

TRANSCORP POWER LIMITED

ANNUAL REPORTS AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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Corporate information

Company Registration

No. RC 1067143

Registered Office 38 Glover Road, Ikoyi
Lagos
Nigeria.

Plant address Transcorp Power Complex
KM 20 Warri/Patani Highway
Ughelli
Delta State.

Board of Directors

| | |
|----------------------------|--|
| Mr Emmanuel Nnorom | Chairman |
| Mr. Peter Ikenga | Non Executive Director (Appointed February 19, 2021) |
| Mr. Adim Jibunoh | Non Executive Director |
| Mr. Peter Hertog (Dutch) | Non Executive Director |
| Mr. Risqua Muhammed | Non Executive Director |
| Mr. Valentine Ozigbo | Non Executive Director (Resigned April 24, 2021) |
| Prof. Sylvester Monye | Non Executive Director |
| Mr. Sam Nwaeze | Non Executive Director (Resigned February 19, 2021) |
| Mrs. Owen Omogiafo | Non Executive Director |
| Mr Christopher Ezeafulukwe | Managing Director |
| Ms. Okaima Ohizua | Executive Directors (Resigned June 1, 2021) |
| Mr. Vincent Ozoude | Non Executive Director (Appointed February 19, 2021) |

Auditors

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

Bankers

Fidelity Bank Plc
United Bank for Africa Plc

Company Secretary

Kofo Olokun-Olawoyin
38 Glover Road
Ikoyi, Lagos, Nigeria.

Reports of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, to the members of Transcorp Power Limited ("the Company"). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

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

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

The address of its registered office is:

38 Glover Road, Ikoyi
Lagos
Nigeria.

Principal activities

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

| Results | 31 December 2021 N'000 | 31 December 2020 N'000 |
|--------------------------|---------------------------------------|---------------------------------------|
| | <u> </u> | <u> </u> |
| Revenue | 74,330,710 | 65,118,677 |
| Profit before income tax | 23,090,387 | 11,997,910 |
| Income tax expense | <u>(3,546,936)</u> | <u>(475,762)</u> |
| Profit for the year | <u>19,543,451</u> | <u>11,522,148</u> |

Directors

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

| | |
|----------------------------|--|
| Mr Emmanuel Nnorom | Chairman |
| Mr. Peter Ikenga | Non Executive Director (Appointed February 19, 2021) |
| Mr. Adim Jibunoh | Non Executive Director |
| Mr. Peter Hertog (Dutch) | Non Executive Director |
| Mr. Risqua Muhammed | Non Executive Director |
| Mr. Valentine Ozigbo | Non Executive Director (Resigned April 24, 2021) |
| Prof. Sylvester Monye | Non Executive Director |
| Mr. Sam Nwanze | Non Executive Director (Resigned February 19, 2021) |
| Mr. Vincent Ozoude | Non Executive Director (Appointed February 19, 2021) |
| Mrs. Owen Omogiafo | Non Executive Director |
| Mr Christopher Ezeafulukwe | Managing Director |
| Ms. Okaima Ohizua | Executive Director (Resigned June 1, 2021) |

Reports of the Directors (cont'd)

Directors' interests in contracts

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

Directors' shareholding

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

| Full Name | Position | Direct Holding | Indirect Holding | Companies represented by indirect holding |
|----------------------------|------------------------|----------------|------------------|---|
| Mr Emmanuel Nnorom | Non Executive Director | N/A | N/A | N/A |
| Mr. Peter Ikenga | Non Executive Director | N/A | N/A | N/A |
| Mr. Adim Jibunoh | Non Executive Director | N/A | N/A | N/A |
| Mr. Peter Hertog (Dutch) | Non Executive Director | N/A | 2,003,466 | Thomassen Holding Limited |
| Mr. Risqua Muhammed | Non Executive Director | N/A | 9,858,713 | Woodrock Energy Resources Limited |
| Mr. Valentine Ozigbo | Non Executive Director | N/A | N/A | N/A |
| Prof. Sylvester Monye | Non Executive Director | N/A | N/A | N/A |
| Mr. Sam Nwaeze | Non Executive Director | N/A | 23,835,197 | Rich Point Limited |
| Mrs. Owen Omogiafo | Non Executive Director | N/A | 40,167,387 | Transnational Corporation of Nigeria Plc |
| Mr Christopher Ezeafulukwe | Managing Director | N/A | N/A | N/A |
| Ms. Okaima Ohizua | Executive Director | N/A | N/A | N/A |
| Mr. Vincent Ozoude | Non Executive Director | N/A | N/A | N/A |

Shareholding

According to the register of members at 31 December 2021, the shareholding in the Company was as follows:

| | Number of shares held | Percentage |
|--|-----------------------|-------------|
| Transnational Corporation of Nigeria Plc | 40,167,387 | 50.9% |
| Rich Point Limited | 23,835,197 | 30.2% |
| Woodrock Energy Resources | 9,858,713 | 12.5% |
| Seaforce Investments Limited | 2,974,844 | 3.8% |
| Thomassen Holding Limited | 2,003,466 | 2.5% |
| PSL Engineering and Control Limited | 96,570 | 0.1% |
| | 78,936,177 | 100% |

Reports of the Directors (cont'd)

Equal employment opportunity

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

Employment of disabled persons

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

Employee health, safety and welfare

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

Employee training and involvement

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

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

The Company has a Code of Conduct which guides all Board, Staff, Contractors, Suppliers, Consultants and business partners in areas of Health and Safety, Anti-bribery, ethical behaviour, Money laundering, Securities Trading Policy, Insiders' dealings, Discrimination, Drugs, Alcohol, and Substance abuse or trafficking, Conflict of Interest disclosures, Anti-Trust, Relationships with Customers, Information Security Management and more. Each staff and Director are made to sign an undertaking to abide by the Company's Code of Conduct.

Compliant Management Procedure

In line with the Securities and Exchange Commission (SEC) rule, a dedicated process and feedback mechanism for the management and resolution of shareholders' complaints is in place and can also be accessed on the Company's website.

Risk Management Policy and Practices

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

Reports of the Directors (cont'd)

Property, plant and equipment

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

Format of the financial statements

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

Events after the reporting date

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

Donations/charitable gifts

The company made donations of N494 million during the year (2020: N230.6 million) to support various organizations. This is disclosed in Note 11.

Auditors

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

By Order of the Board



Olokun-Olawoyin Kofoworola
Company Secretary
FRC/2021/004/00000023325

17 March 2022

Statement of Directors' responsibilities

The Directors of Transcorp Power Limited are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2021, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act 2020, and the Financial Reporting Council of Nigeria Act, 2011.

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

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

Going Concern

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

Certification of Financial Statement

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

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

We state that management and directors:

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

Statement of Directors' responsibilities (cont'd)

We have disclosed:

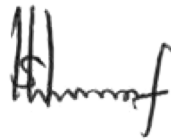
- (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data, and has identified for the company's auditors any material weaknesses in internal controls, and
- (ii) whether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

The financial statements of the Company for the year ended 31 December 2021 were approved by the Directors on 17 March 2022.

On behalf of the Directors of the Company.



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



Emmanuel Nnorom
Chairman
FRC/2014/ICAN/00000007402

Independent Auditor's report

To the shareholders of Transcorp Power Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Transcorp Power Limited** set out on pages 4 to 60, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of financial position of **Transcorp Power Limited** as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act (CAMA) 2020, and Financial Reporting Council Act 2011.

Basis for Opinion

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

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

Other Information

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

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



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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020, the Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

Report on Other Legal and Regulatory Requirements

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

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



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

For: Deloitte & Touche

Chartered Accountants

Lagos, Nigeria

25 March 2022



Statement of profit or loss and other comprehensive income

| | Notes | 31 December 2021 N'000 | 31 December 2020 N'000 |
|---|--------------|---------------------------------------|---------------------------------------|
| Continuing operations | | | |
| Revenue from contracts with customers | 7 | 74,330,710 | 65,118,677 |
| Cost of sales | 8 | <u>(39,711,271)</u> | <u>(38,811,751)</u> |
| Gross profit | | 34,619,439 | 26,306,926 |
| Other operating income | 9 | 123,581 | 788,737 |
| Impairment loss/(reversal) on financial assets | 12 | (346,932) | (4,223,766) |
| Administrative expenses | 11 | <u>(4,551,196)</u> | <u>(2,786,263)</u> |
| Operating profit | | 29,844,892 | 20,085,634 |
| Finance income | 10 | 1,105,327 | 407,818 |
| Finance cost | 10 | <u>(7,859,832)</u> | <u>(8,495,542)</u> |
| Profit before income tax | 10.1 | 23,090,387 | 11,997,910 |
| Income tax expense | 13 | <u>(3,546,936)</u> | <u>(475,762)</u> |
| Profit for the year | | <u>19,543,451</u> | <u>11,522,148</u> |
| Basic and diluted earnings per share (N) | 14 | <u>251.88</u> | <u>153.84</u> |

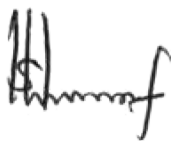
The notes on pages 8 to 57 are an integral part of these financial statements.

Statement of financial position
As at 31 December 2021

| | Notes | 31 December 2021 N'000 | 31 December 2020 N'000 | 1 January 2020 N'000 |
|---------------------------------------|-----------|------------------------------|------------------------------|----------------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 15 | 54,032,161 | 49,376,871 | 51,757,081 |
| Intangible asset | 16 | 9,701,191 | 9,701,191 | 9,701,191 |
| Investment | 22 | 1,525,563 | - | - |
| Deferred tax assets | 13 | 659,646 | 1,183,803 | 1,084,306 |
| | | 65,918,561 | 60,261,865 | 62,542,578 |
| Current assets | | | | |
| Inventories | 17 | 3,748,019 | 3,773,337 | 3,910,219 |
| Trade and other receivables | 18** | 77,001,193 | 88,311,252 | 75,601,625 |
| Cash and cash equivalents | 19 | 8,746,571 | 579,658 | 1,819,082 |
| Total current assets | ** | 89,495,783 | 92,664,247 | 81,330,926 |
| Total assets | ** | 155,414,344 | 152,926,112 | 143,873,504 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 25 | 39,468 | 39,468 | 37,076 |
| Share premium | 26 | 31,127,668 | 31,127,668 | 26,346,049 |
| Retained earnings | 27** | 2,839,001 | (6,631,004) | (12,796,987) |
| Total equity | ** | 34,006,137 | 24,536,132 | 13,586,138 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 21 | 20,590,468 | 55,977,561 | 52,182,202 |
| Deferred tax liabilities | 13 | - | - | - |
| | | 20,590,468 | 55,977,561 | 52,182,202 |
| Current liabilities | | | | |
| Trade and other payables | 20 | 73,340,621 | 70,265,489 | 67,300,386 |
| Current tax payable | 13.1 | 3,191,123 | 743,453 | 580,866 |
| Interest-bearing loans and borrowings | 21 | 24,285,995 | 1,403,477 | 10,223,912 |
| | | 100,817,739 | 72,412,419 | 78,105,164 |
| Total liabilities | | 121,408,207 | 128,389,980 | 130,287,366 |
| Total equity and liabilities | | 155,414,344 | 152,926,112 | 143,873,504 |

** represents prior period balances restated during the reporting year. (see notes 18.1 and 25)

The financial statements on pages 8 to 57 were approved by the Board of Directors on 17 March 2022 and signed on its behalf by:



Emmanuel Nnorom
Chairman, Board of Directors
FRC/2014/ICAN/00000007402



Evans Okpogoro
Chief Finance Officer
FRC/3722021001000000023056



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

The notes on pages 8 to 57 are an integral part of these financial statements.

Statement of changes in equity

| | Share capital N'000 | Share premium N'000 | Retained earnings N'000 | Total N'000 |
|---|---------------------------|---------------------------|-------------------------------|---------------------|
| Balance at 31 December 2019 (As previously stated) | 37,076 | 26,346,049 | 6,187,226 | 32,570,351 |
| Claw back on over billed amount (Note 18.1) | - | - | (18,984,213) | (18,984,213) |
| Balance at 31 December 2019 (As restated) | 37,076 | 26,346,049 | (12,796,987) | 13,586,138 |
| Profit for the year | - | - | 11,522,148 | 11,522,148 |
| Right Issues | 2,392 | 4,781,619 | - | 4,784,011 |
| Interim dividends (Note 30) | - | - | (5,356,165) | (5,356,165) |
| Balance at 31 December 2020 | 39,468 | 31,127,668 | (6,631,004) | 24,536,132 |
| Profit for the year | - | - | 19,543,451 | 19,543,451 |
| Interim dividends (Note 30) | - | - | (10,073,446) | (10,073,446) |
| Balance at 31 December 2021 | 39,468 | 31,127,668 | 2,839,001 | 34,006,137 |

The notes on pages 8 to 57 are an integral part of these financial statements.

Statement of cashflow

| | | 31 December 2021 N'000 | 31 December 2020 N'000 |
|---|--------------|------------------------------|------------------------------|
| | Notes | | |
| Cash generated from operations | | | |
| Profit before tax | | 23,090,387 | 11,997,910 |
| Adjustment to reconcile profit before tax to net cash flows: | | | |
| Depreciation of property, plant and equipment | 15 | 3,405,149 | 3,108,739 |
| Finance income | 10 | (1,105,327) | (407,818) |
| Finance cost | 10 | 7,859,832 | 8,495,542 |
| Impairment allowance on financial assets | 12 | 346,932 | 4,223,766 |
| Working capital adjustments: | | | |
| Decrease/(increase) in trade and other receivables | | 11,310,059 | (12,709,627) |
| Decrease in inventories | | 25,318 | 136,882 |
| Decrease in trade and other payables | | (5,313,592) | (2,965,102) |
| Cash flows from operating activities | | 39,618,758 | 11,880,292 |
| Tax paid | 13.1 | (575,108) | (412,671) |
| Net cash flows from operating activities | | 39,043,650 | 11,880,292 |
| Investing activities | | | |
| Purchase of property, plant and equipment | 15 | (8,060,439) | (728,529) |
| Investment in bonds | 22 | (1,523,063) | - |
| Interest income | | 1,110,227 | 407,818 |
| Net cash used in investing activities | | (8,473,275) | (320,711) |
| Financing activities | | | |
| Dividend paid | | (6,980,937) | (2,349,624) |
| Proceeds from borrowings | 21.2 | 22,882,518 | 33,185,657 |
| Repayments of borrowings | 21.2 | (37,000,471) | (42,807,298) |
| Net cash used in financing activities | | (21,098,890) | (11,971,265) |
| Net movement in cash and cash equivalents | | 9,471,485 | (411,684) |
| Cash and cash equivalents at the beginning of the year | | (724,914) | (313,230) |
| Cash and cash equivalents at the end of the year | 19 | 8,746,571 | (724,914) |

The notes on pages 8 to 57 are an integral part of these financial statements.

Notes to the financial statements

1 General information

Transcorp Power Limited (formerly Transcorp Ughelli Power Limited) ("the Company") was incorporated in Nigeria on 24 September 2012 under the Companies and Allied Matters Act (CAMA), 2020 as amended as a private limited liability company, and is domiciled in Nigeria. The Company is a subsidiary of Transnational Corporation of Nigeria Plc (Transcorp).

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

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

1.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and 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 2021 to 31 December 2021, with comparative figures for the financial year ended 31 December 2020.

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 the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2.1.1 Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

"The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.
- d) The directors do not envisage the impact arising from the application of this amendment as the entity do not have lease"

2.1.2 Interest rate benchmark amendments

In the current year, the company adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The company has not restated the prior period.

2.1.3 Amendments to IAS 1 Presentation of Financial Statements

In the current year, the company has applied the below amendments to the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an company 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.

Notes to the financial statements

2.1.4 Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

"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 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

2.1.5 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted

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

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts |
| IFRS 10 and IAS 28 (amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to IAS 1 and IFRS practice statement 2 | Classification of Liabilities as Current or Non-current |
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IAS 16 | Property, Plant and Equipment—Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements to IFRS Standards 2018-2020 Cycle | Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture |
| Amendments to IAS 8 | Definition of accounting estimates |
| Amendments to IAS 12 | Deferred tax related to asset and liabilities arising from 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 Group in future periods, except as noted below:

Notes to the financial statements

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

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach."

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 IASB 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 IASB 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.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IFRS 10 and IAS 28 – 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 amendments has yet to be set by the International Accounting Standards Board; however, earlier application of the amendments is permitted. The directors of the Company do not anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transactions arise.

Notes to the financial statements

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

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

"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.

Amendments to IFRS 3 – Reference to the Conceptual Framework

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, 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.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier."

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

"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.

Notes to the financial statements

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

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use (cont'd)

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise 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 the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

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 amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise 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 the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Notes to the financial statements

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

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted."

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated."

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 pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Notes to the 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 amortised cost. Financial assets and liabilities are usually measured at fair values.

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 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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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 categorize the different revenue stream detailed below.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

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 customizing, other promised goods or services in the contract

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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

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).

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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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

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.

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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

c) Current and deferred tax (cont'd)

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).

(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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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.

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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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 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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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.

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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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

i) Initial recognition and measurement (cont'd)

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 marketplace (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).

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."

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)

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.

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).

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)

Impairment of financial assets (cont'd)

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;
- 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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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."

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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

ii) Financial liabilities (cont'd)

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.

Subsequent to initial recognition, inventory is measured at the lower of cost and net realisable value. Any writedown 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.

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Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

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.

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.

Notes to the financial statements

3.2 Summary of significant accounting policies (cont'd)

m) Fair value measurement (cont'd)

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 amortised 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, CAMA 2020, 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.

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.

Notes to the financial statements

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.

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.

Notes to the financial statements

3.3.2 Key sources of estimation uncertainties (cont'd)

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 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 2021 N'000 | 31 December 2020 N'000 |
|---|---------------------------------------|---------------------------------------|
| Interest-bearing loans and borrowings (Note 21.2) | 44,876,463 | 57,381,038 |
| Less: cash and cash equivalent (Note 19) | <u>(8,746,571)</u> | <u>(579,658)</u> |
| Net debt | 36,129,892 | 56,801,380 |
| Total capital: Equity | <u>34,006,137</u> | <u>40,985,070</u> |
| Capital and net debt | <u>70,136,029</u> | <u>97,786,450</u> |
| Gearing ratio | 52% | 58% |

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 risks 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.

Foreign currency denominated balances

| | 31 December 2021 N'000 | 31 December 2020 N'000 |
|-----------------------------------|---------------------------------------|---------------------------------------|
| Cash and bank balances: | 11,276 | 164,546 |
| USD | 26 | 441 |
| Financial liabilities: | | |
| Other payables | 577,680 | 131,925 |
| USD | 1,392 | 322 |
| Borrowings | 20,789,051 | 22,729,050 |
| USD | 47,791 | 56,776 |

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 2021 N'000 | 31 December 2020 N'000 |
|--|---------------------------------------|---------------------------------------|
| Impact on profit or loss | | |
| US/NGN exchange rate- increase 2% (2020: 2%) | 427,109 | 453,929 |
| US/NGN exchange rate- decrease 2% (2020: 2%) | 427,109 | 453,929 |

e) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(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.

Notes to the financial statements

5.1 Financial risk factors (cont'd)

e) Credit Risk (cont'd)

(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.

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

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 |

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 | 1.49% | 2.03% | 3.33% | 3.95% | 3.95% | 3.95% | 8.60% | |
| Estimated total gross carrying amount at default | 5,681,334 | 6,265,817 | 4,838,537 | 2,551,932 | 4,427,159 | 22,719,745 | 53,464,736 | 99,949,260 |
| Expected credit loss | 84,413 | 127,500 | 161,122 | 100,801 | 174,873 | 897,430 | 4,596,495 | 6,142,634 |

Notes to the financial statements

5.1 Financial risk factors (cont'd)

e) Credit Risk (cont'd)

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

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

| <i>In thousands of Naira</i> | 2021 | 2020 |
|--|-------------------------|-------------------------|
| Balance as at 1 January | 6,142,634 | 2,128,637 |
| Provision for expected credit losses (Note 12) | (1,297) | 4,013,997 |
| Balance at 31 December | <u>6,141,337</u> | <u>6,142,634</u> |

(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.

Notes to the financial statements

5.1 Financial risk factors (cont'd)

e) Credit Risk (cont'd)

(iv) Impairment of other financial assets (cont'd)

Expected credit loss measurement - other financial assets (cont'd)

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.

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 2021

| Key drivers | | Assigned Probabilities | ECL Scenario | 2021 |
|------------------------------|-----|---------------------------|-----------------|-------|
| Crude Oil Price (USD) | | | | |
| | 10% | Upturn | 52.30 | 53.50 |
| | 80% | Base | 51.9 | 52.7 |
| | 10% | Downturn | 49.98 | 50.78 |
| Unemployment rate % | | | | |
| | 10% | Upturn | 0.34 | 0.36 |
| | 80% | Base | 0.32 | 0.34 |
| | 10% | Downturn | 0.26 | 0.33 |
| Inflation rate % | | | | |
| | 10% | Upturn | 0.11 | 0.11 |
| | 80% | Base | 0.11 | 0.11 |
| | 10% | Downturn | 0.12 | 0.12 |

Notes to the financial statements

5.1 Financial risk factors (cont'd)

e) Credit Risk (cont'd)

(iv) Impairment of other financial assets (cont'd)

| 31 December 2020 | Assigned Probabilities | ECL Scenario | 2020 |
|------------------------------|---------------------------|-----------------|-------|
| Key drivers | | | |
| <i>EDTF 3</i> | | | |
| Crude Oil Price (USD) | | | |
| 10% | Upturn | 55.61 | 57.07 |
| 80% | Base | 53.5 | 54.96 |
| 10% | Downturn | 51.18 | 52.64 |
| Unemployment rate % | | | |
| 10% | Upturn | 0.26 | 0.26 |
| 80% | Base | 0.34 | 0.34 |
| 10% | Downturn | 0.36 | 0.36 |
| Inflation rate % | | | |
| 10% | Upturn | 0.11 | 0.11 |
| 80% | Base | 0.12 | 0.12 |
| 10% | Downturn | 0.12 | 0.12 |

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.

(f) 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.

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(f) Liquidity risk (cont'd)

Maturity analysis

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

| 31 December 2021 | 0 - 30 days | 31 - 180 | 181 - 365 | Over 1 year but | Over 5 years | Total |
|------------------------------|--------------------|------------------|------------------|--------------------------|---------------------|--------------------|
| Financial liabilities | N'000 | days | days | less than 5 years | N'000 | N'000 |
| Trade and other payables | 73,340,621 | - | - | - | - | 73,340,621 |
| Borrowings | 20,789,051 | 1,705,152 | 1,791,795 | 13,711,440 | 6,879,025 | 44,876,463 |
| | 94,129,672 | 1,705,152 | 1,791,795 | 13,711,440 | 6,879,025 | 118,217,084 |

| 31 December 2020 | 0 - 30 days | 31 - 180 | 181 - 365 | Over 1 year but | Over 5 years | Total |
|------------------------------|--------------------|-----------------|------------------|--------------------------|---------------------|--------------------|
| Financial liabilities | N'000 | days | days | less than 5 years | N'000 | N'000 |
| Trade and other payables | 70,265,488 | - | - | - | - | 70,265,488 |
| Borrowings | 1,403,477 | - | - | 44,810,837 | 11,166,724 | 57,381,038 |
| | 71,668,965 | - | - | 44,810,837 | 11,166,724 | 127,646,526 |

Notes to the financial statements

5.1 Financial risk factors (cont'd)

(f) Liquidity risk (cont'd)

Changes in liabilities arising from financing activities

| | 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 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) | - | 44,876,464 |
| Dividends payable (Net of WHT) | 2,457,098 | - | - | - | - | 9,066,101 | (5,220,549) | - | - | 6,302,650 |
| | 59,838,136 | - | 22,882,518 | (37,000,471) | 4,616,099 | 9,066,101 | (5,220,549) | (3,002,720) | - | 51,179,114 |
| | 1 January 2020 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-20 N'000 |
| Interest-bearing loans and borrowings | 62,406,114 | - | 33,185,657 | (43,635,038) | 7,558,504 | - | - | - | (2,134,199) | 57,381,038 |
| Dividends payable (Net of WHT) | 4,827,899 | (4,784,011) | - | - | - | 4,820,549 | (2,500,180) | - | 92,841 | 2,457,098 |
| | 67,234,013 | (4,784,011) | 33,185,657 | (43,635,038) | 7,558,504 | 4,820,549 | (2,500,180) | - | (2,041,358) | 59,838,136 |

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 | | Fair Amount | |
|---------------------------------------|-----------------|---------------|---------------|---------------|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Interest-bearing loans and borrowings | 44,876,463 | 57,381,038 | 44,876,463 | 57,381,038 |

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 2021:

Liabilities for which fair values are disclosed

| | Date of valuation | Total N'000 | Fair value measurement using | | |
|--|-------------------|----------------|---|---|---|
| | | | Quoted prices in active markets (Level 1) N'000 | Significant observable inputs (Level 2) N'000 | Significant unobservable inputs (Level 3) N'000 |
| Interest-bearing loans and borrowings: | 31-Dec-21 | 44,876,463 | - | 44,876,463 | - |
| Interest-bearing loans and borrowings: | 31-Dec-20 | 57,381,038 | - | 57,381,038 | - |

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 2021 N'000 | 31 December 2020 N'000 |
|--|------------------------------|------------------------------|
| Capacity charge | 25,713,965 | 24,364,425 |
| Energy delivered | 48,587,345 | 40,719,152 |
| Ancillary services | 29,400 | 35,100 |
| Total revenue from contracts with customers | 74,330,710 | 65,118,677 |
| Timing of revenue recognition | | |
| Services transferred over time | 74,330,710 | 65,118,677 |
| Total revenue from contracts with customers | 74,330,710 | 65,118,677 |
| Revenue generated from: | | |
| Local customers | 65,144,463 | 62,996,340 |
| International customers | 9,186,247 | 2,122,337 |
| Total revenue from contracts with customers | 74,330,710 | 65,118,677 |

There is no other revenue item outside IFRS 15

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

Notes to the financial statements

| | | 31 December | 31 December |
|-------------|---|---------------------------|---------------------------|
| 8 | Cost of sales | 2021 | 2020 |
| | | N'000 | N'000 |
| | Natural gas and fuel costs | 32,808,189 | 33,003,401 |
| | Salaries and wages | 576,453 | 696,450 |
| | Repairs and maintenance | 1,842,356 | 1,060,469 |
| | Depreciation (Note 11.1) | 3,360,425 | 3,050,117 |
| | Insurance | 244,504 | 240,708 |
| | Other direct expenses | 879,344 | 760,606 |
| | Total cost of sales | <u>39,711,271</u> | <u>38,811,751</u> |
| 9 | Other operating income | | |
| | Provision no longer required | - | 607,727 |
| | Other income | 123,581 | 181,010 |
| | | <u>123,581</u> | <u>788,737</u> |
| 10 | Finance income and finance costs | | |
| | Finance income | | |
| | Interest income | 1,105,327 | 407,818 |
| | | <u>1,105,327</u> | <u>407,818</u> |
| | Finance costs | | |
| | Interest expense on loans (Note 21.2) | (4,616,099) | (6,511,994) |
| | Other finance charges | (241,013) | (79,063) |
| | Foreign exchange gain on financing activities | (3,002,720) | (1,904,485) |
| | | <u>(7,859,832)</u> | <u>(8,495,542)</u> |
| | Net finance cost | <u>(6,754,505)</u> | <u>(8,087,724)</u> |
| 10.1 | Profit before income tax | | |
| | The profit after income taxation was arrived at after charging/(crediting): | | |
| | Depreciation | 3,405,149 | 3,108,739 |
| | Interest expense | 7,859,832 | 8,495,542 |
| | Interest income | (1,105,327) | (407,818) |
| | Auditors' remuneration | 30,000 | 24,000 |
| | Directors' remuneration | 127,135 | 102,533 |

Notes to the financial statements

| 11 | Administrative expenses | 31 December 2021 N'000 | 31 December 2020 N'000 |
|-----------|--------------------------------|---------------------------------------|---------------------------------------|
| | Auditors' remuneration | 30,000 | 24,000 |
| | Bank charges | 142,538 | 56,864 |
| | Depreciation (Note 11.1) | 44,724 | 58,622 |
| | Directors' remuneration | 127,135 | 102,533 |
| | Donations and CSR | 509,411 | 230,585 |
| | Bad debt write off | 435,254 | 46,649 |
| | Insurance | 4,496 | 1,827 |
| | Management fees | 1,336,237 | 697,375 |
| | Marketing and promotion | 25,526 | 32,340 |
| | Other operating expenses | 981,714 | 654,591 |
| | Pension cost | 21,166 | 22,085 |
| | Professional fees | 156,658 | 86,908 |
| | Rent and rates | 20,064 | 31,310 |
| | Repairs and maintenance | 55,509 | 43,708 |
| | Security services | 87,548 | 86,010 |
| | Staff costs | 468,730 | 523,122 |
| | Subscriptions and fees | 6,691 | 9,827 |
| | Travel and accommodation | 97,795 | 77,906 |
| | | <u>4,551,196</u> | <u>2,786,263</u> |

Included in staff cost is N172 million (2020: N147.5 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.

11.1 Total depreciation included in the statement of profit or loss

| | | 31 December 2021 N'000 | 31 December 2020 N'000 |
|---------------------------------------|-----------|---------------------------------------|---------------------------------------|
| Depreciation- Cost of sales | (Note 8) | 3,360,425 | 3,050,117 |
| Depreciation- Administrative expenses | (Note 11) | 44,724 | 58,622 |
| Total depreciation expense | | <u>3,405,149</u> | <u>3,108,739</u> |

12 Impairment loss/(reversal) on financial assets

| | | | |
|--|--|-----------------------|-------------------------|
| Trade receivables (Note 5) | | (1,297) | 4,013,997 |
| Due from related companies (Note 5) | | 348,229 | 209,769 |
| Total impairment loss on financial assets | | <u>346,932</u> | <u>4,223,766</u> |

Notes to the financial statements

13 Income tax

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

| | 31 December 2021 N'000 | 31 December 2020 N'000 |
|--|---------------------------------------|---------------------------------------|
| Current income tax | 2,417,299 | 165,788 |
| Education tax | 605,479 | 409,470 |
| | 3,022,778 | 575,258 |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | 524,158 | (99,496) |
| Income tax expense/(credit) reported in the statement of profit or loss | 3,546,936 | 475,762 |

13.1 The movement in tax payable is as follows:

| | | |
|-------------------------------------|------------------|----------------|
| Balance as at 1 January | 743,453 | 580,866 |
| Income tax for the year | 2,417,299 | 165,788 |
| Tertiary Education tax for the year | 605,479 | 409,470 |
| Tax paid during the year | (575,108) | (412,671) |
| | 3,191,123 | 743,453 |

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 2021 and 31 December 2020 is as follows:

| | 31 December 2021 N'000 | 31 December 2020 N'000 |
|--|---------------------------------------|---------------------------------------|
| Profit before tax | 23,090,386 | 11,997,910 |
| Tax at Nigeria Corporation Tax Rate of 30% (2020: 30%) | 6,927,116 | 3,599,373 |
| Tertiary Education tax | 604,325 | 409,470 |
| Nigeria Police Trust Fund | 1,155 | |
| Changes in recognised deductible income | (1,043,048) | (3,232,169) |
| Non-deductible expenses for tax purposes: | | |
| Donation and fines | (509,411) | (69,175) |
| Other non-deductible expenses | (2,433,201) | (114,427) |
| Income not subjected to tax | - | (117,310) |
| Tax credit for the year | 3,546,936 | 475,762 |

| | | |
|----------------------------------|------------|-----------|
| Effective income tax rate | 15% | 4% |
|----------------------------------|------------|-----------|

Notes to the financial statements

| | 31 December 2021 N'000 | 31 December 2020 N'000 |
|---|---------------------------------------|---------------------------------------|
| 13.3 Deferred tax assets | | |
| Deferred tax relates to the following: | | |
| Statement of financial position | | |
| Accelerated depreciation for tax purposes | 13,737,299 | 13,689,959 |
| Expected credit losses of debt financial assets | (2,192,279) | (1,919,952) |
| Unrealised FX losses | (975,884) | (571,345) |
| Losses available for offsetting against future taxable income | <u>(11,228,782)</u> | <u>(12,382,465)</u> |
| Net deferred tax (assets)/liabilities | <u>(659,646)</u> | <u>(1,183,803)</u> |
| Statement of profit or loss | | |
| Accelerated depreciation for tax purposes | 47,340 | 497,489 |
| Expected credit losses of debt financial assets | (272,327) | (1,272,199) |
| Unrealised FX losses | (404,539) | (530,971) |
| Losses available for offsetting against future taxable income | <u>1,153,684</u> | <u>1,206,185</u> |
| Deferred tax expense/(benefit) | <u>524,158</u> | <u>(99,496)</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 2021 N'000 | 31 December 2020 N'000 |
|---|---------------------------------------|---------------------------------------|
| Profit for the year attributable to shareholders (in ₦) | <u>19,543,451</u> | <u>11,522,148</u> |
| Weighted average number of shares in issue | <u>77,590</u> | <u>74,897</u> |
| Basic earnings per share (₦) | <u>251.88</u> | <u>153.84</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.

Notes to the financial statements

15 Property, plant and equipment

| | Land N'000 | Building N'000 | Furniture and fittings N'000 | Plant and machinery N'000 | Motor vehicles N'000 | Work in progress N'000 | Total N'000 |
|---------------------------------|----------------|-------------------|---------------------------------------|---------------------------------|----------------------------|------------------------------|-------------------|
| Cost | | | | | | | |
| 1 January 2020 | 442,348 | 1,766,473 | 240,985 | 64,112,916 | 136,872 | 1,854,900 | 68,554,494 |
| Additions | - | - | 22,905 | 408,737 | - | 296,887 | 728,529 |
| Reclassification | - | - | - | 213,182 | - | (213,182) | - |
| 31 December 2020 | 442,348 | 1,766,473 | 263,890 | 64,734,835 | 136,872 | 1,938,605 | 69,283,023 |
| 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 |
| Accumulated depreciation | | | | | | | |
| 1 January 2020 | - | 186,839 | 181,045 | 16,342,539 | 86,990 | - | 16,797,413 |
| Depreciation for the year | - | 34,393 | 44,332 | 3,010,303 | 19,711 | - | 3,108,739 |
| 31 December 2020 | - | 221,232 | 225,377 | 19,352,842 | 106,701 | - | 19,906,152 |
| 1 January 2021 | - | 221,232 | 225,377 | 19,352,842 | 106,701 | - | 19,906,152 |
| Depreciation for the year | - | 35,443 | 25,593 | 3,325,629 | 18,484 | - | 3,405,149 |
| 31 December 2021 | - | 256,675 | 250,970 | 22,678,471 | 125,185 | - | 23,311,301 |
| Carrying amounts | | | | | | | |
| At 31 December 2020 | 442,348 | 1,545,241 | 38,513 | 45,381,993 | 30,171 | 1,938,605 | 49,376,871 |
| At 31 December 2021 | 442,348 | 1,509,798 | 26,762 | 46,637,499 | 11,687 | 5,404,067 | 54,032,161 |

| 16 Intangible asset | 31 December 2021 N'000 | 31 December 2020 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 2021 and 2020, 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 2021 | 31 December 2020 |
|------------------------------|-----------------------------|-----------------------------|
| Budgeted gross margin % | 44% | 42% |
| Weighted average growth rate | 2.5% | 2.5% |
| Pre-tax discount rate | 16% | 16% |

| 17 Inventories | 31 December 2021 N'000 | 31 December 2020 N'000 |
|-----------------------|---------------------------------------|---------------------------------------|
| General stores | 3,633,575 | 3,700,531 |
| Stationery | 14,499 | 8,572 |
| Lubricant | 99,945 | 64,234 |
| | 3,748,019 | 3,773,337 |

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 N1.826 billion (2020: N1.060 billion). The impairment provision on inventory is based on specific identification of damaged items that are assessed as unlikely to be useable effectively for intended purposes. There was no inventory write-down during the year.

Notes to the financial statements

| 18 | Trade and other receivables | 31 December 2021 N'000 | 31 December 2020 N'000 | 1 January 2020 N'000 |
|-------------|--|---------------------------------------|---------------------------------------|-------------------------------------|
| | Trade receivables (Note 18.1) | 59,908,318 | 74,822,413 | 73,281,420 |
| | Due from related companies (Note 18.2) | 15,769,356 | 12,161,963 | 2,107,491 |
| | Prepayments | 37,779 | - | - |
| | Advances to suppliers | 711,112 | 34,755 | 17,022 |
| | Other receivables | 574,628 | 1,292,121 | 195,692 |
| | | <u>77,001,193</u> | <u>88,311,252</u> | <u>75,601,625</u> |
| | | 31 December 2021 N'000 | 31 December 2020 N'000 | 1 January 2020 N'000 |
| 18.1 | Trade receivables | 66,049,655 | 99,949,260 | 94,394,270 |
| | Trade receivables | 66,049,655 | 99,949,260 | 94,394,270 |
| | Less: provision for impairment of trade receivables (Note 5.1) | <u>(6,141,337)</u> | <u>(6,142,634)</u> | <u>(2,128,637)</u> |
| | | 59,908,318 | 93,806,626 | 92,265,633 |
| | Claw back on overbilled amount** | <u>-</u> | <u>(18,984,213)</u> | <u>(18,984,213)</u> |
| | Trade receivables restated | <u>59,908,318</u> | <u>74,822,413</u> | <u>73,281,420</u> |

** Claw back on overbilled amount represents the correction of income recognised in 2015 - 2018 arising from the overbilling of the Nigerian Bulk Electricity Trading Company (NBET) using incorrect gas cost rate in the determination of tariffs used in invoicing.

"NBET is invoiced for the energy and capacity transferred to the grid based on the Multi-Year Tariff Order 2 (MYTO) template issued by the Nigerian Electricity Regulatory Commission that guides the generation of the energy sales rate in the industry.

The error was due to the use of a gas cost rate from a single vendor rather than using a blended gas cost rate that would reflect the actual gas costs incurred by the company in the determination of the energy tariffs rate with which NBET was to be invoiced for the period

The correction of the error has been made retrospectively and has no tax implication as the company was under pioneer holiday during the period.

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.

Notes to the financial statements

18.1 Trade receivables (cont'd)

In 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 ₦37.9billion (2020 ₦30.0billion). The Board of Directors decided not to recognize but to disclose the interest income in the financial statements as no payment has been made by NBET.

| | | 31 December 2021 N'000 | 31 December 2020 N'000 |
|-------------|--|---------------------------------------|---------------------------------------|
| 18.2 | Due from related companies | | |
| | Receivables from related parties (Note 23.1) | 16,374,790 | 12,419,168 |
| | Less: provision for impairment | <u>(605,434)</u> | <u>(257,205)</u> |
| | | <u>15,769,356</u> | <u>12,161,963</u> |

19 Cash and cash equivalents

| | | | |
|--|---------------------------|-------------------------|-------------------------|
| | Cash in hand | 64 | 811 |
| | Cash at bank | 6,442,074 | 578,847 |
| | Fixed deposit | <u>2,304,433</u> | <u>-</u> |
| | Bank and cash balances | 8,746,571 | 579,658 |
| | Bank overdrafts | <u>-</u> | <u>(1,304,572)</u> |
| | Cash and cash equivalents | <u>8,746,571</u> | <u>(724,914)</u> |

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

| | | 31 December 2021 N'000 | 31 December 2020 N'000 |
|-----------|---------------------------------|---------------------------------------|---------------------------------------|
| 20 | Trade and other payables | | |
| | Trade payables | 59,369,634 | 61,319,275 |
| | Accrued professional fees | - | 22,775 |
| | Other payables | 5,253,977 | 2,618,554 |
| | Other accruals | 2,062,099 | 2,556,479 |
| | Withholding tax | 2,079,325 | 1,097,639 |
| | PAYE tax deductions | 1,598 | 2,213 |
| | Dividend payable | 4,542,263 | 2,457,098 |
| | Value added tax | <u>31,725</u> | <u>191,456</u> |
| | | <u>73,340,621</u> | <u>70,265,489</u> |

Notes to the financial statements

21 Financial assets and financial liabilities

| | 31 December 2021 N'000 | 31 December 2020 N'000 |
|---|---------------------------------------|---------------------------------------|
| 21.1 Financial assets | | |
| Debt instruments at amortised cost | | |
| Trade receivables (Note 18) | 59,908,318 | 93,806,626 |
| Due from related companies (Note 18.2) | 15,769,356 | 12,161,963 |
| | 75,677,674 | 105,968,589 |

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

21.2 Financial liabilities: Interest-bearing loans and borrowings

| | Maturity | 31 December 2021 N'000 | 31 December 2020 N'000 |
|--|-----------------|---------------------------------------|---------------------------------------|
| Bank overdraft | On demand | - | 1,304,572 |
| Term loan | 2022 - 2030 | 24,087,412 | 33,347,416 |
| \$215 million acquisition loan | 2023 | 20,789,051 | 22,729,050 |
| | | 44,876,463 | 57,381,038 |
| Total interest-bearing loans and borrowings | | 44,876,463 | 57,381,038 |
| Non-current | | 20,590,468 | 55,977,561 |
| Current | | 24,285,995 | 1,403,477 |
| | | 44,876,463 | 57,381,038 |

Movement in interest-bearing loans and borrowings

| | 31 December 2021 N'000 | 31 December 2020 N'000 |
|---|---------------------------------------|---------------------------------------|
| The movement in borrowings is as follows: | | |
| Balance as at 1 January | 57,381,038 | 62,406,114 |
| Additions | 22,882,518 | 33,185,657 |
| Interest accrued (Note 10) | 4,616,099 | 6,511,994 |
| Repayments | (37,000,471) | (43,635,038) |
| Foreign exchange difference | (3,002,720) | (1,087,689) |
| | 44,876,463 | 57,381,038 |
| Balance as at 31 December | 44,876,463 | 57,381,038 |

Notes to the financial statements

21.2 Financial liabilities: Interest-bearing loans and borrowings (cont'd)

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 +6.5%.

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.

| | | 31 December 2021 N'000 | 31 December 2020 N'000 |
|-------------------------------|--|---------------------------------------|---------------------------------------|
| 22 Investment | | | |
| Investment in shares | | 2,500 | - |
| Investment in bond securities | | 1,523,063 | - |
| | | 1,525,563 | - |

23 Related party transactions and balances

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

The parent company, Transnational Corporation of Nigeria Plc provided management services during the year to the Company.

23.1 Balances with related parties during the year

| | | 31 December 2021 N'000 | 31 December 2020 N'000 |
|--|-------------------------------|---------------------------------------|---------------------------------------|
| Receivables from related parties | Nature of relationship | | |
| Transnational Corporation of Nigeria Plc | Parent company | 8,168,033 | 5,609,413 |
| Transcorp Hotel Plc, Abuja | Subsidiary of the group | 7,134,501 | 6,588,687 |
| 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 | 1,014,064 | 165,500 |
| Teragro Commodities Limited | Subsidiary of the group | 2,000 | 2,000 |
| | | 16,374,790 | 12,419,167 |

Notes to the financial statements

23.1 Balances with related parties during the year (cont'd)

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

No expense has been recognised in the current or prior year for bad or doubtful debts in respect of the amounts owed by related parties. There are no future commitments to or obligation by any related party.

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.

| | 31 December 2021 N'000 | 31 December 2020 N'000 | |
|--|---------------------------------------|---------------------------------------|-------------------------------------|
| 25 Share capital | | | |
| Authorised share capital | | | |
| 100,000,000 ordinary shares of 50k each | <u>50,000</u> | <u>50,000</u> | |
| Allotted, called up, issued and fully paid: | | | |
| At 1 January | 39,468 | 37,076 | |
| Right issues - 4,784,011 number of shares | - | 2,392 | |
| (2020: 78,936,177) ordinary shares of 50k each | <u>39,468</u> | <u>39,468</u> | |
| 26 Share premium | | | |
| Balance as at 1 January | 31,127,668 | 26,346,049 | |
| Rights issued | - | 4,781,619 | |
| Balance as at 31 December | <u>31,127,668</u> | <u>31,127,668</u> | |
| 27 Retained earnings | | | 1 January 2020 N'000 |
| The movement in retained earnings during the year is as follows: | | | |
| Balance as at 1 January/previously stated | (6,631,004) | (12,796,987) | 6,187,226 |
| Claw back on over billed amount | - | - | (18,984,213) |
| Profit for the year | 19,543,451 | 11,522,148 | - |
| Interim dividend (Note 30) | (10,073,446) | (5,356,165) | - |
| Balance as at 31 December | <u>2,839,001</u> | <u>(6,631,004)</u> | <u>(12,796,987)</u> |

Notes to the financial statements

28 Particulars of employees and directors

The table below shows the number of employees (excluding directors), who earned over N240,000 as emoluments in the year and were within the bands stated

| Employees | 31 December 2021 Number | 31 December 2020 Number |
|--|--|--|
| Less than N240,000 | 5 | 4 |
| N1,000,001 - N2,000,000 | 33 | 20 |
| N2,000,001 - N5,000,000 | 92 | 128 |
| Above N5,000,000 | 53 | 32 |
| | 183 | 184 |
| | 31 December 2021 N'000 | 31 December 2020 N'000 |
| Staff costs for the above persons (excluding Directors): | | |
| Salaries and wages | 1,045,183 | 1,109,489 |
| Pension cost | 21,166 | 22,085 |
| | 1,066,349 | 1,131,574 |
| Analysis of staff costs: | | |
| Cost of sales (Note 8) | 576,453 | 696,450 |
| Administrative expenses (Note 11) | 489,896 | 545,207 |
| | 1,066,349 | 1,241,657 |
| Emoluments of directors | | |
| The remuneration paid to the Directors of the Company was: | | |
| Salaries | 108,045 | 102,533 |
| Fees and allowances | 19,090 | - |
| | 127,135 | 102,533 |
| Amount paid to the highest paid director (excluding pension contributions) | | |
| Fees | 62,784 | 61,958 |
| | 62,784 | 61,958 |
| Compensation of managers | | |
| Salaries and short-term employee benefits | 125,687 | 120,167 |
| Defined contribution | 5,967 | 5,895 |
| | 131,654 | 126,062 |

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

Notes to the financial statements

28 Particulars of employees and directors (cont'd)

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:

| | 31 December 2021 Number | 31 December 2020 Number |
|-----------------------|--|--|
| Less than N10,000,000 | 7 | 9 |
| Over N10,000,000 | 1 | 1 |
| | 8 | 10 |

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.

There were no significant litigations in the ordinary course of business as at each reporting date. It is the directors' opinion that no material liability against the Company will arise therefrom. There were no guarantees given on behalf of staff or other third parties on the reporting dates. The Company has committed capital expenditure up to N5bn to General Electric for the rehabilitation of Gas Turbine (GTs) 15 and 16

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 2021 N'000 | 31 December 2020 N'000 |
|---|---------------------------------------|---------------------------------------|
| 30 Distributions made and proposed | | |
| Dividend for 2021 | 10,073,446 | - |
| Dividend for 2020 | - | 5,356,167 |
| | 10,073,446 | 5,356,167 |

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

Notes to the financial statements

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.

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.

| | Foreign Sales | | Local Sales | | Total | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Dec 2021 N'000 | Dec 2020 N'000 | Dec 2021 N'000 | Dec 2020 N'000 | Dec 2021 N'000 | Dec 2020 N'000 |
| Revenue | 9,186,247 | 2,122,337 | 65,144,463 | 62,996,340 | 74,330,710 | 65,118,677 |
| Cost of sales | (5,497,378) | (1,264,946) | (34,213,893) | (37,546,805) | (39,711,271) | (38,811,751) |
| Gross profit | 3,688,869 | 857,391 | 30,930,570 | 25,449,535 | 34,619,439 | 26,306,926 |
| Operating Costs | (572,946) | (202,763) | (4,201,601) | (6,018,529) | (4,774,547) | (6,221,292) |
| Net Finance Costs | (943,180) | (263,594) | (5,811,325) | (7,824,130) | (6,754,505) | (8,087,724) |
| Profit before tax | 2,172,743 | 391,034 | 20,917,644 | 11,606,876 | 23,090,387 | 11,997,910 |

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 Group and Company as at 31 December 2021 that have not been adequately provided for or disclosed in these financial statements.

Notes to the financial statements

33 Restatement of Prior Financial Statements.

This restatement represents the correction of income (2015 – 2018) arising from the overbilling of the Nigerian Bulk Electricity Trading Company (NBET) using incorrect gas cost rate in the determination of tariffs used in invoicing.

NBET is invoiced for the energy and capacity transferred to the grid based on the Multi-Year Tariff Order 2 (MYTO) template issued by the Nigerian Electricity Regulatory Commission that guides the generation of the energy sales rate in the industry.

The error was due to the use of a gas cost rate from a single vendor rather than using a blended gas cost rate that would reflect the actual gas costs incurred by the company in the determination of the energy tariffs rate with which NBET was to be invoiced for the period

The correction of the error has been made retrospectively and has no tax implication as the company was on tax holiday during the period.

The restated figures on the statement of financial position, statement of profit or loss and statement of cashflows are as shown below:

Notes to the financial statements

33 Restatement of Prior Financial Statements (cont'd)

i Statement of financial position

| | Impact of correction of error | | | Impact of correction of error | | |
|---------------------------------------|-------------------------------|---------------------|--------------------|-------------------------------|---------------------|--------------------|
| | As previously reported | Adjustments | As restated | As previously reported | Adjustments | As restated |
| | 31 December 2020 | | 31 December 2020 | 1 January 2020 | | 1 January 2020 |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 49,376,871 | - | 49,376,871 | 51,757,081 | - | 51,757,081 |
| Intangible asset | 9,701,191 | - | 9,701,191 | 9,701,191 | - | 9,701,191 |
| Deferred tax assets | 1,183,803 | - | 1,183,803 | 1,084,306 | - | 1,084,306 |
| | 60,261,865 | - | 60,261,865 | 62,542,578 | - | 62,542,578 |
| Current assets | | | | | | |
| Inventories | 3,773,337 | - | 3,773,337 | 3,910,219 | - | 3,910,219 |
| Trade and other receivables | 107,295,465 | (18,984,213) | 88,311,252 | 94,585,838 | (18,984,213) | 75,601,625 |
| Cash and cash equivalents | 579,658 | - | 579,658 | 1,819,082 | - | 1,819,082 |
| Total current assets | 111,648,460 | (18,984,213) | 92,664,247 | 100,315,139 | (18,984,213) | 81,330,926 |
| Total assets | 171,910,325 | (18,984,213) | 152,926,112 | 162,857,717 | (18,984,213) | 143,873,504 |
| Equity and liabilities | | | | | | |
| Equity | | | | | | |
| Share capital | 39,468 | - | 39,468 | 37,076 | - | 37,076 |
| Share premium | 31,127,668 | - | 31,127,668 | 26,346,049 | - | 26,346,049 |
| Retained earnings | 12,353,209 | (18,984,213) | (6,631,004) | 6,187,226 | (18,984,213) | (12,796,987) |
| Total equity | 43,520,345 | (18,984,213) | 24,536,132 | 32,570,351 | (18,984,213) | 13,586,138 |
| Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| Interest-bearing loans and borrowings | 55,977,561 | - | 55,977,561 | 52,182,202 | - | 52,182,202 |
| | 55,977,561 | - | 55,977,561 | 52,182,202 | - | 52,182,202 |
| Current liabilities | | | | | | |
| Trade and other payables | 70,265,489 | - | 70,265,489 | 67,300,386 | - | 67,300,386 |
| Current tax payable | 743,453 | - | 743,453 | 580,866 | - | 580,866 |
| Interest-bearing loans and borrowings | 1,403,477 | - | 1,403,477 | 10,223,912 | - | 10,223,912 |
| | 72,412,419 | - | 72,412,419 | 78,105,164 | - | 78,105,164 |
| Total liabilities | 128,389,980 | - | 128,389,980 | 130,287,366 | - | 130,287,366 |
| Total equity and liabilities | 171,910,325 | (18,984,213) | 152,926,112 | 162,857,717 | (18,984,213) | 143,873,504 |

The prior year financial statements were adjusted retrospectively to correct the error arising from the clawback on overbilled amount in the 2015 - 2018 financial year as disclosed in Note 18.1.

There is no impact of the clawback error in the statement of profit or loss and other comprehensive income and statement of cash flows.

OTHER NATIONAL DISCLOSURES

Statement of value added

| | 31 December 2021 N'000 | % | 31 December 2020 N'000 | % |
|--|---------------------------------------|-------------------|---------------------------------------|-------------------|
| Turnover | 74,330,710 | | 65,118,677 | |
| Bought-in materials and services (local) | (29,463,166) | | (35,323,997) | |
| Brought- in materials and services (foreign) | <u>(601,289)</u> | | <u>(722,304)</u> | |
| | 44,266,255 | | 29,072,375 | |
| Other operating income | <u>123,581</u> | | <u>788,737</u> | |
| Value added | <u>44,389,836</u> | <u>100</u> | <u>29,861,112</u> | <u>100</u> |
| Distributed as follows: | | | | |
| Employees: | | | | |
| To pay salaries, wages and other staff costs | 1,066,349 | 2 | 1,280,572 | 4 |
| Provider of funds | | | | |
| Interest | 6,754,505 | 15 | 8,087,724 | 27 |
| Dividend | 10,073,446 | 23 | 5,356,167 | 18 |
| Government: | | | | |
| To pay tax | 3,022,778 | 7 | 575,258 | 2 |
| Retained for future growth: | | | | |
| Deferred tax | 524,158 | 1 | (99,496) | (0) |
| Depreciation | 3,405,149 | 8 | 3,108,739 | 10 |
| Profit for the year | <u>19,543,451</u> | <u>44</u> | <u>11,552,148</u> | <u>39</u> |
| Value added | <u>44,389,836</u> | <u>100</u> | <u>29,861,113</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.

Five-year financial summary

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Statement of financial position | | | | | |
| Non-current assets | 65,918,561 | 60,261,865 | 62,542,578 | 66,530,639 | 66,600,466 |
| Net current (liabilities)/assets | (11,321,956) | 20,251,828 | 3,225,762 | (7,775,576) | (6,065,327) |
| Non-current liabilities | <u>(20,590,468)</u> | <u>(55,977,561)</u> | <u>(52,182,202)</u> | <u>(36,164,194)</u> | <u>(43,046,309)</u> |
| Net assets | <u>34,006,137</u> | <u>24,536,132</u> | <u>13,586,138</u> | <u>22,590,869</u> | <u>17,488,830</u> |
| Share capital | 39,468 | 39,468 | 37,076 | 33,076 | 33,076 |
| Share premium | 31,127,668 | 31,127,668 | 26,346,049 | 15,117,159 | 15,117,159 |
| Retained earnings | <u>2,839,001</u> | <u>(6,631,004)</u> | <u>(12,796,987)</u> | <u>7,440,634</u> | <u>2,338,595</u> |
| Total equity | <u>34,006,137</u> | <u>24,536,132</u> | <u>13,586,138</u> | <u>22,590,869</u> | <u>17,488,830</u> |
| Statement of profit or loss and other comprehensive income | | | | | |
| Revenue | <u>74,330,710</u> | <u>65,118,677</u> | <u>55,941,017</u> | <u>86,737,819</u> | <u>66,441,488</u> |
| Profit before income tax | 23,090,387 | 11,997,910 | 9,259,855 | 20,750,784 | 10,838,066 |
| Income tax (expense)/credit | <u>(3,546,936)</u> | <u>(475,762)</u> | <u>(5,148,931)</u> | <u>651,058</u> | <u>1,882,735</u> |
| Profit after taxation transferred to retained earnings | <u>19,543,451</u> | <u>11,522,148</u> | <u>4,110,924</u> | <u>21,401,842</u> | <u>12,720,801</u> |