000 |
| Cash generated from operations | | | | | | |

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 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 intend 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 | 31 December 2021 |
|---------------------------------------------------|-----------------------------|-----------------------------|
| | N'000 | 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.

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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:

| In thousands of Naira | 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 Probabilities | ECL Scenario | 2021 | 2022 | 2023 |
|------------------------------|----------|------------------------|--------------|-------|--------|--------|
| Crude Oil Price (USD) | | | | | | |
| 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.

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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.

| | 0 - 30 days | 31 - 180 days | 181 - 365 days | Over 1 year but less than 5 years | Over 5 years | Total |
|------------------------------|-------------------|------------------|-------------------|-----------------------------------|------------------|--------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| 31 December 2022 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | 27,870,544 | 4,165,314 | 44,270,523 | - | - | 76,306,380 |
| Borrowings | 8,729,434 | 1,472,559 | 2,902,511 | 7,179,949 | 22,787,212 | 43,071,665 |
| | 36,600,078 | 5,637,873 | 46,745,782 | 7,179,949 | - | 119,178,045 |
| 31 December 2021 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | 71,340,621 | - | - | - | - | 71,340,621 |
| Borrowings | 20,789,051 | 1,705,152 | 1,791,795 | 13,711,440 | 6,879,025 | 44,876,463 |
| | 92,129,672 | 1,705,152 | 1,791,795 | 13,711,440 | 6,879,025 | 116,217,084 |

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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 | - | 43,071,665 |
| Dividends payable (Net of WHIT) | 8,998,102 | - | - | - | - | 15,449,647 | (12,950,053) | - | (3,840,708) | 7,656,995 |
| | 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 WHIT) | 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 M '000 | Quoted prices in active markets (Level 1) M '000 | Significant observable inputs (Level 2) M '000 | Significant unobservable inputs (Level 3) M '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 | 90,349,386 | 74,330,710 |
| Timing of revenue recognition | | |
| Services transferred over time | 90,349,386 | 74,330,710 |
| Total revenue from contracts with customers | 90,349,386 | 74,330,710 |
| Revenue generated from: | | |
| Local customers | 78,751,220 | 65,144,463 |
| International customers | 11,598,166 | 9,186,247 |
| Total revenue from contracts with customers | 90,349,386 | 74,330,710 |

There is no other revenue item outside IFRS 15

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

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| | 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 | <u>481,394</u> | <u>879,345</u> |
| Total cost of sales | <u>48,147,009</u> | <u>39,711,272</u> |
| 9 Other operating income | | |
| Other income | <u>189,109</u> | <u>123,581</u> |
| | <u>189,109</u> | <u>123,581</u> |
| 10 Finance income and finance costs | | |
| Finance income | | |
| Interest income | <u>1,259,925</u> | <u>1,105,327</u> |
| | <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 | <u>(4,130,614)</u> | <u>(3,002,720)</u> |
| | <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 | <u>178,990</u> | <u>127,135</u> |

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| 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 |
| | 5,709,134 | 4,551,196 |

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 | | 3,472,313 | 3,405,149 |
| | | | |
| 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 | | 812,741 | 346,932 |

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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 |
| | <u>5,619,850</u> | <u>3,022,778</u> |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | 5,715,721 | 524,158 |
| Income tax expense reported in the statement of profit or loss | <u>11,335,571</u> | <u>3,546,936</u> |

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 | <u>(3,021,624)</u> | <u>(575,108)</u> |
| Balance as at 31 December | <u>5,789,349</u> | <u>3,191,123</u> |

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 | <u>(3,561,778)</u> | <u>(2,433,201)</u> |
| Tax credit for the year | <u>11,335,571</u> | <u>3,546,936</u> |
| Effective income tax rate | 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 | <u>(5,548,556)</u> | <u>(11,228,782)</u> |
| Net deferred tax liabilities/(assets) | <u>5,056,075</u> | <u>(659,646)</u> |
| 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 | <u>(5,056,075)</u> | <u>1,153,684</u> |
| Deferred tax expense | <u>5,715,721</u> | <u>524,158</u> |

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) | <u>17,283,406</u> | <u>19,543,451</u> |
| Weighted average number of shares in issue (units'000) | <u>79,150</u> | <u>77,590</u> |
| Basic earnings per share (N) | <u>218.36</u> | <u>251.88</u> |

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.

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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.

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| 18 Trade and other receivables | 31 December 2022 N'000 | 31 December 2021 N'000 |
|----------------------------------------------------------------|---------------------------------------|---------------------------------------|
| 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 | 31 December 2022 N'000 | 31 December 2021 N'000 |
| Trade receivables | 79,885,305 | 66,049,655 |
| Less: provision for impairment of trade receivables (Note 5.1) | (6,017,252) | (6,141,337) |
| | <u>73,868,053</u> | <u>59,908,318</u> |
| | <u>-</u> | <u>-</u> |
| Trade receivables | <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 N44.68billion (2021: N37.9billion). 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.

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

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| 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.

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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.

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

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

| Receivables from related parties | Nature of relationship | 31 December 2022 N'000 | 31 December 2021 N'000 |
|-----------------------------------------|-------------------------------|---------------------------------------|---------------------------------------|
| 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 |
| | | <u>20,918,624</u> | <u>16,374,790</u> |

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.

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| | 31 December | 31 December |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| | 2022 | 2021 |
| | N'000 | 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 | - |
| | 40,108 | 39,468 |
| 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 | 34,967,736 | 31,127,668 |
| 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 whole 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 | 2,956,132 | 2,839,001 |
| 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 |
| | 183 | 183 |

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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 |
| | <u>1,026,489</u> | <u>1,066,349</u> |
| Analysis of staff costs: | | |
| Cost of sales (Note 8) | 646,102 | 576,453 |
| Administrative expenses (Note 11) | 380,387 | 489,896 |
| | <u>1,026,489</u> | <u>1,066,349</u> |
| 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 |
| | <u>178,990</u> | <u>127,135</u> |
| Amount paid to the highest paid director (excluding pension contributions) | | |
| Fees | 62,784 | 62,784 |
| | <u>62,784</u> | <u>62,784</u> |
| Compensation of managers | | |
| Salaries and short-term employee benefits | 251,968 | 125,687 |
| Defined contribution | 11,962 | 5,967 |
| | <u>263,930</u> | <u>131,654</u> |

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

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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 |
| | <u>8</u> | <u>8</u> |

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 |
| | <u>17,166,275</u> | <u>10,073,446</u> |

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 |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'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).

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Statement of value added

| | 31 December 2022 | | 31 December 2021 | |
|----------------------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | N'000 | % | 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) | (660,076) | | (601,289) | |
| | <u>57,345,578</u> | | <u>44,266,255</u> | |
| Other operating income | 189,109 | | 123,581 | |
| 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.

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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 | 37,963,976 | 34,006,137 | 24,536,132 | 13,586,138 | 22,590,869 |
| 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 | 37,963,976 | 34,006,137 | 24,536,132 | 13,586,138 | 22,590,869 |
| 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 | 17,283,406 | 19,543,450 | 11,522,148 | 4,110,924 | 21,401,842 |

STATUTORY AND GENERAL INFORMATION

Incorporation and Share Capital History

Transcorp Power is a subsidiary of Transnational Corporation Plc. The Company, which was formerly known as Transcorp Ughelli Power Limited, was registered on the 24th day of September 2012 as a private limited liability company under Nigerian law and was renamed "Transcorp Power Limited on 2 November 2015. The Company is the power generation arm of Transnational Group engaging in electricity power generation activities.

By a resolution of the shareholders of the Company dated 19 December 2023, the Company was authorized to be re-registered as a public limited liability company and its name changed from Transcorp Power Limited to Transcorp Power Plc. The company is regulated by the Nigerian Electricity Regulatory Commission (NERC).

Shareholding Capital History

At incorporation in September 2012, Transcorp Power had an issued share capital of ₦33,075,766 (Thirty-Three Million, Seventy-Five Thousand, Seven Hundred and Sixty-Six Naira), divided into 66,151,532 (Sixty-Six Million, One Hundred and Fifty-One Thousand, Five Hundred and Thirty-Two) ordinary shares of 0.50k (Fifty Kobo) each. As at the date of this Information Memorandum, Transcorp Power has a total share capital of ₦3,750,000,000.00 (Three Billion, Seven Hundred and Fifty Million Naira), divided into 7,500,000,000 (Seven Billion, Five Hundred Million) ordinary shares of 0.50k (Fifty Kobo) each.

| Year | Issued and Fully Paid-up shares (₦'000) | | Consideration |
|-------|-----------------------------------------|---------------|-------------------|
| | Increase | Cumulative | |
| 2012 | 33,075,766 | 33,075,766 | Cash |
| 2019 | 4,000,317 | 37,076,083 | Bonus |
| 2020 | 2,392,006 | 39,468,089 | Bonus |
| 2022 | 640,118 | 40,108,207 | Bonus |
| 2023 | 2,625,435 | 42,733,642 | Bonus |
| 2023 | 3,707,116,358 | 3,749,850,000 | Bonus |
| 2023* | 150,000 | 3,750,000,000 | Private Placement |

*the private placement was concluded on 29 December 2023.

Shareholding Structure

As at the date of this Information Memorandum, the 7,500,000,000 (Seven Billion, Five Hundred Million) ordinary shares of 0.50k (Fifty Kobo) each in the issued ordinary share capital of Transcorp Power are held as follows:

STATUTORY AND GENERAL INFORMATION

| Shareholder | No. of Ordinary Shares Held | % |
|------------------------------------------|-----------------------------|------------|
| Transnational Corporation of Nigeria Plc | 3,867,409,275 | 51.565% |
| Rich Point Limited | 2,495,397,989 | 33.272% |
| Woodrock Energy Resources Limited | 559,306,833 | 7.457% |
| Seaforce Investments Limited | 270,090,271 | 3.601% |
| Thomassen Holding Limited | 192,898,381 | 2.572% |
| PSL Engineering & Control Limited | 9,298,011 | 0.124% |
| Mr. Nnorom Emmanuel | 17,549,873 | 0.234% |
| Dr. Omogiafo Owen, OON | 17,549,873 | 0.234% |
| Mr. Ezeafulukwe Christopher | 10,968,671 | 0.146% |
| Mr. Nwanze Samuel | 8,774,937 | 0.117% |
| HH Capital Limited | 50,455,886 | 0.673% |
| United Capital Trustee Limited | 300,000 | 0.004% |
| Total | 7,500,000,000 | 100 |

The shares held by the shareholders indicated above have been issued and fully paid.

Directors Beneficial Interest

The interests of the directors of Transcorp Power in the issued share capital of the Company as recorded in the Company's register of members as at the date of this Information Memorandum are as follows:

| Name | Direct Holdings | Indirect Holdings | Total |
|----------------------------|-----------------|-------------------|------------|
| Mr. Emmanuel N. Nnorom | 17,549,873 | 0.00 | 17,549,873 |
| Mr. Peter Ikenga | 0.00 | 0.00 | 0.00 |
| Dr. Owen D. Omogiafo, OON | 17,549,873 | 0.00 | 17,549,873 |
| Mr. Adim Jibunoh | 0.00 | 0.00 | 0.00 |
| Mr. Peter Hertog | 0.00 | 0.00 | 0.00 |
| Prof. Sylvester Monye, MFR | 0.00 | 0.00 | 0.00 |
| Mr. Risqua Muhammed | 0.00 | 0.00 | 0.00 |
| Mr. Vincent Ozoude | 0.00 | 0.00 | 0.00 |

Indebtedness

As of 30th of September 2023, the Company's indebtedness stood at ₦38,998,824,445 (Thirty-Eight Billion, Nine Hundred and Ninety-Eight Million, Eight Hundred and Twenty-Four Thousand, Four Hundred and Forty-Five Naira) in the ordinary course of business. This represents total borrowings from related parties, and third parties.

Summary of Claims and Litigations

As of November 7, 2023, Transcorp Power Plc is involved in six cases (the suits) wherein the company is involved in five of the suits as a defendant and one as a claimant. The total claim against Transcorp Power Plc in the suits is ₦1,201,180,000.00 (One billion, two hundred and one million, one hundred and eighty thousand naira). The Company is also claiming ₦100,000,000.00 (One hundred million naira) in one of the suits.

Based on the review of the suits by the Solicitors, they think that the portion of the contingent liability in the suits that are realistically likely to materialize will neither impact the Company significantly nor affect the ability of the Company to undertake the transaction, as the subject matter of the suits are not connected to the Transaction.

STATUTORY AND GENERAL INFORMATION

Subsidiaries and Associate Companies

As at the date of this Memorandum, the Company has subsidiaries or associate companies.

Extracts from the Memorandum and Articles of Association

- A. to take over as a going concern the electricity power generation activities and related businesses of Ughelli Power Station, and in this regard, to acquire, hold, take up and utilise such assets and employees of the Ughelli Power Station; meet and/or make good such liabilities; assume and enjoy such rights; and undertake and fulfil such obligations and functions that pertain to, or may be incidental to the generating, transmitting, distributing, converting, loading, recycling, supplying, sale and marketing of electricity, energy and power of all capacities or descriptions and acquiring, building, operating and managing electricity power generation stations, plants, dams and turbines in accordance with applicable laws; to commence and carry on the business of electricity power generation, and wholesale supply for domestic, commercial, industrial and factory use, lighting heating or any other purpose whatsoever, for consumption in Nigeria and for export to neighbouring countries, and to that effect to enter into such contracts for the sale of electric power as may be necessary for the furtherance of the Company's objects.
- B. to construct, reconstruct, own, maintain, manage and operate electric power generating stations, either alone or in partnership with others, together with such other buildings and works necessary for carrying out its objects including the abstraction of water from any lake, river, stream or other natural source, and the doing of all such acts as may be necessary for the purpose of utilizing and returning the water so abstracted.
- C. to carry on the trade or business of engineers, founders, smiths, metal workers, machinists, manufacturers and patentees of boilers, turbines, pumps, and other auxiliary services and/or facilities.
- D. to purchase or sell electrical power and provide such other ancillary services to and/or through trading companies, distribution companies, transmission companies and eligible customers, and to that effect enter into contracts with such transmission companies, distribution companies, and eligible customers.
- E. to carry on the business of electrical, mechanical, civil, structural, environmental, motor and general engineers, and manufacturers, workers and dealers in electrical apparatus and goods and the manufacture, sale or hire of apparatus or goods to which the application of electricity or any like power, or any power that can be used as a substitute, therefore, is or may be useful, convenient or ornamental, or any other business of like nature.
- F. to supply or be supplied with all such materials, products and things that may be necessary, incidental or convenient in connection with the generation, use, regulation, measurement, supply and distribution of electric power.

Classes of Shares

Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, subject to such conditions as may be prescribed in the terms of issue or by the articles.

Share Transfers

(1) Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.

STATUTORY AND GENERAL INFORMATION

- (2) No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- (3) The company may retain any instrument of transfer which is registered.
- (4) The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- (5) The directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

Transmission of Shares

- (1) If title to a share passes to a transmittee, the company may only recognise the transmittee as having any title to that share.
- (2) A transmittee who produces such evidence of entitlement to shares as the directors may properly require—
 - a. may, subject to the articles, choose either to become the holder of those shares or to have them transferred to another person, and
 - b. subject to the articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- (3) But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

Surrender of Shares

- (1) A member may surrender any share to the company as a gift
- (2) The directors may accept the surrender of any such share.
- (3) The effect of surrender on a share is the same as the effect of forfeiture on that share.
- (4) A share which has been surrendered may be dealt with in the same way as a share which has been forfeited.

Attendance and Speaking at General Meetings

- (1) A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- (2) A person is able to exercise the right to vote at a general meeting when—
 - a. that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
 - b. that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- (3) The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- (4) In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- (5) Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

Chairing of General Meetings

- (1) If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.
- (2) If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within five minutes of the time at which a meeting was due to start—
 - a. the directors present, or
 - b. (if no directors are present), the meeting, must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting

STATUTORY AND GENERAL INFORMATION

c. The person chairing a meeting in accordance with this article is referred to as “the chairman of the meeting”.

Casting Vote

1. If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.
2. But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

Mergers and Acquisitions

As at the date of this Memorandum, the Company has not received any merger or takeover offer from a third party in respect of its securities nor has the Company made any merger or takeover offer to any other entity.

Material Contracts

TPP has not entered into any material contracts other than in the ordinary course of its business.

Potential Conflict of Interest

The Chairman, Directors, Company Secretary, and all members of the management team have no conflicts of interest between their duties to the Company and their private duties.

Relationship between the Company and its advisers

There is no relationship between the Company and any of the advisers except in the ordinary course of business.

SOLICITORS OPINION ON CLAIMS AND LITIGATION

6 Broad Street, Lagos, Nigeria
T: +234 1 4607890



Able House (2nd Floor), 1st Avenue, off Ahmadu Bello Way,
Central Business District, Wuse II, Abuja, Nigeria
T: +234 1 8888881

January 4, 2023

The Managing Director
Nigerian Exchange Limited
Stock Exchange House
2-4 Customs Street
Lagos
Nigeria

Dear Sir,

Listing by Introduction of Transcorp Power Plc on Nigerian Exchange Limited - Opinion on Claims and Litigation

We act as Solicitors to Transcorp Power Limited (the "Company") in respect of the proposed listing of the Company by way of introduction on the main board of the Nigerian Exchange Limited (the "Transaction"). The Company is a private limited liability company registered in Nigeria.

As at November 7, 2023, the Company confirmed to us that it is involved in six (6) cases (the "Suits"), wherein the Company is involved in five (5) of the Suits as a defendant and in one (1) as a claimant. The total claim against the Company in the Suits is ₦1,201,180,000 (One Billion, Two Hundred and One Million, One Hundred and Eighty Thousand Naira). The Company is also claiming ₦100,000,000 (One Hundred Million Naira) in one of the suits.

Based on our review of the Suits, we are of the opinion that the portion of the contingent liability in the Suits that are realistically likely to materialize will neither impact the Company significantly nor affect the ability of the Company to undertake the Transaction, as the subject matter of the Suits are not connected to the Transaction.

Yours faithfully,

Prof. Gbolahan Elias, SAN
For: G. Elias

GElias/ProjectTurbo/COR/GE/001/02012024

G. Elias is a member of Multilaw, a leading global alliance of independent law firms with offices in over ninety countries.

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CONSENTS

The following parties have given and have not withdrawn their consents to act as parties to the Listing with their names included, in the form and context in which they appear:

| | |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Chairman | Mr. Emmanuel N. Nnorom |
| Non-Executive Directors | Dr. Owen Omogiafo, OON Adim Jibunoh Peter Hertog Risqua Muhammed Sylvester Monye, MFR (Independent) Vincent Ozoude |
| Chief Executive Officer | Peter Ikenga |
| Company Secretary | Stanley Chikwendu |
| Lead Financial Adviser | United Capital Plc |
| Joint Financial Adviser | Vetiva Advisory Services Limited |
| Solicitors | G. Elias |
| Stockbroker | United Capital Securities Limited |
| Registrar | Africa Prudential Plc |
| Auditor to the Company | Deloitte Nigeria |