TRANSCORP POWER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2017

Transcorp Power Limited
Corporate information
For the year ended 31 December 2017

Transcorp Power Limited
Corporate information
For the year ended 31 December 2017

Company Registration No.	RC 1067143
Registered Office	38 Glover Road, Ikoyi Lagos Nigeria.
Plant address	Transcorp Power Complex KM 20 Warri/Patani Highway Ughelli Delta State.
Board of Directors	Mr. Tony O. Elumelu, CON Mr. Kalyana Sundaram Mr. Adim Jibunoh Mr Emmanuel Nnorom Dr. Tony Chukwueke Mr. Peter Hertog Mr. Risqua Muhammed Prof. Sylvester Monye
Auditors	PricewaterhouseCoopers Chartered Accountants Landmark Towers 5B Water Corporation Road Victoria Island, Lagos.
Bankers	Africa Finance Corporation Fidelity Bank Plc First Bank of Nigeria Plc First City Monument Bank Plc United Bank for Africa Plc
Company Secretary	Helen Iwuchukwu 38 Glover Road Ikoyi, Lagos.

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017, to the members of Transcorp Power Limited ("the Company"). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

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

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

The address of its registered office is:

38 Glover Road, Ikoyi
Lagos
Nigeria.

Principal activities

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

Results	**31 December 2017 N'000**	**31 December 2016 N'000**
Revenue	66,441,488	44,067,817
Profit/(loss) before income tax	10,838,066	(8,083,229)
Income tax	1,882,735	6,269,910
Profit/(loss) for the year	12,720,801	(1,813,319)

Directors

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

Mr. Tony O. Elumelu, CON	Chairman	Resigned 15 December 2017
Mr. Kalyana Sundaram (Indian)	Managing Director/Chief Executive Officer	
Mr. Adim Jibunoh	Director	Appointed 1 June 2017
Mr. Emmanuel Nnorom	Director	Appointed Chairman, 1 March 2018
Dr. Tony Chukwueke	Director	
Mr. Peter Hertog (Dutch)	Director	
Mr. Risqua Muhammed	Director	
Prof. Sylvester Monye	Independent Director	

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 2017, the shareholding in the Company was as follows:

	Number of shares held	Percentage
Transnational Corporation of Nigeria Plc.	42,341,981	64.0%
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	0.1%
	66,151,532	100%

Equal employment opportunity

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

Employment of disabled persons

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

Employee health, safety and welfare

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

Employee training and involvement

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

Donations/charitable gifts

The Company made donations of N251.4 million (2016: N0.877 million) during the year to support various organisations. This is disclosed in Note 7.

Auditors

Messrs. PricewaterhouseCoopers have indicated are retiring as independent auditors of the Company at this general meeting. Notice has been given that the proposed independent auditors to be appointed is Ernst & Young. Resolutions will be proposed for appointment of Ernst & Young as independent auditors and authorising the directors to fix their remuneration.

By Order of the Board

Helen Iwuchukwu
Company Secretary
FRC/2015/NBA/00000012716

01 MARCH 2018

Transcorp Power Limited
Statement of directors' responsibilities
For the year ended 31 December 2017

The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibility include:

a) ensuring that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act;

b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and

c) preparing the company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

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 and the requirements of the Companies and Allied Matters Act.

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

Adim Jibunoh	**Emmanuel Nnorom**
Director	Chairman
FRC/2014/IODN/00000008267	FRC/2014/ICAN/00000007402
01 MARCH 2018	01 MARCH 2018
Date	Date

Independent auditor's report

To the Members of Transcorp Power Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Transcorp Power Limited's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2017, 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.

What we have audited

Transcorp Power Limited's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, statement of directors' responsibilities, statement of value added and five year financial summary but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and 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.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

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 statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

29 March 2018

Toyin Ogunlowo

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Leader: Toyin Ogunlowo
FRC/2017/ICAN/00000015921

Transcorp Power Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Notes	31 December 2017 N'000	31 December 2016 N'000
Revenue	5	66,441,488	44,067,817
Cost of sales	6	(40,097,522)	(25,325,429)
Gross profit		**26,343,966**	**18,742,388**
Administrative expenses	7	(3,329,832)	(1,946,439)
Other operating income	8	16,014	6,717
Operating profit		**23,030,148**	**16,802,666**
Finance income	9	841	11
Finance cost	9	(12,192,923)	(24,885,906)
Net finance cost		(12,192,082)	(24,885,895)
Profit/(loss) before income tax		10,838,066	(8,083,229)
Income tax credit	10	1,882,735	6,269,910
Profit/(loss) for the year		**12,720,801**	**(1,813,319)**
Profit/(loss) attributable to:			
Owners of the Company		8,142,274	(1,160,662)
Non-controlling interests		4,578,527	(652,657)
		12,720,801	**(1,813,319)**

The notes on pages 14 to 41 are an integral part of these financial statements.

Transcorp Power Limited
Statement of financial position
For the year ended 31 December 2017

	Notes	31 December 2017 N'000	31 December 2016 N'000
Assets			
Non-current assets			
Property, plant and equipment	11	51,738,469	47,280,541
Goodwill	12	9,701,191	9,701,191
Deferred tax assets	16	5,160,806	3,278,071
		66,600,466	**60,259,803**
Current assets			
Inventories	13	3,912,863	3,979,301
Trade and other receivables	14	77,460,711	47,509,235
Cash and cash equivalents	15	1,426,532	444,280
		82,800,106	**51,932,816**
Total assets		**149,400,572**	**112,192,619**
Liabilities			
Non-current liabilities			
Borrowings	17	43,046,309	35,727,161
		43,046,309	**35,727,161**
Current liabilities			
Trade and other payables	18	69,888,301	40,466,571
Current tax payable	10	159,493	159,493
Borrowings	17	18,817,639	22,410,035
		88,865,433	**63,036,099**
Total liabilities		**131,911,742**	**98,763,260**
Equity			
Share capital	20	33,076	33,076
Share premium	21	15,117,159	15,117,159
Retained earnings	22	2,338,595	(1,720,876)
Total equity		**17,488,830**	**13,429,359**
Total equity and liabilities		**149,400,572**	**112,192,619**

The notes on pages 14 to 41 are an integral part of these financial statements.

The financial statements and notes on pages 10 to 43 were approved by the Board of Directors on 01 MARCH 2018 and signed on its behalf by:

Emmanuel Nnorom	Ejike Alumona	Adim Jibunoh
Chairman	Chief Financial Officer	Director
FRC/2014/ICAN/00000007402	FRC/2017/ICAN/00000016143	FRC/2014/IODN/00000008267

Transcorp Power Limited
Statement of changes in equity
For the year ended 31 December 2017

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
Balance at 1 January 2016	**33,076**	**15,117,159**	**92,443**	**15,242,678**
Loss for the year	-	-	(1,813,319)	(1,813,319)
Total comprehensive income	-	-	**(1,813,319)**	**(1,813,319)**
Balance at 31 December 2016	**33,076**	**15,117,159**	**(1,720,876)**	**13,429,359**
Balance at 1 January 2017	**33,076**	**15,117,159**	**(1,720,876)**	**13,429,359**
Profit for the year	-	-	12,720,801	12,720,801
Total comprehensive income	-	-	**12,720,801**	**12,720,801**
Interim dividends (note 22)	-	-	(8,661,330)	(8,661,330)
Total transactions with owners, recognised directly in equity	-	-	**(8,661,330)**	**(8,661,330)**
Balance at 31 December 2017	**33,076**	**15,117,159**	**2,338,595**	**17,488,830**

The notes on pages 14 to 41 are an integral part of these financial statements.

Transcorp Power Limited
Statement of cash flows
For the year ended 31 December 2017

	Notes	31 December 2017 N'000	31 December 2016 N'000
Cash flows from operating activities			
Cash generated from operations	23	14,099,126	10,272,887
Net cash generated from operating activities		**14,099,126**	**10,272,887**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(6,836,976)	(3,502,675)
Net cash used in investing activities		**(6,836,976)**	**(3,502,675)**
Cash flows from financing activities			
Proceeds from borrowing	17	6,772,630	9,902,257
Repayments of borrowings	17	(13,052,528)	(16,443,243)
Net cash inflow used in financing activities		**(6,279,898)**	**(6,540,986)**
Net increase in cash, cash equivalents		982,252	229,226
Cash, cash equivalents at the beginning of the year		444,280	215,054
Cash and cash equivalents at the end of the year	15	**1,426,532**	**444,280**

The notes on pages 14 to 41 are an integral part of these financial statements.

1 General information

Transcorp Power Limited (formerly Transcorp Ughelli Power Limited) ("the Company") was incorporated in Nigeria on the 24th 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 the generation of electric power.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 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.

2.2.1 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.

2.2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company
The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:
Recognition of Deferred Tax Assets for Unrealised Losses- Amendments to IAS 12 ; and
Disclosure initiative - amendments to IAS 7
Annual improvements to IFRS 2012 -2014 cycle, and
Disclosure Initiative - amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 do not have any material impact to the Company.

(b) New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	**IFRS 9 Financial Instruments**
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018. The Company's financial assets are loan and receivables and they are measured at amortised costs. Accordingly, the Company does not expect the new guidelines to affect the classification of financial instruments. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: *Recognition and Measurement* have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Date of adoption by the company	Must be applied for financial years commencing on or after 1 January 2018. The Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. The comparative for 2017 will not be restated.

Title of standard	**IFRS 15 Revenue from Contracts with Customers**
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. It requires that in recognising revenue, the Company must: 1. Identify the contract(s) with a customer 2. Identify performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to performance obligations in the contract 5. Recognise revenue when (or as) the Company satisfies a performance obligation The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact	Management has assessed the effects of applying the new standards on the Company's financial statements and has identified the following areas that will be affected: Transcorp Power Limited earns revenue for electricity power generation and their activities includes i) capacity ii) energy and iii) ancillary services. Capacity charge and energy sent out is currently treated as a single performance obligation. This will not pass the separately identifiable test because the Company's promise to transfer the service to the customer is not separately identifiable from other promises in the contract. Ancillary services includes earnings from Black start operations and frequency control services. The transaction price that will be recognised for accounting purpose will change as a result of the effects of variable consideration, constraining estimates of variable consideration and the existence of significant financing profit or loss. In addition, the Company will recognise contract liabilities in the Statement of financial position where variation in prices might have occurred. The Company needs to allocate transaction price to each performance obligation on a relative stand- alone selling price basis for the range of products that are bundled and have variable amounts. The Company will assess its satisfaction of performance obligation for energy and capacity as well as other ancillary services provided. This is crucial in determining whether the control of those promises are transferred over time or at a point in time. Based on the fact that energy and capacity are supplied over a period on a monthly basis using the market/rule operations agreement, the Company should recognise revenue over time. Contract assets and contract liabilities will arise from measuring progress based on the revenue recognition over time and the Company will need to present these assets and liabilities as separate line items in the statement of financial position. To meet the disclosure requirement of IFRS 15, Transcorp Power Limited will disclose the following: a) the amount of revenue recognised from contracts with customers separately from other sources of revenue. b) impairment losses from contracts with customers separately from other impairment losses. c) disaggregation of revenue into type of goods and services, geographical region, market or type of customers, type of contract and contract duration. d) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers.
Date of adoption by the Company	Mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparative will not be restated.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3 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.

2.4 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.

2.5 Intangible assets

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

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

For purposes of impairment testing, each turbine set is treated as a cash generating unit.
Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- the directors 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.

2.6 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.

2.7 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.

2.7.1 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.

2.7.2 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.

2.7.3 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.

2.7.4 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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 expenditure 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.

2.13 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.

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

2.15 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 long term 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.

2.16 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.

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

The Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is supported by various management functions that checks and undertakes both regular and ad hoc reviews of compliance with established controls and procedures.

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

	31 December 2017 N'000	31 December 2016 N'000
Cash and bank balances	7,333	7,020

	31 December 2017 N'000	31 December 2016 N'000
Financial liabilities		
Other payables	3,786,680	-
Borrowings	61,863,948	58,137,196
	65,650,628	58,137,196

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

The table below shows the impact on the Company's profit and equity if the exchange rate between the Naira and the US Dollars had increased or decreased by 1%, with all other variables held constant:

Impact on profit or loss	31 December 2017 N'000	31 December 2016 N'000
US/NGN exchange rate- increase 10% (2016: 1%)	(4,793,115)	(464,311)
US/NGN exchange rate- decrease 10% (2016: 1%)	4,793,115	464,311

(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:

	31 December 2017			31 December 2016		
	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	1,674	-	1,674	714	-	714
Bank deposits	1,424,858	-	1,424,858	443,567	-	443,567
Trade and other receivables*	77,404,464	-	77,404,464	47,460,020	-	47,460,020
	78,830,996	-	78,830,996	47,904,300	-	47,904,300

	31 December 2017			31 December 2016		
	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
Liabilities						
Borrowings	61,863,948	61,863,948	-	58,137,196	58,137,196	-
Trade and other payables**	68,128,123	-	68,128,123	39,623,342	-	39,623,342
	129,992,071	61,863,948	68,128,123	97,760,538	58,137,196	39,623,342

*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.

	31 December 2017 N'000	31 December 2016 N'000
Effect of a 10% increase in interest rates on profit before tax	(12,999,207)	(9,776,054)
Effect of a 10% decrease in interest rates on profit before tax	12,999,207	9,776,054

(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 a highly regulated environment where payment 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.

The credit risk on cash is limited because the majority of deposits are with banks which have stable credit ratings assigned by international credit agencies as shown in the table below.

Bank	Rating
United Bank of Africa	B
First Bank of Nigeria	B-

(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's credit exposure at their carrying amounts as categorised by geographical region as of 31 December 2017 and 31 December 2016 respectively.

	2017		2016	
	Trade and other receivables N'000	Cash and bank balances N'000	Trade and other receivables N'000	Cash and bank balances N'000
Nigeria	77,404,464	1,426,532	47,460,020	444,280

Industry sectors
The following table breaks down the Company's credit exposure at their carrying amounts as categorised by industry sectors as of 31 December 2017 and 31 December 2016 respectively.

	2017		2016	
	Trade and other receivables	Cash and bank balances	Trade and other receivables	Cash and bank balances
	N'000	N'000	N'000	N'000
Financial services	-	1,426,532	-	444,280
Government	77,161,175	-	47,322,054	-
Other	243,289	-	137,966	-

(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:

	31 December 2017 N'000	31 December 2016 N'000
Neither past due nor impaired	19,505,100	4,519,232
Past due but not impaired	23,294,527	33,467,996
Impaired	34,604,837	9,472,792
Net trade and other receivables	77,404,464	47,460,020

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 sufficient to cover for the outstanding amount.

Impaired financial assets
These are receivables that the Company has determined they are impaired due to a loss event 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:	31 December 2017 N'000	31 December 2016 N'000
Trade receivables		
Group 2	19,505,100	4,519,232

Group 2 - existing counter parties/customers (more than 6 months) with no defaults in the past

Past due but not impaired
These relate to two customers, the Transmission Company of Nigeria and Nigeria Bulk Electricity Trader, for whom there is no recent history of default. The ageing analysis of these receivable is as follows:

	31 December 2017 N'000	31 December 2016 N'000
Past due 0-30 days	23,294,527	33,467,996

Impaired
These receivables were assessed as impaired due to payment trend of the customers. The amount of provision booked is N1.21 billion (2016: N634.5 million). The ageing of the receivables is as follows:

	31 December 2017 N'000	31 December 2016 N'000
Over 365 days	34,604,837	9,472,792

(c) Liquidity risk

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

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

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

31 December 2017	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	68,128,123	-	-	-	-	68,128,123
Borrowings	2,979,564	13,019,586	11,489,219	34,375,579	-	61,863,948
	71,107,687	13,019,586	11,489,219	34,375,579	-	129,992,071

31 December 2016	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	39,623,342	-	-	-	-	39,623,342
Borrowings	1,283,081	2,693,867	16,742,361	37,417,886	-	58,137,195
	40,906,423	2,693,867	16,742,361	37,417,886	-	97,760,537

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). 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:

	31 December 2017 N'000	31 December 2016 N'000
Total liabilities	61,863,948	58,137,196
Total equity	17,488,830	13,429,359
Gearing ratio	354%	433%

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 31 December 2017 and 31 December 2016:

	31 December 2017			
	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	1,426,532	1,426,532	-	-
Trade and other receivables	77,404,464	77,404,464	-	-
Financial liabilities				
Borrowings	-	-	61,863,948	61,863,948
Trade payables	-	-	44,702,451	44,702,451
Other payables	-	-	23,425,672	23,425,672

	31 December 2016			
	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	444,280	444,280	-	-
Trade and other receivables	47,460,020	47,460,020	-	-
Financial liabilities				
Borrowings	-	-	58,137,196	46,431,105
Trade payables	-	-	26,565,086	26,565,086
Other payables	-	-	13,058,256	13,058,256

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 2017.

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial assets				
Trade and other receivables	-	-	77,404,464	77,404,464
Financial liabilities				
Borrowings	-		61,863,948	61,863,948
Trade and other payables			44,702,451	44,702,451
Other liabilities	-	-	23,425,672	23,425,672
Total	**-**	**-**	**129,992,071**	**129,992,071**

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial assets				
Trade and other receivables	-	-	47,460,020	47,460,020
Financial liabilities				
Borrowings	-	46,431,105	-	46,431,105
Trade and other payables	-	-	26,565,086	26,565,086
Other liabilities	-	-	13,058,256	13,058,256
Total	**-**	**46,431,105**	**39,623,342**	**86,054,447**

(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 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.

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	31 December 2017 N'000	31 December 2016 N'000
Capacity charge	23,422,076	15,453,486
Energy delivered	42,904,512	28,445,957
Ancillary services	114,900	168,374
Total revenue	**66,441,488**	**44,067,817**

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

6 Cost of sales	31 December 2017 N'000	31 December 2016 N'000
Natural gas and fuel costs	35,217,507	20,447,826
Salaries and wages	662,998	659,887
Repairs and maintenance	938,121	1,137,886
Depreciation	2,296,884	2,079,059
Insurance	231,387	186,780
Other direct expenses	750,625	813,991
	40,097,522	**25,325,429**

7 Administrative expenses	31 December 2017 N'000	31 December 2016 N'000
Staff costs	407,952	375,849
Pension cost	19,730	24,900
Depreciation	58,916	40,808
Auditors' remuneration	29,550	30,000
Management and incentive fees	918,139	350,000
Professional fees	61,331	82,787
Donations and CSR	251,452	877
Directors remuneration	83,210	52,250
Impairment of receivables	585,028	285,263
Loss on asset disposal	23,248	-
Rent and rates	9,248	9,468
Repairs and maintenance	22,963	28,247
Insurance	243	2,325
Security services	88,669	91,087
Subscriptions and fees	7,146	20,952
Travel and accommodation	63,321	128,318
Marketing and promotional expenses	46,502	29,000
Bank charges	195,339	134,215
Foreign exchange loss	285,753	-
Other operating expenses	172,092	260,093
	3,329,832	**1,946,439**

Transcorp Power Limited
Notes to the financial statements
For the year ended 31 December 2017

Included in staff cost is N156.5 million (2016: N118.7 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.

Donation relates to contribution to Tony Elumelu Foundation.

7.1 Total depreciation for the period is made up of;

	31 December 2017 N'000	31 December 2016 N'000
Depreciation- Cost of sales	2,296,884	2,079,059
Depreciation- Administrative expenses	58,916	40,808
Total depreciation expense	**2,355,800**	**2,119,867**

	31 December 2017 N'000	31 December 2016 N'000
8 Other operating income		
Other income	16,014	6,717

	31 December 2017 N'000	31 December 2016 N'000
9 Finance income and finance costs		
Finance income		
Interest income	841	11
Finance costs		
Interest expense on loans	(7,638,693)	(6,181,994)
Foreign exchange loss on financing activities	(4,554,230)	(18,703,912)
	(12,192,923)	(24,885,906)
Net finance cost	**(12,192,082)**	**(24,885,895)**

	31 December 2017 N'000	31 December 2016 N'000
10 Income tax credit		
Current income tax	-	-
Education tax	-	-
Tax write back	-	-
Deferred tax	(1,882,735)	(6,269,910)
	(1,882,735)	**(6,269,910)**

	31 December 2017 N'000	31 December 2016 N'000
The movement in tax payable is as follows:		
Balance as at 1 January	159,493	159,493
Income tax for the year	-	-
Education tax for the year	-	-
Tax paid during the year	-	-
Balance as at 31 December	**159,493**	**159,493**

A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate (30%) for the years ended 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017 N'000	31 December 2016 N'000
Profit/(loss) before tax	10,838,066	(8,083,229)
Tax at Nigeria Corporation Tax Rate of 30% (2016: 30%)	3,251,420	(2,424,969)
Education tax	-	-
Minimum tax adjustments	-	-
Deferred tax	(1,882,735)	(6,269,910)
Income not subjected to tax	(3,251,420)	2,424,969
Tax credit for the year	**(1,882,735)**	**(6,269,910)**

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
Cost							
Balance as at 1 January 2016	376,497	1,583,610	138,668	47,854,394	142,987	3,357,449	53,453,605
Additions	16,952	282,066	63,898	805,014	2,625	2,332,120	3,502,675
Disposals	-	-	(2,111)	(1,154)	(12,186)	-	(15,451)
Reclassification	-	-	-	39,676	-	(39,676)	-
*Adjustment	-	-	-	-	-	(157,855)	(157,855)
Balance as at 31 December 2016	**393,449**	**1,865,676**	**200,455**	**48,697,930**	**133,426**	**5,492,038**	**56,782,974**
Accumulated depreciation							
Balance as at 1 January 2016	-	58,159	22,522	7,264,646	43,020	-	7,388,347
Charge for the year	-	33,591	26,334	2,039,912	20,027	-	2,119,864
Disposals	-	-	(405)	(294)	(5,079)	-	(5,778)
Balance as at 31 December 2016	-	**91,750**	**48,451**	**9,304,264**	**57,968**	-	**9,502,433**
Carrying amounts							
At 1 January 2016	**376,497**	**1,525,451**	**116,146**	**40,589,748**	**99,967**	**3,357,449**	**46,065,258**
At 31 December 2016	**393,449**	**1,773,926**	**152,004**	**39,393,666**	**75,458**	**5,492,038**	**47,280,541**
Cost							
Balance as at 1 January 2017	393,449	1,865,676	200,455	48,697,930	133,426	5,492,038	56,782,974
Additions	-	19,047	26,156	5,221,423	55,703	1,514,647	6,836,976
Disposals	-	-	(304)	-	(40,554)	-	(40,858)
Reclassification	-	-	-	6,034,955	-	(6,034,955)	-
Balance as at 31 December 2017	**393,449**	**1,884,723**	**226,307**	**59,954,308**	**148,575**	**971,730**	**63,579,092**
Accumulated depreciation							
Balance as at 1 January 2017	-	91,750	48,451	9,304,264	57,968	-	9,502,433
Depreciation for the year	-	36,608	40,678	2,253,144	25,370	-	2,355,800
Disposals	-	-	(51)	-	(17,559)	-	(17,610)
Balance as at 31 December 2017	-	**128,358**	**89,078**	**11,557,408**	**65,779**	-	**11,840,623**
Carrying amounts							
At 1 January 2017	**393,449**	**1,773,926**	**152,004**	**39,393,666**	**75,458**	**5,492,038**	**47,280,541**
At 31 December 2017	**393,449**	**1,756,365**	**137,229**	**48,396,900**	**82,796**	**971,730**	**51,738,469**

*Adjustment includes items of work in progress which did not qualify as property, plant and equipment and was transferred to inventory.

12 Intangible assets

Goodwill	31 December 2017 N'000	31 December 2016 N'000
Balance at 1 January	9,701,191	9,701,191
Adjustments	-	-
Balance at 31 December	**9,701,191**	**9,701,191**

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

In assessing goodwill impairment at 31 December 2017 and 2016, the Company compared the aggregate recoverable amount of the asset to the carrying amounts. Recoverable amount has been determined based on the value in use using five year cash flow budgets approved by directors that made maximum use of observable markets for inputs and outputs. For periods beyond the budgeted period, cash flows were extrapolated using growth rates that do not exceed the long-tem average for the business.

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

	31 December 2017	31 December 2016
Budgeted gross margin %	41%	43%
Weighted average growth rate	6%	6%
Pre-ax discount rate	17%	14%

13 Inventories

	31 December 2017 N'000	31 December 2016 N'000
General stores	3,862,520	3,921,125
Stationery	4,478	3,157
Lubricant	61,848	71,002
	3,928,846	3,995,284
Impairment provision	(15,983)	(15,983)
	3,912,863	**3,979,301**

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 N928 million (2016: N1.13 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.

14 Trade and other receivables

	31 December 2017 N'000	31 December 2016 N'000
Trade receivables	78,375,970	47,951,822
Less: provision for impairment of trade receivables	(1,214,795)	(629,768)
Trade receivables - net	77,161,175	47,322,054
Other receivables and prepayments	56,247	49,215
Due from related companies	115,704	16,017
Advances to suppliers	127,585	121,949
	77,460,711	**47,509,235**

15 Cash and cash equivalents

	31 December 2017 N'000	31 December 2016 N'000
Cash and cash equivalents	1,426,532	444,280

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 the defunct Power Holding Company of Nigeria (PHCN).

16 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:

	31 December 2017 N'000	31 December 2016 N'000
Balance as at 1 January	(3,278,071)	2,991,839
Credited to profit or loss	(1,882,735)	(6,269,910)
Balance as at 31 December	**(5,160,806)**	**(3,278,071)**

	Accelerated tax depreciation N'000	Unrealised exchange loss and general provisions N'000	Valuation of property, plant and equipment N'000	Total N'000
Balance as at 1 January 2016	217,141	-	2,774,698	2,991,839
Credited to profit or loss	(635,960)	(5,633,950)	-	(6,269,910)
Balance as at 31 December 2016	**(418,819)**	**(5,633,950)**	**2,774,698**	**(3,278,071)**
Balance as at 1 January 2017	(418,819)	(5,633,950)	2,774,698	(3,278,071)
Credited to profit or loss	(706,740)	(1,175,995)	-	(1,882,735)
Balance as at 31 December 2017	**(1,125,559)**	**(6,809,945)**	**2,774,698**	**(5,160,806)**

17 Borrowings

	31 December 2017 N'000	31 December 2016 N'000
Bank loans	**61,863,948**	**58,137,196**
Current	18,817,639	22,410,035
Long term	43,046,309	35,727,161

On 4 April 2017 the Company renewed multiple facilities, see details below:

The Company has an overdraft facility of N2.3 billion with United Bank of Africa in order to support the payment for gas supply to the power plant and other operational/ working capital requirements. The overdraft facility is available for 5 years subject to satisfactory reviews on an annual basis with a three hundred and sixty five (365) days cycle. The Company's overdraft account balance is N1.48 billion at the end of the year.

The Company renewed its custom bond facility of N160 million. The purpose of the bond is to finance payment to the Nigerian customs for turbine parts imported for expansion of the Company's power plant generation capacity. The tenor of the facility is open ended. There was no draw down during the year.

The Company renewed its Standby Letter of Credit (SBLC) facility. The purpose of the SBLC facility of N10 billion is to meet initial requirements for the supply of gas from NPDC/NDWAND to meet initial requirements for payment of gas transportation to Nigerian gas company (NGC). The facility is for a period of 12 months with an option to renew every year at maturity. There was no draw down during the year.

It also renewed its Import Finance Facility (IFF) of up to $18.5 million and up to N3 billion is to finance the purchase of turbine equipment and guarantee payments due for installation in favour of Thomassen and General Electric. The loan is repayable over a three year period for the Import Finance Facility and three hundred and sixty five (365) days where a letter credit has been raised. There was no draw down during the year.

The consolidated loan of N4.16 billion facility from United Bank of Africa Plc was also renewed on 4 April 2017 and amended on 31 July 2017 . The loan has been fully drawn down. The purpose of this loan is to realign the repayment structure on all existing short term loans to enable the Company to meet its increasing operational activities. This loan is repayable over a three year period inclusive of a one year principal and interest moratorium period effective from the date of consolidation. The cashflow from the operations of the Company will be used to service the loan.

The Company obtained a loan of $215 million on 19 August 2013 from four financial institutions namely United Bank of Africa Plc, Africa Finance Corporation, Fidelity Bank Plc and First City Monument Bank Plc for the purpose of a 100% interest in Ughelli Power Plc from the Federal Government. The loan is repayable over a seven year period with a one year principal moratorium. The loan has been fully drawn down. The loan balance as at 31 December 2017 is N44.3 billion (US$122.2 million).

The Company also renewed its N23billion facility from United Bank of Africa. The purpose of the facility is to convert the acquisition facility to a naira facility. The renewal increased the facility amount from N23 billion in 2016 to N30 billion in 2017. The facility was also restructured to include 12 months moratorium on repayment of principal and interest. The total drawdown from the facility is N12 billion (2017: N6.7 billion) with repayment of N1.7 billion. The tenor of this loan is the same as the foreign denominated loans.

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

	31 December 2017 N'000	31 December 2016 N'000
Outstanding balance at:		
Lender		
United Bank of Africa Plc	42,036,990	36,105,659
Africa Finance Corporation	11,554,230	12,543,411
Fidelity Bank Plc	4,136,364	4,744,063
First City Monument Bank Plc	4,136,364	4,744,063
	61,863,948	**58,137,196**

	31 December 2017 N'000	31 December 2016 N'000
The movement in borrowings is as follows:		
Balance as at 1 January	58,137,196	41,515,140
Additions	6,772,630	9,902,257
Interest accrued	5,452,420	4,459,130
Repayments	(13,052,528)	(16,443,243)
Foreign exchange loss	4,554,230	18,703,912
Balance as at 31 December	**61,863,948**	**58,137,196**

18 Trade and other payables

	31 December 2017 N'000	31 December 2016 N'000
Trade payables	44,702,451	26,565,086
Accrued professional fees	31,870	31,249
Other payables	2,539,678	54,893
Due to related parties	12,224,223	10,414,830
Other accruals	4,711,133	2,535,530
Withholding tax	1,746,760	829,892
PAYE tax deductions	13,418	13,337
Dividend payable	3,918,768	21,754
	69,888,301	**40,466,571**

19 Related party transactions and balances

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

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

Balances with related parties during the year

Payables to related parties	Nature of relationship	Nature of transaction	31 December 2017 N'000	31 December 2016 N'000
Transnational Corporation of Nigeria Plc	Parent company	Technical and Management services and dividend	12,224,223	8,866,953
Transcorp Hotel Abuja	Subsidiary of the group	Intercompany payable	-	1,547,234
Transcorp Hotel Calabar	Subsidiary of the group	Intercompany payable	-	644
Thomassen Holding Limited	Investor in the company	Service agreement fees	47,414	150,029
Heirs Holdings Limited	Investor in the group	Management fees	251,352	47,425
Tony Elumelu Foundation	Controlled by key management	Corporate social responsibility	251,352	-
			12,774,341	**10,612,285**

The payable to the parent company includes management fees, loans at 17% interest rate and dividend payable. Other payables to the related parties are short term and interest free.

Receivables from related parties	Nature of relationship	Nature of transaction	31 December 2017 N'000	31 December 2016 N'000
Transcorp Hotel Abuja	Subsidiary of the group	Intercompany receivable	99,571	-
Transcorp Energy Limited	Subsidiary of the group	Intercompany receivable	14,017	14,017
Transcorp Hotel Calabar	Subsidiary of the group	Intercompany receivable	116	-
Teragro Commodities Limited	Subsidiary of the group	Intercompany receivable	2,000	2,000
Tony Elumelu Foundation	Controlled by key management	Short term receivable	-	5,903
			115,704	**21,920**

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

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

Directors' emoluments are disclosed in Note 24.

20 Share capital	31 December 2017 N'000	31 December 2016 N'000
Authorised share capital 100,000,000 ordinary shares of N0.50 each	**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**

21 Share premium	31 December 2017 N'000	31 December 2016 N'000
Balance as at 1 January	15,117,159	15,117,159
Shares issued	-	-
Balance as at 31 December	**15,117,159**	**15,117,159**

22 Retained earnings

The movement in retained earnings during the year is as follows:

	31 December 2017 N'000	31 December 2016 N'000
Balance as at 1 January	(1,720,876)	92,443
Profit for the year	12,720,801	(1,813,319)
Interim dividend	(8,661,330)	-
Balance as at 31 December	2,338,595	(1,720,876)

23 Cash generated from operations

	31 December 2017 N'000	31 December 2016 N'000
Profit/(loss) before tax	10,838,066	(8,083,229)
Adjustment for non cash items		
Depreciation of property, plant and equipment (note 11)	2,355,800	2,119,864
Loss on disposal of property, plant and equipment	23,248	9,673
Adjustment of construction work-in-progress (note 11)	-	157,855
Finance cost	5,452,420	4,459,130
Foreign exchange loss on financing activities	4,554,230	18,703,912
Tax write back	-	-
Working capital changes		
Increase in debtors and prepayment	(29,951,476)	(23,208,222)
Increase in inventory	66,439	(114,892)
Increase in payables and accrued expenses	20,760,399	16,228,796
Cash generated from operations	**14,099,126**	**10,272,887**

24 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

	31 December 2017 Number	31 December 2016 Number
Less than N1,000,000	9	7
N1,000,001 - N2,000,000	34	34
N2,000,001 - N5,000,000	167	167
Above N5,000,000	42	42
	252	250

	31 December 2017 N'000	31 December 2016 N'000
Staff costs for the above persons (excluding Directors):		
Salaries and wages	1,070,949	1,035,736
Pension cost	19,730	24,900
	1,090,679	1,060,636

	31 December 2017 N'000	31 December 2016 N'000
Analysis of staff costs:		
Cost of sales	662,998	659,887
Administrative and general expenses	427,681	400,749
	1,090,679	1,060,636

	31 December 2017 N'000	31 December 2016 N'000
Emoluments of directors		
The remuneration paid to the Directors of the Company was:		
Salaries	37,485	38,730
Fees	8,910	11,800
Defined contribution	3,667	1,764
Benefits in kind	74,300	40,450
	124,362	92,744

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

	31 December 2017 N'000	31 December 2016 N'000
Fees	800	1,000
Benefit in kind	13,120	23,600
	13,920	24,600

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 2017 Number	31 December 2016 Number
Less than N10,000,000	6	6
Over N10,000,000	1	1
	7	7

25 Capital commitments and contingent liabilities

The Company has committed capital expenditure amounting to N3.8 billion to General Electric for the rehabilitation of Gas Turbine (GT) 15 and N2.1 billion to Thomassen LLC for the rehabilitation of Gas Turbines (GT) 6 and 17.

Transcorp Power Limited has made an application for the renewal of its pioneer status to the Nigerian Investment Promotion Commission (NIPC).
The application is reasonably advanced and should be concluded before the end of the first quarter of 2018. The Directors have therefore decided not to recognise any potential deferred tax arising from tax savings/charge pending the approval of this application.

The Directors have disclosed that all known liabilities and commitments which are relevant in assessing the state of affairs of the Company have been taken into consideration in the preparation of these financial statements. There were no significant litigations in the ordinary course of business as at the balance sheet date (2016: Nil).

26 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 2017 and on the profit for the year ended on that date which have not been adequately provided for or recognised (31 December 2016: nil).

Transcorp Power Limited
Statement of value added
for the year ended 31 December 2017

	31 December 2017 N'000	%	31 December 2016 N'000	%
Turnover	66,441,488		44,067,817	
Bought-in materials and services (local)	(39,062,484)		(22,978,379)	
Brought- in materials and services (foreign)	(938,121)		(1,137,886)	
	26,440,883		19,951,552	
Other operating income	16,014		6,717	
Value added	**26,456,897**	**100**	**19,958,269**	**100**
Distributed as follows:				
Employees:				
To pay salaries, wages and other staff costs	1,070,949	4	1,035,736	6
Provider of funds				
Interest	12,192,082	46	24,885,895	125
Government:				
To pay tax	(1,882,735)	(7)	(6,269,910)	(31)
Maintenance of assets:				
Depreciation	2,355,800	9	2,119,867	11
Retained for future growth:				
Profit for the year	12,720,801	48	(1,813,319)	(9)
Value added	**26,456,897**	**100**	**19,958,269**	**100**

The value added statement is presented for the purpose of Companies and Allied Matters Act.

Transcorp Power Limited
Five-year financial summary
For the years ended 31 December 2017

	2017 N'000	2016 N'000	2015 N'000	2014 N'000	2013 N'000
Statement of financial position					
Non-current assets	66,600,466	60,259,803	55,766,449	52,323,174	46,196,415
Current assets	82,800,106	51,932,816	28,380,476	19,345,686	4,383,298
Current liabilities	(88,865,433)	(63,036,099)	(39,737,344)	(25,400,054)	(3,622,911)
Non-current liabilities	(43,046,309)	(35,727,161)	(29,166,903)	(31,759,469)	(30,082,424)
Net assets	**17,488,830**	**13,429,359**	**15,242,678**	**14,509,337**	**16,874,378**
Share capital	33,076	33,076	33,076	33,076	33,076
Share premium	15,117,159	15,117,159	15,117,159	15,117,159	15,117,159
Retained earnings	2,338,595	(1,720,876)	92,443	(640,898)	1,724,143
Total equity	**17,488,830**	**13,429,359**	**15,242,678**	**14,509,337**	**16,874,378**
Statement of profit or loss and other comprehensive income					
Revenue	66,441,488	44,067,817	26,647,472	26,213,160	3,460,614
Profit/(loss) before income tax	10,838,066	(8,083,229)	1,002,612	5,557,864	2,173,385
Income tax	1,882,735	6,269,910	558,635	77,095	(77,095)
Profit/ (loss) after taxation transferred to	**12,720,801**	**(1,813,319)**	**1,561,247**	**5,634,959**	**2,096,290**

The five-year summary is presented for the purpose of Companies and Allied Matters Act.