# TRANSCORP POWER LIMITED
# ANNUAL REPORT AND FINANCIAL STATEMENTS
# 31 DECEMBER 2015

**Transcorp Power Limited**
**Index to the financial statements**
**For year ended 31 December 2015**


| Note | | Page |
|---|---|---|
| | Report of the directors | 1 - 3 |
| | Statement of directors' responsibilities | 4 |
| | Report of independent auditors | 5 - 6 |
| | Statement of profit or loss and other comprehensive income | 7 |
| | Statement of financial position | 8 |
| | Statement of changes in equity | 9 |
| | Statement of cash flows | 10 |
| 2 | Summary of significant accounting policies | 11 |
| 2.1 | Basis of preparation | |
| *2.1.2* | *Changes in accounting policy and disclosures* | 11 |
| 2.2 | Foreign currency translation | 12 |
| 2.3 | Property, plant and equipment | 12 |
| 2.4 | Intangible assets | 12 |
| 2.5 | Impairment of non-financial assets | 13 |
| 2.6 | Financial instruments | 14 |
| *2.6.1* | *Classification of financial instruments* | 14 |
| *2.6.2* | *Recognition and measurement* | 14 |
| *2.6.3* | *Offsetting financial instruments* | 14 |
| *2.6.4* | *Impairment of financial assets* | 14 |
| 2.7 | Inventories | 14 |
| 2.8 | Cash, cash equivalents and bank overdrafts | 15 |
| 2.9 | Borrowings | 15 |
| 2.10 | Borrowing costs | 15 |
| 2.11 | Provisions | 15 |
| 2.12 | Current and deferred tax | 15 |
| 2.13 | Revenue recognition | 16 |
| 2.14 | Leases | 16 |
| 2.15 | Dividend distribution | 16 |
| 2.16 | Share capital | 16 |
| 3 | Financial risk management | 17 |
| 3.1 | Financial risk factors | 17 - 20 |
| 3.2 | Capital risk management | 20 |
| 3.3 | Financial instruments and fair values | 21 |
| 3.4 | Fair values estimation | 21 |
| 4 | Critical accounting estimates and judgements | 22 |
| 5 | Revenue | 23 |
| 6 | Cost of sales | 23 |
| 7 | Administrative expenses | 23 |
| 8 | Other operating income | 23 |
| 9 | Finance income and finance costs | 24 |
| 10 | Income tax expense | 25 |
| 11 | Property, plant and equipment | 25 |
| 12 | Intangible assets | 26 |
| 14 | Inventories | 26 |
| 15 | Trade and other receivables | 26 |
| 16 | Cash and cash equivalents | 26 |
| 17 | Deferred income tax liabilities/(assets) | 27 |
| 18 | Borrowings | 27 |
| 19 | Trade and other payables | 28 |
| 20 | Related party transactions and balances | 28 - 29 |
| 21 | Share capital | 29 |
| 22 | Share premium | 29 |
| 23 | Retained earnings | 29 |
| 24 | Cash used in operations | 29 |
| 25 | Particulars of directors and staff | 30 |
| 26 | Capital commitments and contingent liabilities | 30 |
| 27 | Events after statement of financial position date | 30 |
| 28 | Exceptional items | 30 |
| | **Other supplementary information** | |
| | Statement of value added | 31 |
| | Three-year financial summary | 32 |

## Corporate information

| | | |
|---|---|---|
| Company Registration No. | RC 1067143 | |
| Registered Office | 38 Glover Road, Ikoyi<br>Lagos<br>Nigeria. | |
| Plant address | Transcorp Power Complex<br>KM 20 Warri/Patani Highway<br>Ughelli<br>Delta State | |
| Board of Directors | Mr. Tony O. Elumelu, CON<br>Mr. Adeoye Fadeyibi<br>Mr Emmanuel Nnorom<br>Mr. Peter Hertog<br>Mr. Paul Hinks<br>Mr. Risqua Muhammed<br>Mr. Tony Chukwueke<br>Mr. Victor Osadolor<br>Mr. Sylvester Monye | Chairman<br>MD / CEO<br><br><br>Resigned 27 May 2015<br><br><br><br>Appointed 26 October 2015 |
| Auditors | PricewaterhouseCoopers<br>Chartered Accountants<br>Landmark Towers, 5B, Water Corporation Road,<br>Victoria Island, Lagos. | |
| Bankers | Africa Finance Corporation<br>Fidelity Bank Plc<br>First Bank of Nigeria Plc<br>First City Monument Bank Plc<br>United Bank for Africa Plc | |
| Company Secretary | Chinedu N. Eze<br>38 Glover Road<br>Ikoyi, Lagos | |

The Directors submit their report together with the audited financial statements for the period ended 31 December 2015, which disclose the state of affairs of the Company.

### Incorporation and address

Transcorp Power Limited ("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 as a private limited liability company for the purpose of acquiring 100% shareholding in Ughelli Power Plc from the Federal Government 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 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

The Company's results for the period are set out on page 7. The profit after tax for the year of N1.56 billion (2014: N5.63 billion) has been transferred to retained earnings.

### Directors

The Directors who held office as at the date of this report are:

| | | |
|---|---|---|
| Mr. Tony O. Elumelu, CON | Chairman | |
| Mr. Adeoye Fadeyibi | Managing Director / Chief Executive Officer | |
| Mr. Emmanuel Nnorom | Director | |
| Mr. Peter Hertog | Director | |
| Mr. Risqua Muhammed | Director | |
| Mr. Tony Chukwueke | Director | |
| Mr. Victor Osadolor | Director | |
| Mr. Sylvester Monye | Independent Director | Appointed 26 October 2015 |

### Directors' interests in contracts

For the purpose of section 277 of the Companies and Allied Matters Act, 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 275 and 276 of the Companies and Allied Matters Act, 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.

### Shareholding

According to the register of members at 31 December 2015, the shareholding in the Company was as follows:

| | Number of shares held | Percentage % |
|---|---|---|
| Transnational Corporation of Nigeria Plc. | 42,341,981 | 64% |
| Tenoil Petroleum and Energy Services Limited | 19,630,019 | 29.7% |
| Seaforce Investments Limited | 2,450,000 | 3.7% |
| Thomassen Holding Limited | 1,650,000 | 2.5% |
| PSL Engineering and Control Limited | 79,532 | 0.12% |
| | 66,151,532 | |

* Transnational Corporation of Nigeria Plc is holding 14% on behalf of a third party

### 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 is 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 trainings provided to employees.

### Donations/charitable gifts

The Company made a donation of $50,000 (N11.7 million) during the year to African Energy Leaders Group - a Heirs Holdings initiative to increase access to electricity in West Africa. (2014: N350 million). Other donations made are disclosed in Note 7.

### Auditors

Messrs. PricewaterhouseCoopers have indicated their willingness to continue in office as auditors in accordance with section 357(2) of the Companies and Allied Matters Act.

**By Order of the Board**

**Chinedu N. Eze**
**Company Secretary**
**FRC/2013/NBA/00000002586**

9 MARCH 2016

**Transcorp Power Limited**
**Statement of directors' responsibilities**
**For the year ended 31 December 2015**

In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004 ("CAMA"), the Directors are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the Company and of the profit or loss for the year ended 31 December 2015, and in so doing they ensure that:

(a) Proper accounting records are maintained;

(b) Applicable accounting policies are adopted and consistently applied;

(c) Judgments and estimates made are reasonable and prudent;

(d) The going concern basis is used, unless it is inappropriate to presume that the Company will continue in business; and

(e) Internal control procedures are instituted which as far as reasonably possible, safeguard the assets of the Company and prevent and detect fraud and other irregularities.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matters Act.

The financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Director

9 MARCH 2016

Director

9 MARCH 2016

pwc

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TRANSCORP POWER LIMITED

## Report on the financial statements

We have audited the accompanying financial statements of Transcorp Power Limited ("the company"). These financial statements comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Directors' responsibility for the financial statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act 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.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion the accompanying financial statements give a true and fair view of the state of the company's financial affairs at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

PricewaterhouseCoopers Chartered Accountants, 5B, Water Corporation Road, Victoria Island
*Lagos, Nigeria*

pwc

**Report on other legal requirements**

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statements of financial position and comprehensive income are in agreement with the books of account.

Pedro Omontuemhen

9 May 2016

Engagement Partner: Pedro Omontuemhen
FRC/2013/ICAN/ 00000000739
For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria

**Transcorp Power Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 31 December 2015**

| | Note | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|---|
| Revenue | 5 | 26,647,472 | 26,213,160 | 18,700,000 |
| Cost of sales | 6 | (12,883,346) | (10,144,589) | - |
| **Gross profit** | | **13,764,126** | **16,068,571** | **18,700,000** |
| Administrative expenses | 7 | (2,107,389) | (4,947,890) | (2,474,212) |
| Other operating income | 8 | 18,504 | 3,772 | - |
| **Operating profit** | | **11,675,241** | **11,124,453** | **16,225,788** |
| Finance income | 9 | 3 | 742,308 | 64 |
| Finance cost | 9 | (10,672,632) | (6,308,897) | (6,078,943) |
| Net finance cost | | (10,672,629) | (5,566,589) | (6,078,879) |
| Profit before taxation | | 1,002,612 | 5,557,864 | 10,146,909 |
| Income tax | 10 | 558,635 | 77,095 | 77,095 |
| **Profit for the year** | | **1,561,247** | **5,634,959** | **10,224,004** |
| **Profit attributable to:** | | | | |
| Equity holders of the parent | | **1,561,247** | **5,634,959** | **10,224,004** |

The notes on pages 11 to 30 are an integral part of these financial statements.

**Transcorp Power Limited**
**Statement of financial position**
**As at 31 December 2015**

| | Note | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 11 | 46,065,258 | 42,621,983 | 372 |
| Goodwill | 12 | 9,701,191 | 9,701,191 | - |
| Investment in subsidiary | 13 | - | - | 47,100,000 |
| | | **55,766,449** | **52,323,174** | **47,100,372** |
| **Current assets** | | | | |
| Inventories | 14 | 3,864,409 | 754,107 | - |
| Trade and other receivables | 15 | 24,301,012 | 18,373,818 | 14,829,278 |
| Cash and cash equivalents | 16 | 215,054 | 217,761 | 187 |
| | | **28,380,475** | **19,345,686** | **14,829,465** |
| **Total assets** | | **84,146,924** | **71,668,860** | **61,929,837** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 17 | 2,991,839 | 4,089,779 | - |
| Borrowings | 18 | 26,175,064 | 27,669,690 | 27,669,690 |
| | | **29,166,903** | **31,759,469** | **27,669,690** |
| **Current liabilities** | | | | |
| Trade and other payables | 19 | 24,237,775 | 17,508,202 | 11,056,404 |
| Current tax payable | 10 | 159,493 | 267,848 | - |
| Borrowings | 18 | 15,340,076 | 7,624,004 | 6,207,597 |
| | | **39,737,344** | **25,400,054** | **17,264,001** |
| **Total liabilities** | | **68,904,247** | **57,159,523** | **44,933,691** |
| **Equity** | | | | |
| Share capital | 21 | 33,076 | 33,076 | 33,076 |
| Share premium | 22 | 15,117,159 | 15,117,159 | 15,117,159 |
| Retained earnings | 23 | 92,442 | (640,898) | 1,845,911 |
| **Total equity** | | **15,242,677** | **14,509,337** | **16,996,146** |
| **Total equity and liabilities** | | **84,146,924** | **71,668,860** | **61,929,837** |

The notes on pages 11 to 30 are an integral part of these financial statements.

The financial statements and notes on pages 7 to 30 were approved by the Board of Directors on 9th March 2016 and signed on its behalf by:

**Tony O. Elumelu, CON**
Chairman, Board of Directors
FRC/2013/CIBN/00000002590

**Kunle Fagbayi**
Chief Financial Officer
FRC/2013/ICAN/00000004861

**Adeoye Fadeyibi**
MD, Chief Executive Officer
FRC/2014/IODN/00000006970

Transcorp Power Limited
Statement of changes in equity
For the year ended 31 December 2015

| | Share capital N'000 | Share premium N'000 | Retained earnings N'000 | Total N'000 |
|---|---|---|---|---|
| **Company (formerly TUPL)** | | | | |
| **Balance at 1 January 2014** | **33,076** | **15,117,159** | **(378,093)** | **14,772,142** |
| Profit for the year | - | - | 10,224,004 | 10,224,004 |
| **Total comprehensive income** | **-** | **-** | **10,224,004** | **10,224,004** |
| Dividends (note 23) | - | - | (8,000,000) | (8,000,000) |
| **Transactions with owners, recognised directly in equity** | **-** | **-** | **(8,000,000)** | **(8,000,000)** |
| **Balance at 31 December 2014** | **33,076** | **15,117,159** | **1,845,911** | **16,996,146** |
| **Group** | | | | |
| **Balance at 1 January 2014** | **33,076** | **15,117,159** | **1,724,143** | **16,874,378** |
| Profit for the year | - | - | 5,634,959 | 5,634,959 |
| **Total comprehensive income** | **-** | **-** | **5,634,959** | **5,634,959** |
| Dividends (note 23) | - | - | (8,000,000) | (8,000,000) |
| **Transactions with owners, recognised directly in equity** | **-** | **-** | **(8,000,000)** | **(8,000,000)** |
| **Balance at 31 December 2014** | **33,076** | **15,117,159** | **(640,898)** | **14,509,337** |
| **Company** | | | | |
| **Balance at 1 January 2015** | **33,076** | **15,117,159** | **(640,898)** | **14,509,337** |
| Post consolidation adjustment* | - | - | 472,094 | 472,094 |
| Profit for the year | - | - | 1,561,247 | 1,561,247 |
| **Total comprehensive income** | **-** | **-** | **2,033,341** | **2,033,341** |
| Interim dividends (note 23) | - | - | (1,300,000) | (1,300,000) |
| **Total transactions with owners, recognised directly in equity** | **-** | **-** | **(1,300,000)** | **(1,300,000)** |
| **Balance at 31 December 2015** | **33,076** | **15,117,159** | **92,442** | **15,242,677** |

The notes on pages 11 to 30 are an integral part of these financial statements.

*Post consolidation adjustment represents decrease in deferred tax liabilities in Ughelli Power Plc 2014 financial statements subsequent to the group report date

**Transcorp Power Limited**
**Statement of cash flows**
**For the year ended 31 December 2015**

| | Note | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 24 | 5,502,205 | 3,787,221 | 1,367,365 |
| **Net cash generated from operating activities** | | **5,502,205** | **3,787,221** | **1,367,365** |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | 11 | (5,665,226) | (3,855,112) | - |
| **Net cash used in investing activities** | | **(5,665,226)** | **(3,855,112)** | - |
| **Cash flows from financing activities** | | | | |
| Proceeds from borrowing | 18 | 5,808,020 | 1,416,407 | - |
| Repayments of borrowings | 18 | (5,647,706) | (1,639,449) | (1,639,449) |
| **Net cash inflow from/(used in) financing activities** | | **160,314** | **(223,042)** | **(1,639,449)** |
| Net decrease in cash, cash equivalents | | (2,707) | (290,933) | (272,084) |
| Cash, cash equivalents at the beginning of the year | | 217,761 | 508,694 | 272,271 |
| **Cash and cash equivalents at the end of the year** | 16 | **215,054** | **217,761** | **187** |

The notes on pages 11 to 30 are an integral part of these financial statements.

## 1 General information

Transcorp Power Limited (formerly Transcorp Ughelli Power Limited) was incorporated in Nigeria on the 24th day of September 2012 under the Companies and Allied Matters Act ("CAMA") 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 generation of electric power.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared in compliance with CAMA and the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to interpretations issued by the IFRIC.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

### 2.1.1 Going concern

The financial statements have been prepared on a going concern basis. The directors have no doubt that the company would remain in existence after 12 months.

### 2.1.2 Changes in accounting policy and disclosures

**a) Standards, amendments and interpretations effective on or after 1 January 2015**

The following standards and amendments have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2015.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles:

- IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9
- IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts
- IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Company.

**(b) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is assessing full impact of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38.

The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate.

The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

The amendments are effective for annual periods beginning on or after 1 January 2016.

Annual Improvements to IFRSs 2012-2014 cycle. The latest annual improvements that affect the Company clarify:
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
The improvements are effective for annual periods beginning on or after 1 January 2016.

Disclosure Initiative - Amendments to IAS 1. The amendments to IAS 1 "Presentation of Financial Statements' are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including materiality, disaggregation and subtotals, notes and OCI arising from investments accounted for under the equity method. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.
The amendments are effective for annual periods beginning on or after 1 January 2016.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## 2.2 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*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of profit or loss within 'other (expenses)/income – net'. Translation differences related to changes in amortised cost are recognised in profit or loss.

## 2.3 Property, plant and equipment

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. All other repairs and maintenance are charged to the Statement of Profit or loss during the financial period in which they are incurred.

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 recognized 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 derecognized when replaced. Residual values, method of amortization 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 it's 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.

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

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

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

### 2.5 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.

### 2.6 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

### 2.6.1 Classification of financial instruments

The directors determine the classification of its financial instruments at initial recognition. All the financial assets in place fall under loans and receivables while all the financial liabilities fall under liabilities at amortised cost.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.
The Company's loans and receivables comprises 'trade and other receivables' and 'cash and cash equivalents'.

*Financial liabilities at amortized cost*
Financial liabilities at amortized cost consists of trade payables.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### 2.6.2 Recognition and measurement

*(a) Loans and receivables*
Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

*(b) Financial liabilities at amortized cost*
Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

### 2.6.3 Offsetting financial instruments

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

### 2.6.4 Impairment of financial assets

*(a) Assets carried at amortised cost*
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the debtor or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

*(b) Loans and receivables*
For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

### 2.7 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.

### 2.8 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.

### 2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

### 2.10 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.

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.

### 2.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

### 2.12 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.

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.

## 2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity.

Revenue comprises of the net value of services being capacity provided and energy sent out after applying any trade discounts, rebates and VAT. Capacity charge is recognized 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.

Revenue is also earned from ancillary services. Revenue earned on ancilliary 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 and recognises the revenue in line with its revenue recognition policy.

Recognition of revenue for goods and services is recognised when it is earned. Revenue is earned when:
- The significant risks and rewards of ownership have been transferred to the customer or the service has been rendered
- The Company does not retain effective control over goods sold
- The amount of revenue can be reliably measured
- It is possible that the economic benefits associated with the transaction will flow to the Company
- The costs incurred in respect of the sale can be measured reliably

## 2.14 Leases

*Operating lease*
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the Statement of profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

*Finance lease*
Leases of items by the Company where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the asset and the present value of the minimum lease payments.
Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other longterm payables. The interest element of the finance cost is charged to the Statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

## 2.15 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. In respect of interim dividends, these are recognised when declared by the Board of Directors.

## 2.16 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 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 rsisk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and aherence 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.

### 3.1 Financial risk factors

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

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

### (a) Market risk

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

*(i) 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 | Company | Group | Company (formerly TUPL) |
|---|---|---|---|
| | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
| Cash and bank balances | 4,273 | - | - |
| *Financial liabilities* | | | |
| Borrowings | 41,515,140 | 35,293,694 | - |

**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 market rates at the reporting date. The foreign denominated balances that the Company is exposed to fluctuations relates to cash and borrowings. There are no receivables or payables denominated in foreign currency.
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 10%, with all other variables held constant:

| | 31 December 2015 N'000 | 31 December 2014 N'000 |
|---|---|---|
| Impact on profit or loss | | |
| Effect of 1% strengthening of the US Dollar | (356,592) | (338,739) |
| Effect of 1% weakening of the US Dollar | 356,592 | 338,739 |

*(ii) 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 relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company is exposed to cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rate risk. The Company takes on exposure to the effect of fluctuations in the prevailing levels of market interest on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movement arise.

The Company's interest rate risk arises from long-term borrowings,bank overdrafts short term deposits, Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Company policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

The table below summarises the Company's exposure to interest rate risk:

| | Company 31 December 2015 | | | Group 31 December 2014 | | |
|---|---|---|---|---|---|---|
| | Carrying amount N'000 | Fixed interest N'000 | Non interest bearing N'000 | Carrying amount N'000 | Fixed interest N'000 | Non interest bearing N'000 |
| **Assets** | | | | | | |
| Cash in hand | - | - | - | - | - | - |
| Bank Deposits | 215,054 | - | 215,054 | 217,761 | - | 217,761 |
| Trade and other receivables* | 24,174,285 | - | 24,174,285 | 18,214,357 | - | 18,214,357 |
| | 24,389,340 | - | 24,389,340 | 18,432,118 | - | 18,432,118 |
| **Liabilities** | | | | | | |
| Borrowings | 41,515,140 | 41,515,140 | - | 35,293,694 | 35,293,694 | - |
| Trade and other payables** | 23,256,672 | - | 23,256,672 | 16,663,844 | - | 16,663,844 |
| | 64,771,812 | 41,515,140 | 23,256,672 | 51,957,538 | 35,293,694 | 16,663,844 |

*Trade and other receivables excludes prepayments as these are not financial instruments.
**Trade and other payables excludes provisions and statutory payables as these are not financial instruments.

The table below shows the impact on the Company's profit before tax if interest rates had increased or decreased by 10 percent, with all other variables held constant.

| | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| Effect of a 10% increase in interest rates on profit before tax | (6,477,181) | (4,955,754) | (3,387,729) |
| Effect of a 10% decrease in interest rates on profit before tax | 6,477,181 | 4,955,754 | 3,387,729 |

**(b) Credit risk**

**Management of credit risk**

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables. The Company operates in an highly regulated enviroment where payments are regulated and monitored, however the Company has an established credit policy and the exposure to credit risk is monitored on an on-going basis.

*(i) Credit concentrations*

The Management currently sells to only one customer who is the government regulated body for power transmission

*Geographical sectors*

The following table breaks down the Company and Group's credit exposure at their carrying amounts as categorised by geographical region as of 31 December 2015 and 31 December 2014 respectively.

| | Company 2015 | | Group 2014 | | Company (formerly TUPL) 2014 | |
|---|---|---|---|---|---|---|
| | Trade and other receivables | Cash and bank balances | Trade and other receivables | Cash and bank balances | Trade and other receivables | Cash and bank balances |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Nigeria | 24,174,285 | 215,054 | 18,214,357 | 217,761 | 14,829,065 | 187 |

*Industry sectors*

The following table breaks down the Company and Group's credit exposure at their carrying amounts as categorised by industry sectors as of 31 December 2015 and 31 December 2014 respectively.

| | Company 2015 | | Group 2014 | | Company (formerly TUPL) 2014 | |
|---|---|---|---|---|---|---|
| | Trade and other receivables | Cash and bank balances | Trade and other receivables | Cash and bank balances | Trade and other receivables | Cash and bank balances |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Financial services | | 215,054 | - | 217,761 | - | 187 |
| Government | 23,660,296 | | 17,290,438 | - | - | - |
| Other | 513,989 | | 923,919 | - | 14,829,065 | - |

*(ii) Credit quality*
The Company has dedicated standards, policies and procedures to control and monitor all such risks. There are no independent ratings for customers therefore the company assesses the credit quality of the customer by taking into account its financial position,level of activity, past experience and other factors.

Below is the breakdown of trade receivables neither past due nor impaired, past due but not impaired and fully impaired:

| | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 |
|---|---|---|
| Neither past due nor impaired | 4,338,953 | 2,328,475 |
| Past due but not impaired | 19,321,343 | 14,961,963 |
| Impaired | 344,505 | |
| **Net trade and other receivables** | 24,004,801 | 17,290,438 |

The financial assets in the past due but not impaired class are short term in nature and are expected to be repaid over 0 - 30 days period. The financial assets in the neither past due but not impaired class are not rated by the Company.

*Financial assets neither past due nor impaired*
Financial instruments in this category includes cash and bank balances as well as fees that are not past due. The compliance unit assess the credit quality of each customer or obligor taking into account its financial position, past experience and other factors.

*Financial assets past due but not impaired*
These are fees receivable that are past due but have not been impaired because the company has assessed and determined that the value of stocks held as collateral against the receivables are suffifficient to cover for the outstanding amount.

*Impaired financial assets*
These are receivables that the company has determined they are irrecoverable and has therefore made appropriate provision to cover for the receivable amount.

**Neither past due nor impaired**
Credit quality of financial assets:
The credit quality of financial assets that are neither past due nor impaired is not assessed by reference to the external credit ratings (if available) or to historical information about counterparty default rates:

| Counter parties without external credit rating: | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 |
|---|---|---|
| Trade receivables | | |
| Group 1 | | - |
| Group 2 | 4,338,953 | 2,328,475 |
| Group 3 | | - |
| | 4,338,953 | 2,328,475 |

*Group 1 - new customers (less than 6 months)*
*Group 2 - existing counter parties/customers (more than 6 months) with no defaults in the past*
*Group 3 - existing customers (more than 6 months) with some defaults in the past*

**Past due but not impaired**
These relate to two customers, the Transmission Company of Nigeria and Nigeria Bulk Electricity Trader. The ageing analysis of these receivable is as follows:

| | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 |
|---|---|---|
| Past due 0-30 days | 19,321,343 | 14,961,963 |

**Impaired**
These relate to the Transmission Company of Nigeria. The ageing analysis of these receivables is as follows:

| | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 |
|---|---|---|
| Above 45 days | 344,505 | - |

(c) Liquidity risk

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

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

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

**Company**

| 31 December 2015 | 0 - 30 days N'000 | 31 - 180 days N'000 | 181 - 365 days N'000 | Over 1 year but less than 5 years N'000 | Over 5 years N'000 | Total N'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Trade and other payables | 23,256,672 | - | - | - | - | 23,256,672 |
| Borrowings | 1,023,291 | 6,579,691 | 5,509,260 | 28,402,898 | - | 41,515,140 |
| | 24,279,963 | 6,579,691 | 5,509,260 | 28,402,898 | - | 64,771,812 |

**Group**

| 31 December 2014 | 0 - 30 days N'000 | 31 - 180 days N'000 | 181 - 365 days N'000 | Over 1 year but less than 5 years N'000 | Over 5 years N'000 | Total N'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Trade and other payables | 16,663,844 | - | - | - | - | 16,663,844 |
| Borrowings | - | 4,323,010 | 2,906,720 | 23,545,191 | 4,518,774 | 35,293,695 |
| | 16,663,844 | 4,323,010 | 2,906,720 | 23,545,191 | 4,518,774 | 51,957,539 |

**Company (formerly TUPL)**

| 31 December 2014 | 0 - 30 days N'000 | 31 - 180 days N'000 | 181 - 365 days N'000 | Over 1 year but less than 5 years N'000 | Over 5 years N'000 | Total N'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Trade and other payables | 7,853,511 | - | - | - | - | 7,853,511 |
| Borrowings | - | 4,323,010 | 2,906,720 | 23,545,191 | 4,518,774 | 35,293,695 |
| | 7,853,511 | 4,323,010 | 2,906,720 | 23,545,191 | 4,518,774 | 43,147,206 |

**3.2 Capital risk management**
The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company manages its capital to ensure that it will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the financial position plus net debt.

The gearing ratios at the respective year ends was as follows:

| | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| Total Liabilities | 68,904,247 | 57,159,523 | 44,933,691 |
| Less: Cash and cash equivalent | (215,054) | (217,761) | (187) |
| Net debt | 68,689,193 | 56,941,762 | 44,933,504 |
| Total equity | 15,242,677 | 14,509,337 | 16,996,146 |
| **Gearing Ratio** | 451% | 392% | 264% |

## 3.3 Financial instruments and fair values

### Measurement categories

The following table shows the carrying values of financial assets and liabilities for each of these categories at December 31, 2015 and 2014.

**Company**

| | 31 December 2015 | | | |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| | Loans and receivables | | Other financial liabilities at amortised cost | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| *Financial assets* | | | | |
| Cash and bank balances | 215,054 | 215,054 | - | - |
| Trade and other receivables | 24,174,285 | 24,174,285 | - | - |
| *Financial liabilities* | | | | |
| Borrowings | - | - | 41,515,140 | 35,659,169 |
| Trade payables | - | - | 10,857,641 | 10,857,641 |
| Other payables | - | - | 12,399,031 | 12,399,031 |

**Group**

| | 31 December 2014 | | | |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| | Loans and receivables | | Other financial liabilities at amortised cost | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| *Financial assets* | | | | |
| Cash and bank balances | 217,761 | 217,761 | - | - |
| Trade and other receivables | 18,214,357 | 18,214,357 | - | - |
| *Financial liabilities* | | | | |
| Borrowings | - | - | 35,293,694 | 33,441,001 |
| Trade payables | - | - | 4,482,040 | 4,482,040 |
| Other payables | - | - | 9,781,804 | 12,181,804 |

**Company (formerly TUPL)**

| | 31 December 2014 | | | |
|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 |
| | Loans and receivables | | Other financial liabilities at amortised cost | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| *Financial assets* | | | | |
| Cash and bank balances | 187 | 187 | - | - |
| Trade and other receivables | 14,829,065 | 14,829,065 | - | - |
| *Financial liabilities* | | | | |
| Borrowings | - | - | 33,877,287 | 33,441,001 |
| Other payables | - | - | 7,853,511 | 7,853,511 |

## 3.4 Fair values estimation

The table below analyses financial instruments not measured at fair value but which the fair values have been disclosed, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset that are not based on observable market data (that is, unobservable inputs).

There were no transfer of financial assets between fair value levels of hierarchy.

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2015.

| **Company** | **Level 1 N'000** | **Level 2 N'000** | **Level 3 N'000** | **Total N'000** |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Trade and other receivables | - | - | 24,174,285 | 24,174,285 |
| *Financial liabilities* | | | | |
| Borrowings | - | 35,659,169 | - | 35,659,169 |
| Other liabilities | - | - | 12,399,031 | 12,399,031 |
| **Total** | - | 35,659,169 | 12,399,031 | 48,058,200 |

The following table presents the Group and Company's financial assets and liabilities that are measured at fair value at 31 December 2014.

| Group | Level 1 N'000 | Level 2 N'000 | Level 3 N'000 | Total N'000 |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Trade and other receivables | - | - | 18,214,357 | 18,214,357 |
| *Financial liabilities* | | | | |
| Borrowings | - | 33,441,001 | - | 33,441,001 |
| Trade and other payables | - | - | 4,482,040 | 4,482,040 |
| Other payables | - | - | 12,181,804 | 12,181,804 |
| **Total** | - | 33,441,001 | 16,663,844 | 50,104,845 |

| Company (formerly TUPL) | Level 1 N'000 | Level 2 N'000 | Level 3 N'000 | Total N'000 |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Trade and other receivables | - | - | - | - |
| *Financial liabilities* | | | | |
| Borrowings | - | 33,441,001 | - | 33,441,001 |
| Other payables | - | - | 7,853,511 | 7,853,511 |
| **Total** | - | 33,441,001 | 7,853,511 | 41,294,512 |

*(b) Fair valuation methods and assumptions*

**(i) Cash and bank balances and short term deposits**
Cash and bank balances represent cash held with banks. The fair value of these balances is their carrying amounts.

**(ii) Trade and other receivables**
Loans and receivables are carried at amortized cost net of provision for impairment. The estimated fair value of loans and receivables represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value.

**(iii) Borrowings**
The estimated fair value of loans and receivables represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value.

**(iv) Trade and other payables**
Loans and payables are carried at amortized cost net of provision for impairment. The estimated fair value of the payables represent the discounted amount of estimated future cash flows expected to be received.These are short term hence the fair value is the carrying amount as the impact of discounting is not material.

## 4 Critical accounting estimates and judgements

**Critical accounting policies and key sources of estimation uncertainty**
The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

**a)** ***Impairment***
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:
- significant financial difficulty of the debtor or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

**b)** ***Income taxes***
The Company is subject to income taxes only within the Nigerian tax authority which does not require much judgment in terms of provision for income taxes but a certain level of judgment is required for recognition of the deferred tax assets. Management is required to assess the ability of the company to generate future taxable economic earnings.
Taxes are paid by company under a number of different regulations and laws, which are subject to varying interpretations. In this environment, it is possible for the tax authorities to review transactions and activities that have not been reviewed in the past and scrutinize these in greater detail, with additional taxes being assessed based on new interpretations of the applicable tax law and regulations. Accordingly, management's interpretation of the applicable tax law and regulations as applied to the transactions and activities of the Company may be challenged by the relevant taxation authorities. The Company's management believes that its interpretation of the relevant tax law and regulations is appropriate and that the tax position included in these financial statements will be sustained.

| 5 Revenue | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| Capacity charge | 12,176,485 | 11,715,279 | - |
| Energy delivered | 14,331,933 | 14,007,349 | - |
| Ancillary services | 139,054 | 490,532 | - |
| Dividend | - | - | 18,700,000 |
| Total revenue | **26,647,472** | **26,213,160** | **18,700,000** |

Ancillary services include earnings from Blackstart operations and frequency control service provided All the revenue was generated in Nigeria.

| 6 Cost of sales | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Natural gas and fuel costs | 7,937,004 | 5,965,481 | - |
| Salaries and wages | 704,204 | 549,718 | - |
| Repairs and maintenance | 1,622,648 | 1,276,631 | - |
| Depreciation | 1,833,280 | 1,771,322 | - |
| Insurance | 169,850 | 133,304 | - |
| Other direct expenses | 616,360 | 448,133 | - |
| | **12,883,346** | **10,144,589** | **-** |

| 7 Administrative expenses | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Staff costs | 480,405 | 451,590 | 711 |
| Pension cost | 29,354 | 21,072 | - |
| Depreciation | 28,836 | 26,543 | 176 |
| Auditors' remuneration | 38,100 | 26,288 | - |
| Management and incentive fees | 77,124 | 354,603 | - |
| Professional fees | 137,733 | 49,868 | - |
| Donations and CSR | 33,790 | 443,262 | - |
| Directors remuneration | 134,010 | 119,566 | 66,900 |
| Provision for doubtful receivables | 344,505 | - | - |
| Provision for slow moving inventories | 15,983 | 1,910 | - |
| Other provisions | - | 2,400,000 | 2,400,000 |
| Rent and rates | 9,448 | 9,448 | - |
| Repairs and maintenance | 72,557 | 38,174 | - |
| Insurance | 1,206 | 5,315 | - |
| Security services | 99,943 | 92,679 | - |
| Subscriptions and fees | 12,900 | 11,470 | - |
| Travel and accommodation | 196,393 | 105,830 | - |
| Business development | 20,010 | 446,890 | - |
| Bank charges | 104,871 | 22,023 | 25 |
| Other operating expenses | 270,221 | 321,359 | 6,400 |
| | **2,107,389** | **4,947,890** | **2,474,212** |

Included in staff cost is N218.5 million (2014: N211.68 million) paid to Transcorp Power Limited Staff School. The staff school is seen by management as part of the Corporate Social Responsibility of the Company.

7.1 Total depreciation for the period is made up of;

| | | | |
|---|---|---|---|
| Depreciation- Cost of sales | 1,833,280 | 1,771,322 | - |
| Depreciation- Administrative expenses | 28,836 | 26,543 | 176 |
| **Total depreciation expense** | **1,862,116** | **1,797,865** | **176** |

| 8 Other operating income | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Other income | **18,504** | **3,772** | **-** |

## 9 Finance income and finance costs

| | Company | Group | Company (formerly TUPL) |
|---|---|---|---|
| | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
| **Finance income** | | | |
| Interest income | 3 | 742,308 | 64 |
| **Finance costs** | | | |
| Interest expense on loans | (4,611,500) | (3,437,484) | (3,207,530) |
| Foreign exchange (loss)/gain on financing activities | (6,061,132) | (2,871,413) | (2,871,413) |
| | (10,672,632) | (6,308,897) | (6,078,943) |
| Net finance cost | **(10,672,629)** | **(5,566,589)** | **(6,078,879)** |

## 10 Income tax expense

| | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| **Income tax expense** | | | |
| Current income tax | - | - | - |
| Education tax | - | - | - |
| Tax write back | - | (77,095) | (77,095) |
| Deferred tax | (558,635) | - | - |
| | **(558,635)** | **(77,095)** | **(77,095)** |

| | 31 December 2014 Before exception | Exceptional item | 2014 Total |
|---|---|---|---|
| Current income tax (note 28) | 2,400,000 | (2,400,000) | - |

The Company was granted Pioneer Incentive Certificate on 15 July 2015 with production day effective 1 January 2014 by Nigerian Investment Promotion Commission (NIPC), hence no provision for current income tax expense and education tax has been made for the year.

| The movement in tax payable is as follows: | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Balance as at 1 January | 267,848 | 77,095 | 77,095 |
| Under/(over) provision of previous year | - | 190,753 | (77,095) |
| Income tax for the year | - | - | - |
| Education tax for the year | - | - | - |
| Tax paid during the year | (108,355) | - | - |
| Balance as at 31 December | **159,493** | **267,848** | - |

A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate for the years ended 31 December 2014 and 31 December 2015 is as follows:

| | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Profit before tax | 1,002,612 | 5,557,864 | 10,146,909 |
| Tax at Nigeria Corporation tax rate of 30% (2014: 30%) | 300,783 | 1,667,359 | 3,044,073 |
| Education tax | - | - | - |
| Minimum tax adjustments | - | - | - |
| Deferred tax | (558,635) | - | - |
| Income not subjected to tax | (300,783) | (1,667,359) | (3,044,073) |
| Tax write back | - | (77,095) | (77,095) |
| Tax credit for the year | **(558,635)** | **(77,095)** | **(77,095)** |

A prior year adjustment to reclass current tax of N2.4 billion was made based on the Pioneer status incentive effective 1 January 2014

## 11 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 |
|---|---|---|---|---|---|---|---|
| **Company (formerly TUPL)** | | | | | | | |
| **Cost** | | | | | | | |
| Balance as at 1 January 2014 | - | - | 629 | - | - | - | 629 |
| Additions | - | - | - | - | - | - | - |
| Balance as at 31 December 2014 | - | - | **629** | - | - | - | **629** |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 1 January 2014 | - | - | 82 | - | - | - | 82 |
| Depreciation for the year | - | - | 175 | - | - | - | 175 |
| Balance as at 31 December 2014 | - | - | **257** | - | - | - | **257** |
| **Carrying amounts** | | | | | | | |
| At 1 January 2014 | - | - | 547 | - | - | - | 547 |
| At 31 December 2014 | - | - | 372 | - | - | - | 372 |
| **Group** | | | | | | | |
| **Cost** | | | | | | | |
| Balance as at 1 January 2014 | 376,497 | 1,352,582 | 17,361 | 42,412,933 | 87,215 | 65,529 | 44,312,117 |
| Additions | - | 138,996 | 29,777 | 329,269 | 55,772 | 3,301,298 | 3,855,112 |
| Reclassification | - | - | - | 45,261 | - | (45,261) | - |
| *Adjustment | - | - | - | - | - | (20,268) | (20,268) |
| Balance as at 31 December 2014 | **376,497** | **1,491,578** | **47,138** | **42,787,463** | **142,987** | **3,301,298** | **48,146,961** |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 1 January 2014 | - | 3,000 | 8,348 | 3,708,060 | 7,706 | - | 3,727,114 |
| Depreciation for the year | - | 26,901 | 4,504 | 1,751,217 | 15,242 | - | 1,797,864 |
| Balance as at 31 December 2014 | - | **29,901** | **12,852** | **5,459,277** | **22,948** | - | **5,524,978** |
| **Carrying amounts** | | | | | | | |
| At 1 January 2014 | 376,497 | 1,349,582 | 9,013 | 38,704,873 | 79,509 | 65,529 | 40,585,003 |
| At 31 December 2014 | 376,497 | 1,461,677 | 34,286 | 37,328,186 | 120,039 | 3,301,298 | 42,621,983 |
| **Company** | | | | | | | |
| **Cost** | | | | | | | |
| Balance as at 1 January 2015 | 376,497 | 1,491,578 | 47,138 | 42,787,463 | 142,987 | 3,301,298 | 48,146,961 |
| Additions | | 92,032 | 91,530 | 704,729 | - | 4,776,935 | 5,665,226 |
| Reclassification | - | - | - | 4,362,202 | - | (4,362,202) | - |
| *Adjustment | - | - | - | - | - | (358,582) | (358,582) |
| Balance as at 31 December 2015 | **376,497** | **1,583,610** | **138,668** | **47,854,394** | **142,987** | **3,357,449** | **53,453,605** |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 1 January 2015 | - | 29,901 | 12,852 | 5,459,277 | 22,948 | - | 5,524,978 |
| Depreciation for the year | | 28,258 | 9,670 | 1,805,369 | 20,072 | - | 1,863,369 |
| Balance as at 31 December 2015 | - | **58,159** | **22,522** | **7,264,646** | **43,020** | - | **7,388,347** |
| **Carrying amounts** | | | | | | | |
| At 1 January 2015 | 376,497 | 1,461,677 | 34,286 | 37,328,186 | 120,039 | 3,301,298 | 42,621,983 |
| At 31 December 2015 | 376,497 | 1,525,451 | 116,146 | 40,589,748 | 99,967 | 3,357,449 | 46,065,258 |

*Adjustment includes items of work in progress which did not qualify as property, plant and equipment and therefore transferred to inventory during the year (2014 items were expensed).

| 12 Intangible assets | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| **Goodwill** | | | |
| Balance at 1 January | 9,701,191 | 5,611,412 | - |
| Adjustments | - | 4,089,779 | - |
| Balance at 31 December | **9,701,191** | **9,701,191** | **-** |

Goodwill is not amortised but tested for impairment annually. At the reporting date the goodwill had not been impaired. The goodwill arose from the purchase of Ughelli Power Plc on 1 November 2013.

| | Group 31 December 2014 N'000 |
|---|---|
| Fair values of assets and liabilities of Ughelli Power Plc as at 1 November 2013 | |
| Non current assets | 40,299,375 |
| Inventory | 819,606 |
| Cash and cash equivalents | 369,607 |
| Total assets | 41,488,588 |
| Non current liabilities | (4,089,779) |
| Current liabilities | - |
| Net assets | 37,398,809 |
| Purchase consideration | 47,100,000 |
| Excess of purchase consideration over equity acquired/ goodwill | 9,701,191 |

| 13 Investment in subsdiary | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| | - | - | 47,100,000 |

| 14 Inventories | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| General stores | 3,822,349 | 681,175 | - |
| Stationery | 3,560 | 1,045 | - |
| Lubricant | 54,483 | 73,797 | - |
| | 3,880,392 | 756,017 | - |
| Impairment provision | (15,983) | (1,910) | - |
| | **3,864,409** | **754,107** | **-** |

General stores, stationery, tools and lubricants are carried as inventory and recognised in profit or loss as consumed. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to N1.62 billion (2014: N1.27 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 writedown during the year.

| 15 Trade and other receivables | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Trade receivables | 24,004,801 | 17,290,438 | - |
| Less: provision for impairment of trade receivables | (344,505) | - | - |
| Trade receivables - net | 23,660,296 | 17,290,438 | - |
| Other receivables and prepayments | 126,728 | 159,461 | 213 |
| Due from subsidiary | - | - | 14,822,390 |
| Due from related companies | 15,147 | 91,978 | 6,675 |
| Advances to suppliers | 498,841 | 831,941 | - |
| | **24,301,012** | **18,373,818** | **14,829,278** |

| 16 Cash and cash equivalents | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Cash and cash equivalents | **215,054** | **217,761** | **187** |

Included in cash and cash equivalents is balance held at First Bank Nigeria Plc of N210,039,192 which is restricted due to a court lien placed on it since May 2012 as a result of an existing court case between Lagos State Government and Power Holding Company of Nigeria (PHCN).

## 17 Deferred income tax liabilities/(assets)

Deferred income tax is calculated using the enacted income tax rate at 30%. The movement on the deferred income tax account is as follows:

| | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| Balance as at 1 January | 4,089,779 | 4,089,779 | - |
| Charged /(credited) to profit or loss | (558,635) | - | - |
| Charged/ (credited) to equity | (539,305) | - | - |
| Balance as at 31 December | **2,991,839** | **4,089,779** | **-** |

| | Accelerated tax depreciation N'000 | Valuation of property, plant and equipment N'000 | Total N'000 |
|---|---|---|---|
| Balance as at 1 January 2014 | 1,315,081 | 2,774,698 | 4,089,779 |
| Charged/ (credited) to profit or loss | - | - | - |
| Charged/ (credited) to OCI | - | - | - |
| Charged/ (credited) to equity | - | - | - |
| Balance as at 31 December 2014 | 1,315,081 | 2,774,698 | **4,089,779** |
| Balance as at 1 January 2015 | 1,315,081 | 2,774,698 | 4,089,779 |
| Charged/ (credited) to profit or loss | (558,635) | - | (558,635) |
| Charged/ (credited) to OCI | - | - | - |
| Charged/ (credited) to equity | (539,305) | - | (539,305) |
| Balance as at 31 December 2015 | 217,141 | 2,774,698 | **2,991,839** |

## 18 Borrowings

| | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| Bank loans | **41,515,140** | **35,293,694** | **33,877,287** |
| Current | 15,340,076 | 7,624,004 | 6,207,597 |
| Long term | 26,175,064 | 27,669,690 | 27,669,690 |

Included in the loan balance is the drawdown on Import Finance Facility of $40 million from United Bank of Africa Plc. The loan was obtained on 17 June 2014 at 17% interest rate. The Naira equivalent of the drawdown during the year is N3.9 billion.

The loan is for the purpose of financing the import of turbine equipment and guarantee payments due in favour of Thomassen and General Electric for installation of the equipment. The loan is repayable over a three year period for the Import Finance Facility and one hundred and eighty (180) days where a letter credit has been raised. The returns from sale of energy by the Company will be used for servicing the loan.

The Company also has overdraft facilities of N825 million and N1 billion with United Bank of Africa for the purposes of augmenting working capital and to support payment for gas supplied respectively. The overdraft facilities were obtained on 27 January 2014 and 6 February 2014 respectively. The overdraft is available for five years with three hundred and sixty five (365) days cycle for each disbursement. The Company had an overdraft account balance of N1.87 billion at the end of the year.

Also included in the loan balance is a total amount of N35 billion (US$181m) from four financial institutions namely United Bank of Africa Plc, Africa Finance Corporation, Fidelity Bank Plc and First City Monument Bank Plc . The arrangement was facilitated by UBA Capital Plc. The loans were obtained on 19 August 2013.

The loan was for the purpose of acquiring 100% interest in Ughelli Power Plc from the Federal Government. The loan is repayable over a seven year period with a moratorium. The returns from the Company will be used for servicing the loans.

The outstanding balances at the end of the year were as follows:

**Outstanding balance at;**

| Lender | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| United Bank of Africa Plc | 25,741,320 | 20,127,336 | 18,710,929 |
| Africa Finance Corporation | 9,126,474 | 8,774,740 | 8,774,740 |
| Fidelity Bank Plc | 3,323,673 | 3,195,809 | 3,195,809 |
| First City Monument Bank Plc | 3,323,673 | 3,195,809 | 3,195,809 |
| | **41,515,140** | **35,293,694** | **33,877,28-** |

| The movement in borrowings is as follows: | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| Balance as at 1 January | 35,293,694 | 32,645,323 | 32,645,323 |
| Additions | 5,808,020 | 1,416,407 | - |
| Interest accrued | 3,712,869 | 3,414,250 | 1,997,843 |
| Repayments | (9,360,575) | (5,053,699) | (3,637,292) |
| Foreign exchange loss adjustment | 6,061,132 | 2,871,413 | 2,871,413 |
| Balance as at 31 December 2015 | **41,515,140** | **35,293,694** | **33,877,287** |

## 19 Trade and other payables

| | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Trade payables | 10,857,641 | 4,482,040 | - |
| Accrued professional fees | 32,775 | 59,013 | 13,375 |
| Accrued directors' fees | - | 250 | 250 |
| Other payables | 2,513,797 | 2,414,211 | 2,413,304 |
| Due to related parties | 8,176,398 | 6,095,920 | 4,227,302 |
| Other accruals | 25,315 | 13,130 | - |
| Withholding tax | 949,082 | 844,358 | 802,893 |
| PAYE tax deductions | 32,020 | - | - |
| Dividend payable | 1,650,747 | 3,599,280 | 3,599,280 |
| | **24,237,775** | **17,508,202** | **11,056,404** |

| | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|
| Other payables | 14,211 | 13,304 |
| Exceptional item (note 28) | 2,400,000 | 2,400,000 |
| Total | 2,414,211 | 2,413,304 |

## 20 Related party transactions and balances

a. The Company is a subsidiary of Transnational Corporation of Nigeria Plc which is owned by Nigerian citizens.

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

**Balances with related parties during the year -**

| Payables | Nature of relationship | Nature of transaction | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|---|---|
| Transnational Corporation of Nigeria Plc | Parent company | Technical and Management services and dividend | 6,318,994 | 4,227,302 | 4,227,302 |
| Transcorp Hotel Abuja | Subsidiary of the group | Short term payable | 1,861,450 | 1,710,003 | - |
| Transcorp Hotel Calabar | Subsidiary of the group | | 460 | 460 | - |
| Nembe Creek Oil Co. Ltd | Controlled by key management personnel | | 2,543 | 2,543 | - |
| Thomassen Holding Limited | Investor in the company | Service agreement fees | 161,823 | 94,499 | |
| Heirs Holdings Limited | Investor in the group | Management fees | 22,035 | 77,806 | - |
| Tony Elumelu Foundation | Controlled by key management personnel | Corporate social responsibility | 22,035 | 77,806 | - |
| | | | **8,389,340** | **6,190,419** | **4,227,302** |

The payable to the parent company includes management fees, loans at 17% interest rate and dividend payable. The Company also obtained loans from Transcorp Hotels Plc at 17% interest rate. Other payables to the related parties are short term and interest free.

| Receivables | Nature of relationship | Nature of transaction | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|---|---|
| Ughelli Power Plc | Subsidiary | Dividend | - | - | 14,822,390 |
| Transnational Corporation of Nigeria Plc | Parent company | Short term receivable | - | 76,831 | - |
| Transcorp Energy Limited | Subsidiary of the group | | 14,017 | 14,017 | 5,545 |
| Teragro Commodities Limited | Subsidiary of the group | | 1,130 | 1,130 | 1,130 |
| | | | **15,147** | **91,978** | **6,675** |

The receivable from the related parties are short term non interest bearing amounts arising from expenses.

No expense has been recognised in the current or prior years 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**

The key management personnel of the entity comprises the following:

| | | | |
|---|---|---|---|
| Mr. Tony Elumelu CON. | Chairman | Mr. Paul Hinks | Director |
| Mr. Adeoye Fadeyibi | Managing Director/CEO | Mr. Tony Chukwueke | Director |
| Mr Emmanuel Nnorom | Director | Mr. Peter Hertog | Director |
| Mr. Risqua Muhammed | Director | Mr Victor Osadolor | Director |
| Mr. Sylvester Monye | Independent Director | | |

Directors' emoluments are disclosed in Note 26.

| 21 Share capital | Company 31 December 2015 N'000 | Group 31 December 2014 N'000 | Company (formerly TUPL) 31 December 2014 N'000 |
|---|---|---|---|
| Authorised share capital | | | |
| 100,000,000 ordinary shares of N0.50 each | **50,000** | **50,000** | **50,000** |
| Allotted, called up, issued and fully paid: | | | |
| 66,151,532 (2014: 66,151,532) ordinary shares of N0.50 each | 33,076 | 33,076 | 33,076 |
| | **33,076** | **33,076** | **33,076** |

| 22 Share premium | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Balance as at 1 January | 15,117,159 | 15,117,159 | 15,117,159 |
| Shares Issued | - | - | - |
| Balance as at 31 December | **15,117,159** | **15,117,159** | **15,117,159** |

| 23 Retained earnings | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| The movement in retained earnings during the year is as follows: | | | |
| Balance as at 1 January | (640,899) | 1,724,143 | (378,093) |
| Profit for the year | 1,561,247 | 5,634,959 | 10,224,004 |
| Interim dividend | (1,300,000) | (8,000,000) | (8,000,000) |
| Post consolidation adjustment* | 472,094 | - | - |
| Balance as at 31 December | **92,442** | **(640,898)** | **1,845,911** |

*Post consolidation adjustment represents decrease in deferred tax liabilities in Ughelli Power Plc 2014 financial statements subsequent to the group report date

| 24 Cash used in operations | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Profit before tax | 1,002,612 | 5,557,864 | 10,146,909 |
| **Adjustment for non cash items** | | | |
| Depreciation of property, plant and equipment (note 11) | 1,863,369 | 1,797,864 | 175 |
| Construction work-in-progress expensed (note 11) | 358,582 | 20,268 | - |
| Interim dividend | (1,300,000) | (8,000,000) | (8,000,000) |
| Foreign exchange loss | 6,061,132 | 2,871,413 | 2,871,413 |
| Tax write back | - | 2,400,000 | 2,400,000 |
| **Working capital changes** | | | |
| Increase in debtors and prepayment | (5,994,405) | (14,843,183) | (14,657,083) |
| Increase in inventory | (3,110,302) | (410,138) | - |
| Increase in payables and accrued expenses | 6,621,218 | 14,393,133 | 8,605,951 |
| **Net cash generated from operations** | **5,502,205** | **3,787,221** | **1,367,365** |

## 25 Particulars of directors and staff

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

| | Company | Group | Company (formerly TUPL) |
|---|---|---|---|
| | 31 December 2015 Number | 31 December 2014 Number | 31 December 2014 Number |
| Less than N1,000,000 | - | - | - |
| N1,000,001 - N2,000,000 | 8 | 24 | - |
| N2,000,001 - N5,000,000 | 146 | 148 | - |
| Above N5,000,000 | 119 | 88 | - |
| | 273 | 260 | - |

Staff costs for the above persons (excluding Directors):

| | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Salaries and wages | 1,184,609 | 1,001,308 | 711 |
| Pension cost | 29,354 | 21,072 | - |
| | 1,213,963 | 1,022,380 | 711 |

| Analysis of staff costs: | 31 December 2015 N'000 | 31 December 2014 N'000 | 31 December 2014 N'000 |
|---|---|---|---|
| Cost of sales | 704,204 | 549,718 | - |
| Administrative and general expenses | 509,759 | 472,662 | 711 |
| | 1,213,963 | 1,022,380 | 711 |

**Emoluments of directors**

The remuneration paid to the Directors of the Company was:

| | | | |
|---|---|---|---|
| Salaries | 51,640 | 51,640 | - |
| Fees | 4,750 | 5,500 | 5,500 |
| Defined contribution | 2,352 | 1,026 | - |
| Benefits in kind | 66,228 | 61,400 | 61,400 |
| | 124,970 | 119,566 | 66,900 |

Amount paid to the highest paid director (excluding pension contributions)

| | | | |
|---|---|---|---|
| Fees | 1,000 | 1,000 | 1,000 |
| Benefit in kind | 23,600 | 16,120 | 16,120 |
| | 24,600 | 17,120 | 17,120 |

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 2015 Number | 31 December 2014 Number | 31 December 2014 Number |
|---|---|---|---|
| Less than N10,000,000 | 6 | 6 | 6 |
| Over N10,000,000 | 2 | 2 | 2 |
| | 8 | 8 | 8 |

## 26 Capital commitments and contingent liabilities

At the date of approval of the financial statements, the Company's commitment to General Electric for the rehabilitation of Gas Turbine (GT) 15 was US$ 18.2 million. The Company also had commitment of US$ 8.9 million to Thomassen LLC for the rehabilitation of GT 20.

The Directors disclose that all other 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.

## 27 Events after statement of financial position date

There were no post balance sheet events requiring adjustment of, or disclosure in the financial statements which could have had material effect on the state of affairs of the Company as at 31 December 2015 and on the profit for the year ended on that date which have not been adequately provided for or recognised (31 December 2014: nil)

## 28 Exceptional items

Items that are material either because of their size or nature or are non-recurring are presented with their relevant income statement category but highlighted in the notes to the financial statement. The separate reporting of exceptional items help provide a better picture of the Company's underlying financial performance. The impact of the exceptional items relates to tax provision as disclosed in note 10.

| **The impact on the financial statements** | Group | Company (formerly TUPL) |
|---|---|---|
| | 31 December 2014 | 31 December 2014 |
| Profit before tax | 7,957,864 | 12,546,909 |
| Impact of exceptional items (note 10) | (2,400,000) | (2,400,000) |
| Profit before tax after exceptional items | 5,557,864 | 10,146,909 |

**Transcorp Power Limited**
**Other supplementary information**
**Statement of value added**
**for the year ended 31 December 2015**

| | 31 December 2015 N'000 | % | 31 December 2014 N'000 | % |
|---|---|---|---|---|
| Turnover | 26,647,472 | | 26,213,160 | |
| Bought-in materials and services (local) | (10,321,362) | | (11,016,675) | |
| Brought- in materials and services (foreign) | (1,622,648) | | (1,276,631) | |
| | 14,703,462 | | 13,919,854 | |
| Other operating income | 18,504 | | 3,772 | |
| **Value added** | **14,721,966** | **100** | **13,923,626** | **100** |
| **Distributed as follows:** | | | | |
| **Employees:** | | | | |
| To pay salaries, wages and other staff costs | 1,184,609 | 8 | 1,001,308 | 8 |
| **Provider of funds** | | | | |
| Interest | 10,672,629 | 72 | 5,566,589 | 40 |
| **Government:** | | | | |
| To pay tax | (558,635) | (4) | (77,095) | (1) |
| **Maintenance of assets:** | | | | |
| Depreciation | 1,862,116 | 13 | 1,797,865 | 13 |
| **Retained for future growth:** | | | | |
| Profit for the year | 1,561,247 | 11 | 5,634,959 | 40 |
| **Value added** | **14,721,966** | **100** | **13,923,626** | **100** |