TRANSCORP POWER LIMITED
REPORT OF THE DIRECTORS
AUDITED FINANCIAL STATEMENTS
AND
OTHER DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2018

Transcorp Power Limited

Report of the Directors, Audited Financial Statements and other Disclosures
For the year ended 31 December 2018

Transcorp Power Limited
Corporate information
For the year ended 31 December 2018

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,Nigeria.	
Board of Directors	Mr Emmanuel Nnorom	Chairman
	Mr. Kalyana Sundaram	Managing Director
	Mr. Adim Jibunoh	
	Dr. Tony Chukwueke	
	Mr. Peter Hertog	
	Mr. Risqua Muhammed	
	Mr. Valentine Ozigbo	
	Prof. Sylvester Monye	
Auditors	Ernst & Young 10th and 13th Floors UBA House, 57 Marina Lagos, Nigeria.	
Bankers	Africa Finance Corporation Fidelity Bank Plc First Bank of Nigeria Limited First City Monument Bank Plc United Bank for Africa Plc	
Company Secretary	Helen Iwuchukwu 38 Glover Road Ikoyi, Lagos, Nigeria.	

Transcorp Power Limited
Report of the directors
For the year ended 31 December 2018

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018, 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, CAP C20, Laws of the Federation of Nigeria 2004 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 2018 N'000**	**31 December 2017 N'000**
Revenue	86,737,819	66,441,488
Profit before income tax	20,750,783	10,838,066
Income tax	651,058	1,882,735
Profit for the year	21,401,841	12,720,801

Directors

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

Mr. Emmanuel Nnorom	Chairman	
Mr. Kalyana Sundaram (Indian)	Managing Director/Chief Executive Officer	
Mr. Adim Jibunoh		
Dr. Tony Chukwueke		
Mr. Peter Hertog (Dutch)		
Mr. Risqua Muhammed		
Mr. Valentine Ozigbo		Appointed 1 January 2019
Prof. Sylvester Monye	Independent Director	

Directors' interests in contracts

For the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 , 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, CAP C20, Laws of the Federation of Nigeria 2004 , 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 2018, the shareholding in the Company was as follows:

	Number of shares held	Percentage
**Transnational Corporation of Nigeria Plc	42,341,981	64.0%
RichPoint 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%

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

Equal employment opportunity

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

Employment of disabled persons

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

Employee health, safety and welfare

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

Employee training and involvement

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

Property,plant and equipment

Information relating to changes in Property, plant and equipment is provided in Note 12 to the financial statements. In the opinion of the Directors, the market value of the Property, plant and equipment is not less than the carrying value.

Format of the financial statements

The financial statements are presented in accordance with the reporting and presentation requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and International Financial Reporting Standards. The Directors consider that the format adopted is the most suitable for the Company.

Events after the reporting date

As stated in Note 28, no events or transactions have occurred since the reporting date which would have a material effect on the financial statements as presented.

Donations/charitable gifts

The Company made donations of N462.3million during the year (2017: N251.4 million) to support various organisations. This is disclosed in Note 7.

Auditors

Ernst & Young was appointed on 8 February 2018 and have indicated their willingness to continue in office as the Company's auditors in accordance with section 357 (2) of the Companies and Allied Matter Act, CAP C20, Laws of the Federation of Nigeria 2004.

A Resolutions will be proposed at the Annual General meeting empowering the Director to fix their remuneration.

By Order of the Board

Iwuchukwu

Helen Iwuchukwu
Company Secretary
FRC/2015/NBA/00000012716

28 FEBRUARY 2019

Transcorp Power Limited
Statement of directors' responsibilities
For the year ended 31 December 2018

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, 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 responsibilities include ensuring that the company:

a) 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, CAP C20, Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act, No 6, 2011;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and 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 judgments and estimates, in conformity with International Financial Reporting Standards and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

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 for the year ended 31 December 2018. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of its 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.

Valentine Ozigbo
Director
FRC/2013/ICAN/00000005347

28 FEBRUARY 2019
Date

Emmanuel Nnorom
Chairman
FRC/2014/ICAN/00000007402

28 FEBRUARY 2019
Date

EY
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Independent Auditors' Report

To the Members of Transcorp Power Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Transcorp Power Limited set out on pages 11 to 50, which comprise the Statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Transcorp Power Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 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, and in accordance with other ethical requirements applicable to performing the audit of Transcorp Power Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors and Other National Disclosures as required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act No. 6, 2011. The other information does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

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Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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 processes.

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

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- 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, 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 purpose of our audit;

ii. in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

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.

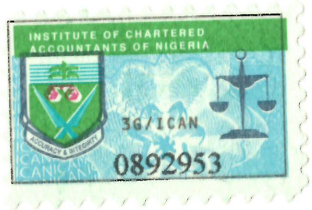
Adewuyi Adeyemo, FCA

FRC/2012/ICAN/00000000148

For: Ernst & Young

Lagos, Nigeria.

02 April, 2019



Transcorp Power Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Notes	31 December 2018 N'000	31 December 2017 N'000
Revenue	5	86,737,819	66,441,488
Cost of sales	6	(50,990,774)	(40,097,522)
Gross profit		**35,747,045**	**26,343,966**
Administrative expenses	7	(4,721,789)	(3,329,832)
Other operating income	8	115,041	16,014
Operating profit		**31,140,297**	**23,030,148**
Finance income	9	62,110	841
Finance cost	9	(10,451,624)	(12,192,923)
Net finance cost		(10,389,514)	(12,192,082)
Profit before income tax		20,750,783	10,838,066
Income tax credit	10	651,058	1,882,735
Profit for the year		**21,401,841**	**12,720,801**
Profit attributable to:			
Owners of the Company		13,698,796	8,142,274
Non-controlling interests		7,703,045	4,578,527
		21,401,841	**12,720,801**
Basic and dilluted earnings per share (₦)	11	**323.53**	**192.30**

The notes on pages 15 to 50 are an integral part of these financial statements.

Transcorp Power Limited
Statement of financial position
As at 31 December 2018

	Notes	31 December 2018 N'000	31 December 2017 N'000
Assets			
Non-current assets			
Property, plant and equipment	12	51,017,583	51,738,469
Goodwill	13	9,701,191	9,701,191
Deferred tax assets	17	5,811,864	5,160,806
		66,530,638	**66,600,466**
Current assets			
Inventories	14	4,238,381	3,912,863
Trade and other receivables	15	79,095,083	77,460,711
Cash and cash equivalents	16	516,133	1,426,532
		83,849,597	**82,800,106**
Total assets		**150,380,235**	**149,400,572**
Equity			
Share capital	21	33,076	33,076
Share premium	22	15,117,159	15,117,159
Retained earnings	23	7,440,633	2,338,595
Total equity		**22,590,868**	**17,488,830**
Liabilities			
Non-current liabilities			
Borrowings	18	36,164,194	43,046,309
		36,164,194	**43,046,309**
Current liabilities			
Trade and other payables	19	73,079,176	69,888,301
Current tax payable	10	159,493	159,493
Borrowings	18	18,386,504	18,817,639
		91,625,173	**88,865,433**
Total liabilities		**127,789,367**	**131,911,742**
Total equity and liabilities		**150,380,235**	**149,400,572**

The notes on pages 15 to 50 are an integral part of these financial statements.

The financial statements and notes on pages 11 to 50 were approved by the Board of Directors on 28 February 2019 and signed on its behalf by:

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

Ejike Alumona
Chief Financial Officer
FRC/2017/ICAN/00000016143

Valentine Ozigbo
Director
FRC/2013/ICAN/00000005347

Transcorp Power Limited
Statement of changes in equity
For the year ended 31 December 2018

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
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 27)	-	-	(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**
Balance at 1 January 2018	**33,076**	**15,117,159**	**2,338,595**	**17,488,830**
Profit for the year	-	-	21,401,841	21,401,841
Effect of adoption of new accounting standards (Note 2.2.2ii)			(406,280)	(406,280)
Total comprehensive income	-	-	**20,995,561**	**20,995,561**
Interim dividends (Note 27)			(15,893,523)	(15,893,523)
Total transactions with owners, recognised directly in equity	-	-	**(15,893,523)**	**(15,893,523)**
Balance at 31 December 2018	**33,076**	**15,117,159**	**7,440,633**	**22,590,868**

The notes on pages 15 to 50 are an integral part of these financial statements.

Transcorp Power Limited
Statement of cash flows
For the year ended 31 December 2018

	Notes	31 December 2018 N'000	31 December 2017 N'000
Cash flows from operating activities			
Cash generated from operations	24	20,613,845	14,099,126
Net cash generated from operating activities		**20,613,845**	**14,099,126**
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		132,780	-
Purchase of property, plant and equipment	12	(1,957,376)	(6,836,976)
Net cash used in investing activities		**(1,824,596)**	**(6,836,976)**
Cash flows from financing activities			
Dividend paid	19	(3,328,149)	-
Proceeds from borrowing	18	2,082,462	6,772,630
Repayments of borrowings	18	(18,453,961)	(13,052,528)
Net cash inflow used in financing activities		**(19,699,648)**	**(6,279,898)**
Net increase in cash, cash equivalents		(910,399)	982,252
Cash, cash equivalents at the beginning of the year		1,426,532	444,280
Cash and cash equivalents at the end of the year	16	**516,133**	**1,426,532**

The notes on pages 15 to 50 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"),CAP C20, Laws of the Federation of Nigeria 2004 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 the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 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 poliies and disclosures**

(a) New and amended standards and interpretations adopted by the Company
The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

i IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Company did not apply any of the other available optional practical expedients.

There is no material quantitative changes based on the adoption of IFRS 15 to the Company's revenue but the qualitative disclosures have been updated in line with the application of IFRS 15.

ii Impact of application of IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

The effect of adopting IFRS 9 as at 1 January 2018 is as follows:

	Adjustments	1 January 2018
Assets		N'000
Trade receivables	a	399,137
Due from related companies:		-
Receivables from related companies	a	2,145
Loan receivables from related companies	a	4,998
		406,280
Deferred tax assets	c	119,741
Total assets		526,021
Liabilities		
Total liabilities		-
Total adjustment on equity:		-
Retained earnings		526,021

The nature of these adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Company's financial assets:

Trade receivables and Other non-current financial assets (i.e., due from related companies) classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at 1 January 2018.

	IFRS 9 measurement category		
	Fair value through profit or loss	**Fair value through OCI**	**Amortised cost**
IAS 39 measurement category	N'000	N'000	N'000
Loans and receivables			
Trade receivables	-	-	76,762,038
Due from related companies:			
Receivables from related companies	-	-	13,989
Loan receivables from related companies	-	-	94,572
	-	-	**76,870,599**

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Company recognised additional impairment on the Company's trade receivables of N399.1 million and due from related companies of N7.1 million, which resulted in a decrease in Retained earnings of N406.3million as at 1 January 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 31 December 2017	Remeasurement	ECL under IFRS 9 as at 1 January 2018
Loans and receivables under IAS 39/ Financial assets at amortised cost under IFRS 9:	N'000	N'000	N'000
Trade receivables	1,214,795	399,137	1,613,932
Due from related companies:			
Receivables from related companies	-	2,145	2,145
Loan receivables from related companies	-	4,998	4,998
	1,214,795	406,280	1,621,075

(c) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes was adjusted to retained earnings as necessary upon adoption of IFRS 9 as at 1 January 2018.

(b) Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A specific adaptation for contracts with direct participation features (the variable fee approach)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.The approach that better predicts the resolution of the uncertainty should be followed.The interpretation is effective for annual reporting periods beginning on or after 1 January 2019,but certain transition reliefs are available. The Company will apply the interpretation from its effective date. Since the Company operates in a complex multinational tax environment, applying the Interpretation may affect its audited financial statements. In addition,the Company may need to establish processes and procedures to obtain information that necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely its of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the audited financial statements of the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint enture.The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3,between an investor and its associate or joint venture, is recognised in full.Any gain or loss resulting from the sale or contribution of assets that do not constitute a business,however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.The IASB has deferred the effective date of these amendments indefinitely,but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

• Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event .

•Determine net interest for the remainder of the period after the plan amendment,curtailment or settlement using:the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement.Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments,curtailments,or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.These amendments will apply only to any future plan amendments, curtailments,or settlements of the Company.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:
IFRS 3 Business Combinations

• The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

•An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Company.

IFRS 11 Joint Arrangements

•A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

•An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.These amendments are currently not applicable to the Company but may apply to future transactions.

IAS 12 Income Taxes

•The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

•An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

•An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

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**

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

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

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

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

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

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

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than 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 (Recognition and measurement)

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

2.7.1 i) Financial assets

Initial recognition and measurement

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

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

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

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

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

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:
• Financial assets at amortised cost (debt instruments)
• Financial assets at fair value through profit or loss
• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) .

Financial assets at amortised cost (debt instruments)

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

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

Derecognition

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

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

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

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

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

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:
• Disclosures for significant assumptions Note 4
• Trade receivables

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment using the loss rate model.

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.7.2 ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

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

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 17.

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

2.7.3 **iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.7.4 **Financial Instrument policy applicable in prior year**

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.

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'.

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 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.

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.

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.

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.

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

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.All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

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

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

2.12 Provisions

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

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

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

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

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

The Company has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Company reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Company has also been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorise the different revenue stream detailed below.
The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4 .

Energy and capacity charge

Capacity charge is recognised monthly based on the average of available capacity declared at the beginning of the month. Revenue from energy sent out is calculated on the basis of megawatts of electricity pushed to the transmission grid. The capacity charge and energy sent out are included in revenue reported in the profit and loss account.
Contract for the sale of electric power begins on performance and revenue is recognised overtime using an output method to measure progress towards completion of the service because the customer simultaneously receives and consumes the benefits provided by the Company.

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

Ancillary Services

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

Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

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

Revenue recognition policy applicable to prior year

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.

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

2.15 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

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

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 2018 N'000	31 December 2017 N'000
Cash and bank balances	2,270	7,507

	31 December 2018 N'000	31 December 2017 N'000
Financial liabilities		
Other payables	2,439,500	3,786,680
Borrowings	54,550,698	61,863,948
	56,990,198	65,650,628

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:

	31 December 2018 N'000	31 December 2017 N'000
Impact on profit or loss		
US/NGN exchange rate- increase 10% (2017: 10%)	(4,008,263)	(4,793,115)
US/NGN exchange rate- decrease 10% (2017: 10%)	4,008,263	4,793,115

(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.

3.1 Financial risk factors

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

	31 December 2018			31 December 2017		
	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	553	-	553	1,674	-	1,674
Bank deposits	515,579	-	515,579	1,424,858	-	1,424,858
Trade and other receivables*	79,029,552	-	79,029,552	77,404,464	-	77,404,464
	79,545,684	-	79,545,684	78,830,996	-	78,830,996

	31 December 2018			31 December 2017		
	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	54,550,698	54,550,698	-	61,863,948	61,863,948	-
Trade and other payables**	69,618,857	-	69,618,857	68,128,123	-	68,128,123
	124,169,555	54,550,698	69,618,857	129,992,071	61,863,948	68,128,123

*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.

3 Financial risk management - Continued

3.1 Financial risk factors

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.

	December 2018	December 2017
	N'000	N'000
Effect of a 10% increase in interest rates on profit before tax	(12,416,956)	(12,999,207)
Effect of a 10% decrease in interest rates on profit before tax	12,416,956	12,999,207

(b) Credit risk

ii Impairment losses

Trade receivables

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

Set out below is the information about the credit risk exposure on the Company's trade receivables as at 31 December 2018 using a provision matrix:

31 December 2018

In thousands of naira	<30 days	31 -60 days	61 - 90 days	91 - 120 days	121 -150 days	151 -360 days	>360 days	Total
Expected credit loss rate	13.27%	14.61%	15.53%	19.99%	22.26%	24.54%	100.00%	
Estimated total gross carrying amount at default	12,652,635	1,796,522	1,578,689	4,140,405	2,117,826	14,199,709	42,989,339	79,475,125
Expected credit loss	1,678,448	262,488	245,183	827,515	471,331	3,484,608	42,989,339	49,958,911

1 January 2018

Trade receivables
Days past due

In thousands of naira	<30 days	31 -60 days	61 - 90 days	91 - 120 days	121 -150 days	151 -360 days	>360 days	Total
Expected credit loss rate	14.83%	15.41%	16.98%	17.74%	20.55%	22.22%	100.00%	
Estimated total gross carrying amount at default	14,052,690	5,445,210	4,707,073	4,410,341	1,254,233	8,854,028	39,652,395	78,375,970
Expected credit loss	2,083,793	839,165	799,192	782,431	257,713	1,966,989	39,652,395	46,381,679

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

In thousands of Naira	2018
Balance as at 1 January 2018 under IAS 39	1,214,795
Adjustment upon application of IFRS 9	399,137
Balance as at 1 January 2018 – As restated	1,613,932
Provision for expected credit losses	67,060
Write-off	157,646
Changes in credit risk parameters	-
Balance at 31 December	1,838,638

3 **Financial risk management - Continued**

3.1 **Financial risk factors**

Expected credit loss measurement - other financial assets

The Company applied the general approach in computing expected credit losses (ECL) for intercompany receivables. The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Analysis of inputs to the ECL model under multiple economic scenarios
An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 4 Critical accounting estimates and judgements. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Central Bank of Nigeria, Standards and Poor's etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2017 and 31 December 2018.

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

	Key drivers	ECL Scenario	Assigned probabilities %	2019 %
31 December 2018	GDP growth %			
		Upside	9.84	
		Base case	79.51	
		Downside	10.66	
	Inflation rate %			
		Upside	15.04	14.01
		Base case	14.36	14.80
		Downside	15.04	15.82
	Crude oil price%			
		Upside	52.72	54.52
		Base case	50.10	51.90
		Downside	47.82	49.62

	Key drivers	ECL Scenario	Assigned probabilities %	%	2018
1 January 2018	GDP growth %				
		Upside	9.84		9.84
		Base case	78.69		79.51
		Downside	11.48		10.66
	Inflation rate %				
		Upside	14.25		15.04
		Base case	15.03		14.36
		Downside	16.06		15.04
	Crude oil price%				
		Upside	54.46		52.72
		Base case	51.85		50.10
		Downside	49.56		47.82

The following tables outline the impact of multiple scenarios on the allowance:

31 December 2018	Intercompany receivables	Total
Upside (11%)	2,108	2,108
Base (80%)	14,672	14,672
Downside (9%)	1,861	1,861
Total	18,641	18,641

1 January 2018	Intercompany receivables	Total
Upside (12%)	847	-
Base (78%)	5,569	847
Downside (10%)	726	5,569
Total	7,142	6,416

Due from related companies

An analysis of changes in the gross carrying amount and the corresponding ECL allowances are as follows:

The amounts presented are gross of impairment allowances for short-term investment.

	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	Total N'000
Gross carrying amount as at 1 January 2018	113,704	-	2,000	115,704
Additions	987,481	-	-	987,481
Asset derecognised or repaid (excluding		-	-	-
At 31 December 2018	1,101,185	-	2,000	1,103,185

	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	Total N'000
ECL allowance as at 1 January 2018	5,143	-	2,000	7,143
Charged for the year	11,498	-	-	11,498
	-	-	-	-
At 31 December 2018	16,641	-	2,000	18,641

(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 2018	**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	69,618,857	-	-	-	-	69,618,857
Borrowings	1,497,331	8,444,586	8,444,586	36,164,194	-	54,550,697
	71,116,188	8,444,586	8,444,586	36,164,194	-	124,169,554

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

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'). 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 2018 N'000	31 December 2017 N'000
Total borrowings	54,550,698	61,863,948
Total equity	22,590,868	17,488,830
Gearing ratio	241%	354%

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 2018 and 31 December 2017:

	31 December 2018			
	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	516,133	516,133	-	-
Trade and other receivables	79,029,552	79,029,552	-	-
Financial liabilities				
Borrowings	-	-	54,550,698	54,550,698
Trade payables	-	-	39,759,120	39,759,120
Other payables	-	-	26,171,262	26,171,262

	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	-	-	18,727,957	18,727,957

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 2018.

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial assets				
Trade and other receivables	-	-	79,029,552	79,029,552
Financial liabilities				
Borrowings	-	-	54,550,698	54,550,698
Trade payables			39,759,120	39,759,120
Other payables	-	-	26,171,262	26,171,262
Total	-	-	**120,481,080**	**120,481,080**

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 payables			44,702,451	44,702,451
Other payables	-	-	23,425,672	23,425,672
Total	-	-	**129,992,071**	**129,992,071**

(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 amortised 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:

4.1 *Revenue from contracts with customers*
The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

• Determining the timing of satisfaction of perfomance obligation

The Company concluded that energy and capacity are supplied over a period on a monthly basis using the market rule/operations agreement, revenue is to be recognised over time because the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.
The Company determined that the output method is the best method in measuring progress of the energy and capacity supplied because it can demonstrate that the invoiced amount corresponds directly with the value to the customer of the Company's performance completed to date.

4.2 *Key sources of estimation uncertainty*

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type).
The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 3.

4.2.1 *Measurement of the expected credit loss allowance for financial asset*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost (due from related companies) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3bii, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

4.3 *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.

4.4 *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 scrutinise 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 2018 N'000	31 December 2017 N'000
Capacity charge	30,558,690	23,422,076
Energy delivered	56,087,029	42,904,512
Ancillary services	92,100	114,900
Total revenue	**86,737,819**	**66,441,488**

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 2018 N'000	31 December 2017 N'000
Natural gas and fuel costs	45,624,681	35,217,507
Salaries and wages	756,924	662,998
Repairs and maintenance	1,073,649	938,121
Depreciation (Note 7.1)	2,454,993	2,296,884
Insurance	242,573	231,387
Other direct expenses	837,954	750,625
	50,990,774	**40,097,522**

7 Administrative expenses

	31 December 2018 N'000	31 December 2017 N'000
Staff costs	407,064	407,952
Pension cost	18,563	19,730
Depreciation (Note 7.1)	57,537	58,916
Auditors' remuneration	30,000	29,550
Management and incentive fees	1,750,079	918,139
Professional fees	279,211	61,331
Donations and CSR	462,322	251,452
Directors remuneration	73,148	83,210
Impairment of receivables	274,704	585,028
Loss on asset disposal	32,951	23,248
Rent and rates	19,906	9,248
Repairs and maintenance	31,160	22,963
Insurance	4,562	243
Security services	79,301	88,669
Subscriptions and fees	8,799	7,146
Travel and accommodation	92,757	63,321
Marketing and promotion	177,829	46,502
Bank charges	190,521	195,339
Foreign exchange loss	141,933	285,753
Other operating expenses	589,442	172,092
	4,721,789	**3,329,832**

Included in staff cost is N154.6 million (2017: N156.5 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 2018 N'000	31 December 2017 N'000
Depreciation- Cost of sales (Note 6)	2,454,993	2,296,884
Depreciation- Administrative expenses (Note 6)	57,537	58,916
Total depreciation expense	**2,512,530**	**2,355,800**

8 Other operating income

	31 December 2018 N'000	31 December 2017 N'000
Other income	**115,041**	**16,014**

9 Finance income and finance costs

	31 December 2018 N'000	31 December 2017 N'000
Finance income		
Interest income	62,110	841
Finance costs		
Interest expense on loans	(7,283,814)	(7,638,693)
Foreign exchange loss on financing activities	(3,167,810)	(4,554,230)
	(10,451,624)	(12,192,923)
Net finance cost	**(10,389,514)**	**(12,192,082)**

10 Income tax credit

	31 December 2018 N'000	31 December 2017 N'000
Current income tax	-	-
Education tax	-	-
Tax write back	-	-
Deferred tax	(651,058)	(1,882,735)
	(651,058)	**(1,882,735)**

The movement in tax payable is as follows:	31 December 2018 N'000	31 December 2017 N'000
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**

Corporation tax is calculated at 30 per cent of the estimated taxable profit for the year. The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21, LFN, 2004 as amended.
The charge for education tax of 2 per cent is based on the provisions of the Education Tax Act, CAP E4, LFN, 2004.
By virtue of Industrial Development (Income Tax Relief) Act, 1971, otherwise known as CAP 179 LFN, 1990 which is the current legislation governing the operations of the pioneer industries, the company was under a tax holiday regime as they were granted a pioneer certificate effective from 1 January 2014 for a period of three years which elapsed 31 December 2016. The company was further granted two years extension from 1 January 2017 to 31 December 2018 upon application.

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 2018 and 31 December 2017 is as follows:

	31 December 2018 N'000	31 December 2017 N'000
Profit before tax	20,750,783	10,838,066
Tax at Nigeria Corporation Tax Rate of 30% (2017: 30%)	6,225,235	3,251,420
Education tax	-	-
Minimum tax adjustments	-	-
Deferred tax	(651,058)	(1,882,735)
Income not subjected to tax	(6,225,235)	(3,251,420)
Tax credit for the year	**(651,058)**	**(1,882,735)**

11 Basic and dilluted earnings per share

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

	31 December 2018 '000	31 December 2017 '000
Profit for the year attributable to shareholders (₦)	21,401,841	12,720,801
Weighted average number of shares in issue	66,152	66,152
Basic earnings per share (₦)	323.53	192.30

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

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

12 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 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**
Cost:							
Balance as at 1 January 2018	393,449	1,884,723	226,307	59,954,308	148,575	971,730	63,579,092
Additions	31,470	10,009	13,309	599,476	37,514	1,265,598	1,957,376
Disposals	-	-	(14,107)	(196,143)	(46,785)	-	(257,035)
Reclassification	17,429	-	-	773,381	-	(790,810)	-
Balance as at 31 December 2018	**442,348**	**1,894,732**	**225,509**	**61,131,022**	**139,304**	**1,446,518**	**65,279,433**
Accumulated depreciation:							
Balance as at 1 January 2018	-	128,358	89,078	11,557,408	65,779	-	11,840,623
Depreciation for the year	-	36,689	36,664	2,412,512	26,665	-	2,512,530
Disposals	-	-	(12,057)	(52,882)	(26,364)	-	(91,303)
Balance as at 31 December 2018	**-**	**165,047**	**113,685**	**13,917,038**	**66,080**	**-**	**14,261,850**
Carrying amounts:							
At 31 December 2018	**442,348**	**1,729,685**	**111,824**	**47,213,984**	**73,224**	**1,446,518**	**51,017,583**
At 1 January 2018	**393,449**	**1,756,365**	**137,229**	**48,396,900**	**82,796**	**971,730**	**51,738,469**

13 **Intangible assets**	**31 December 2018**	**31 December 2017**
Goodwill	**N'000**	**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 2018 and 2017, 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 2018	**31 December 2017**
Budgeted gross margin %	37%	41%
Weighted average growth rate	6%	6%
Pre-ax discount rate	20%	17%

14 **Inventories**	**31 December 2018 N'000**	**31 December 2017 N'000**
General stores	4,228,276	3,862,520
Stationery	5,810	4,478
Lubricant	64,215	61,848
	4,298,301	3,928,846
Impairment provision	(59,920)	(15,983)
	4,238,381	**3,912,863**

General stores, stationery, tools and lubricants are carried as inventory and recognised in profit or loss as consumed. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to N1.058 billion (2017: N928 million). 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.

15 **Trade and other receivables**	**31 December 2018 N'000**	**31 December 2017 N'000**
Trade receivables	79,475,125	78,375,970
Less: provision for impairment of trade receivables (Note 15.1)	(1,888,636)	(1,214,795)
Trade receivables - net	77,586,489	77,161,175
Other receivables and prepayments	65,531	56,247
Due from related companies (Note 15.2)	1,086,853	115,704
Advances to suppliers	356,210	127,585
	79,095,083	**77,460,711**

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

15.1 Provision for impairment of trade receivables	31 December 2018 N'000	31 December 2017 N'000
As at 1 January	1,214,795	629,767
Impact of adopting IFRS 9	399,137	-
Provision for expected credit losses	274,704	585,028
	1,888,636	1,214,795

15.2 Due from related companies	31 December 2018 N'000	31 December 2017 N'000
Transcorp Hotel Abuja	1,087,628	99,571
Transcorp OPL 281 Limited	14,017	14,017
Transcorp Hotel Calabar	102	116
Teragro Commodities Limited	2,000	2,000
	1,103,747	115,704
Impairement based on IFRS 9	(16,894)	
	1,086,853	115,704

16 Cash and cash equivalents	31 December 2018 N'000	31 December 2017 N'000
Cash and cash equivalents	516,133	1,426,532

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).

17 Deferred tax assets

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

	31 December 2018 N'000	31 December 2017 N'000
Balance as at 1 January	(5,160,806)	(3,278,071)
Credited to profit or loss	(651,058)	(1,882,735)
Balance as at 31 December	(5,811,864)	(5,160,806)

	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 2018	(1,125,559)	(6,809,945)	2,774,698	(5,160,806)
Credited to profit or loss	399,191	(1,050,249)	-	(651,058)
Balance as at 31 December 2018	(726,368)	(7,860,194)	2,774,698	(5,811,864)
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)

18 Borrowings

	31 December 2018 N'000	31 December 2017 N'000
Bank loans	**54,550,698**	**61,863,948**
Current	18,386,504	18,817,639
Long term	36,164,194	43,046,309

On 8 June 2018 the Company renewed multiple facilities, see details below:

The Company has an overdraft facility of N2.32 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 N1.49 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 facility shall be available for 5-years subject to satisfactory annual review to mature in April 2019. 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/NDW and 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 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 N8.55 billion facility from United Bank of Africa Plc was also renewed on 08 June 2018 but was effective on the 29 June 2018 . 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 five 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 2018 is N35.85 billion (US$99.95 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 N7.4 billion (2017: N6.7 billion) with repayment of N3.2 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 2018 N'000	31 December 2017 N'000
Outstanding balance at:		
Lender		
United Bank of Africa Plc	41,827,710	42,036,990
Africa Finance Corporation	6,291,248	11,554,230
Fidelity Bank Plc	3,215,870	4,136,364
First City Monument Bank Plc	3,215,870	4,136,364
	54,550,698	**61,863,948**

The movement in borrowings is as follows:	31 December 2018 N'000	31 December 2017 N'000
Balance as at 1 January	61,863,948	58,137,196
Additions	2,082,462	6,772,630
Interest accrued	5,890,439	5,452,420
Repayments	(18,453,961)	(13,052,528)
Foreign exchange loss	3,167,810	4,554,230
Balance as at 31 December	**54,550,698**	**61,863,948**

19 Trade and other payables

	31 December 2018 N'000	31 December 2017 N'000
Trade payables	39,759,120	44,702,451
Accrued professional fees	32,090	31,870
Other payables	3,218,952	2,539,678
Due to related parties	15,758,732	12,224,223
Other accruals	3,730,528	4,711,133
Withholding tax	3,418,266	1,746,760
PAYE tax deductions	42,053	13,418
Dividend payable	7,119,435	3,918,768
	73,079,176	**69,888,301**

The Company paid dividend amounted to N3.3billion out of the outstanding dividend payable of 31 December 2017 during the year.

20 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 2018 N'000	31 December 2017 N'000
Transnational Corporation of Nigeria Plc	Parent company	Technical and Management services and dividend	15,758,732	12,224,223
Thomassen Holding Limited	Investor in the company	Service agreement fees	263,595	47,414
Heirs Holdings Limited	Investor in the group	Management fees	538,853	251,352
Tony Elumelu Foundation	Controlled by key management personnel	Corporate social responsibility	462,322	251,352
			17,023,502	**12,774,341**

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 2018 N'000	31 December 2017 N'000
Transcorp Hotel Abuja	Subsidiary of the group	Intercompany receivable	1,087,628	99,571
Transcorp OPL 281 Limited	Subsidiary of the group	Intercompany receivable	14,017	14,017
Transcorp Hotel Calabar	Subsidiary of the group	Intercompany receivable	102	116
Teragro Commodities Limited	Subsidiary of the group	Intercompany receivable	2,000	2,000
			1,103,747	115,704

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 25.

21 Share capital

	31 December 2018 N'000	31 December 2017 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 (2017: 66,151,532) ordinary shares of N0.50 each	**33,076**	**33,076**

22 Share premium

	31 December 2018 N'000	31 December 2017 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

23 Retained earnings

	31 December 2018 N'000	31 December 2017 N'000
The movement in retained earnings during the year is as follows:		
Balance as at 1 January	2,338,595	(1,720,876)
Profit for the year	21,401,841	12,720,801
Effect of adoption of new accounting standards (Note 2.2.2ii)	(406,280)	-
Interim dividend (Note 27)	(15,893,523)	(8,661,330)
Balance as at 31 December	7,440,633	2,338,595

24 Cash generated from operations

	31 December 2018 N'000	31 December 2017 N'000
Profit before tax	20,750,783	10,838,066
Adjustment for non cash items		
Depreciation of property, plant and equipment (Note 11)	2,512,530	2,355,800
Loss on disposal of property, plant and equipment	32,951	23,248
Finance cost	5,890,439	5,452,420
Foreign exchange loss on financing activities	3,167,810	4,554,230
Effect of adoption of new accounting standards (Note 2.2.2ii)	(406,280)	-
Tax write back		-
Working capital changes		
Increase in trade and other receivables	(1,634,372)	(29,951,476)
(Increase)/decrease in inventories	(325,518)	66,439
(Decrease) /increase in trade and other payables	(9,374,498)	20,760,399
Cash generated from operations	**20,613,845**	**14,099,126**

25 Particulars of directors and staff

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

	31 December 2018 Number	31 December 2017 Number
Less than N1,000,000	7	9
N1,000,001 - N2,000,000	51	34
N2,000,001 - N5,000,000	141	167
Above N5,000,000	42	42
	241	252

	31 December 2018 N'000	31 December 2017 N'000
Staff costs for the above persons (excluding Directors):		
Salaries and wages	1,163,988	1,070,949
Pension cost	18,563	19,730
	1,182,551	1,090,679

	31 December 2018 N'000	31 December 2017 N'000
Analysis of staff costs:		
Cost of sales	756,924	662,998
Administrative and general expenses	425,627	427,681
	1,182,551	1,090,679

	31 December 2018 N'000	31 December 2017 N'000
Emoluments of directors		
The remuneration paid to the Directors of the Company was:		
Salaries	54,434	41,152
Fees and allowances	73,148	83,210
	127,582	124,362

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

	31 December 2018 N'000	31 December 2017 N'000
Fees	15,550	13,920
	15,550	13,920

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 2018 Number	31 December 2017 Number
Less than N10,000,000	6	6
Over N10,000,000	1	1
	7	7

26 Capital commitments and contingent liabilities

The Directors have disclosed that all known liabilities and commitments which are relevant in assessing the state of affairs of the Company have been taken into consideration in the preparation of these financial statements.
There were no significant litigations in the ordinary course of business as at each reporting date. It is the directors' opinion that no material liability against the Company will arise therefrom. There were no guarantees given on behalf of staff or other third parties on the reporting dates.
The Company has committed capital expenditure up to N1.75billion to General Electric for the rehabilitation of Gas Turbine (GT) 15 and N1.89 billion to Thomassen LLC for the rehabilitation of Gas Turbines (GT) 17.

	31 December 2018 N'000	31 December 2017 N'000
27 Distributions made and proposed		
Interim dividend for 2018	15,893,523	-
Interim dividend for 2017	-	8,661,330
	15,893,523	8,661,330

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

28 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 2018 and on the profit for the year ended on that date which have not been adequately provided for or recognised (31 December 2017: nil).

TRANSCORP POWER LIMITED
OTHER DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2018

Transcorp Power Limited
Statement of value added
For the year ended 31 December 2018

	31 December 2018 N'000	%	31 December 2017 N'000	%
Turnover	86,737,819		66,441,488	
Bought-in materials and services (local)	(35,401,480)		(30,693,154)	
Brought- in materials and services (foreign)	(722,479)		(626,391)	
	50,613,860		35,121,943	
Other operating income	115,041		16,014	
Value added	**50,728,901**	**100**	**35,137,957**	**100**
Distributed as follows:				
Employees:				
To pay salaries, wages and other staff costs	1,182,551	2	1,090,679	3
Provider of funds				
Interest	10,389,514	20	12,192,082	35
Dividend	15,893,523	31	8,661,330	25
Government:				
To pay tax	(651,058)	(1)	(1,882,735)	(5)
Maintenance of assets:				
Depreciation	2,512,530	5	2,355,800	7
Retained for future growth:				
Profit for the year	21,401,841	42	12,720,801	36
Value added	**50,728,901**	**100**	**35,137,957**	**100**

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

Transcorp Power Limited
Five-year financial summary
31 December 2018

	2018 N'000	2017 N'000	2016 N'000	2015 N'000	2014 N'000
Statement of financial position					
Non-current assets	66,530,638	66,600,466	60,259,803	55,766,449	52,323,174
Current assets	83,849,597	82,800,106	51,932,816	28,380,476	19,345,686
Current liabilities	(91,625,173)	(88,865,433)	(63,036,099)	(39,737,344)	(25,400,054)
Non-current liabilities	(36,164,194)	(43,046,309)	(35,727,161)	(29,166,903)	(31,759,469)
Net assets	**22,590,868**	**17,488,830**	**13,429,359**	**15,242,678**	**14,509,337**
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	7,440,633	2,338,595	(1,720,876)	92,443	(640,898)
Total equity	**22,590,868**	**17,488,830**	**13,429,359**	**15,242,678**	**14,509,337**
Statement of profit or loss and other comprehensive income					
Revenue	86,737,819	66,441,488	44,067,817	26,647,472	26,213,160
Profit/(loss) before income tax	20,750,783	10,838,066	(8,083,229)	1,002,612	5,557,864
Income tax credit	651,058	1,882,735	6,269,910	558,635	77,095
Profit /(loss) after taxation transferred to retained earnings	**21,401,841**	**12,720,801**	**(1,813,319)**	**1,561,247**	**5,634,959**

The five-year summary is presented for the purpose of Companies and Allied Matters Act,CAP C20, Laws of the Federation of Nigeria 2004 .