

TRANSCORP POWER LIMITED
REPORT OF THE DIRECTORS
AUDITED FINANCIAL STATEMENTS
AND
OTHER NATIONAL DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2019

TRANSCORP POWER LIMITED

REPORT OF THE DIRECTORS, AUDITED FINANCIAL STATEMENTS AND OTHER NATIONAL DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2019

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TRANSCORP POWER LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

Company Registration No. RC 1067143

Registered Office 38 Glover Road, Ikoyi
Lagos
Nigeria.

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

Board of Directors	Mr. Emmanuel Nnorom	Chairman	
	Mr. Kalyana Sundaram (Indian)		Resigned 6 February 2020
	Mr. Adim Jibunoh		
	Dr. Tony Chukwueke		Resigned 14 March 2019
	Mr. Peter Hertog (Dutch)		
	Mr. Risqua Muhammed		
	Mr. Valentine Ozigbo		
	Prof. Sylvester Monye		
	Mr. Sam Nwaeze		Appointed 14 March 2019
Mr. Christopher Ezeafulukwue	Managing Director	Appointed 14 March 2019	

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 Chike Anikwe
38 Glover Road
Ikoyi, Lagos, Nigeria.

TRANSCORP POWER LIMITED
REPORTS OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019, 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 2019 N'000	31 December 2018 N'000
Revenue	55,941,017	86,737,819
Profit before income tax	9,259,855	20,750,784
Income tax (expense)/credit	(5,148,931)	651,058
Profit for the year	4,110,924	21,401,842

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)		Resigned 6 February 2020
Mr. Adim Jibunoh		
Dr. Tony Chukwueke		Resigned 14 March 2019
Mr. Peter Hertog (Dutch)		
Mr. Risqua Muhammed		
Mr. Valentine Ozigbo		
Prof. Sylvester Monye	Independent Director	
Mr. Sam Nwaeze	Independent Director	Appointed 14 March 2019
Mr. Christopher Ezeafulukwue	Managing Director	Appointed 14 March 2019

TRANSCORP POWER LIMITED
REPORT OF THE DIRECTORS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, the shareholding in the Company was as follows:

**Transnational Corporation of Nigeria Plc	46,994,215	63.4%
RichPoint Limited	22,390,640	30.2%
Seaforce Investments Limited	2,794,550	3.8%
Thomassen Holding Limited	1,882,044	2.5%
PSL Engineering and Control Limited	90,717	0.1%
	<u>74,152,166</u>	<u>100%</u>

**Transnational Corporation of Nigeria Plc is holding 12.5% 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.

TRANSCORP POWER LIMITED
REPORT OF THE DIRECTORS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2019

Property, plant and equipment

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

Format of the financial statements

The financial statements are presented in accordance with the reporting and presentation requirements of the Companies and Allied Matters Act, 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 29, after consideration of the impact of COVID-19 on the Company's performance, there were no post balance sheet events requiring adjustment of, or disclosure in the financial statements which could have had a material effect on the state of affairs of the Company as at 31 December 2019 and on the profit for the year ended on that date which has not been adequately provided for or recognised.

Donations/charitable gifts

The Company made donations of N242.3 million during the year (2018: N462.3 million) to support various organisations. This is disclosed in Note 11.

Auditors

Ernst & Young have expressed their willingness to resign as the Company's auditors in accordance with Section 365 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

By Order of the Board



Chike Anikwe
Company Secretary
FRC/2017/NBA/00000016059

16 April 2020

TRANSCORP POWER LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019. 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.



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

16 April 2020



Emmanuel Nnorom
Chairman
FRC/2014/ICAN/00000007402

16 April 2020

INDEPENDENT AUDITOR'S 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 53, which comprise the Statement of financial position as at 31 December 2019, 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 2019, 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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSCORP POWER LIMITED-CONTINUED

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TRANSCORP POWER LIMITED-CONTINUED**

► 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.

16 April 2020

TRANSCORP POWER LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		31 December 2019 N'000	31 December 2018 N'000
	Notes		
Revenue from contracts with customers	7	55,941,017	86,737,819
Cost of sales	8	<u>(35,912,025)</u>	<u>(50,990,774)</u>
Gross profit		20,028,992	35,747,045
Other operating income	9	914,654	115,041
Impairment loss on financial assets	12	(270,539)	(274,704)
Administrative expenses	11	<u>(2,684,386)</u>	<u>(4,447,084)</u>
Operating profit		17,988,721	31,140,298
Finance income	10	176,563	62,110
Finance cost	10	<u>(8,905,429)</u>	<u>(10,451,624)</u>
Net finance cost		<u>(8,728,866)</u>	<u>(10,389,514)</u>
Profit before income tax		9,259,855	20,750,784
Income tax (expense)/credit	13	(5,148,931)	651,058
Profit for the year		<u>4,110,924</u>	<u>21,401,842</u>
Profit attributable to:			
Owners of the Company		2,626,880	13,698,796
Non-controlling interests		<u>1,484,044</u>	<u>7,703,046</u>
		<u>4,110,924</u>	<u>21,401,842</u>
Basic and diluted earnings per share (A)	14	<u>61.52</u>	<u>323.53</u>

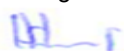
The notes on pages 15 to 53 are an integral part of these financial statements.

TRANSCORP POWER LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

		31 December 2019 N'000	31 December 2018 N'000
	Notes		
Assets			
Non-current assets			
Property, plant and equipment	15	51,757,081	51,017,584
Intangible asset	16	9,701,191	9,701,191
Deferred tax assets	13	1,084,306	5,811,864
		62,542,578	66,530,639
Current assets			
Inventories	17	3,910,219	4,238,381
Trade and other receivables	18	94,585,838	79,095,083
Cash and cash equivalents	19	1,819,082	516,133
		100,315,139	83,849,597
Total assets		162,857,717	150,380,236
Equity and liabilities			
Equity			
Share capital	23	37,076	33,076
Share premium	24	26,346,049	15,117,159
Retained earnings	25	6,187,226	7,440,634
Total equity		32,570,351	22,590,869
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21	49,021,377	36,164,194
		49,021,377	36,164,194
Current liabilities			
Trade and other payables	20	67,300,386	73,079,176
Current tax payable	13	580,866	159,493
Interest-bearing loans and borrowings	21	13,384,737	18,386,504
		81,265,989	91,625,173
Total liabilities		130,287,366	127,789,367
Total equity and liabilities		162,857,717	150,380,236

The notes on pages 15 to 53 are an integral part of these financial statements.

The financial statements and notes on pages 11 to 53 were approved by the Board of Directors on 16 April 2020 and signed on its behalf by:


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


Mutiu Bakare
Group Chief Financial Officer
FRC/2016/ICAN/00000014111


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

TRANSCORP POWER LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital (Note 23) N'000	Share premium (Note 24) N'000	Retained earnings (Note 25) N'000	Total N'000
Balance at 1 January 2018	33,076	15,117,159	1,932,315	17,082,550
Profit for the year	-	-	21,401,842	21,401,842
Interim dividends (Note 28)	-	-	(15,893,523)	(15,893,523)
Total comprehensive income	-	-	5,508,319	5,508,319
Total transactions with owners, recognised directly in equity	-	-	-	-
Balance at 31 December 2018	33,076	15,117,159	7,440,634	22,590,869
Balance at 1 January 2019	33,076	15,117,159	7,440,634	22,590,869
Profit for the year	-	-	4,110,924	4,110,924
Total comprehensive income	-	-	4,110,924	4,110,924
Right issue	4,000	11,228,890	-	11,232,890
Interim dividends (Note 28)	-	-	(5,364,332)	(5,364,332)
Total transactions with owners, recognised directly in equity	4,000	11,228,890	(5,364,332)	5,868,558
Balance at 31 December 2019	37,076	26,346,049	6,187,226	32,570,351

The notes on pages 15 to 53 are an integral part of these financial statements.

TRANSCORP POWER LIMITED
STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31 DECEMBER 2019

		31 December 2019 N'000	31 December 2018 N'000
	Notes		
Cash generated from operations			
Profit before tax		9,259,855	20,750,784
Adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	15	2,552,071	2,512,530
Loss on disposal of property, plant and equipment	11	114,483	32,951
Finance income	10	(176,563)	(62,110)
Interest expense	10	8,905,429	7,283,814
Foreign exchange loss		134,583	2,486,826
Impairment allowance on financial assets	12	270,539	274,704
Working capital adjustments:			
Increase in trade and other receivables		(15,895,877)	(1,634,372)
Decrease/(increase) in inventories		328,162	(325,518)
Increase /(decrease) in trade and other payables		698,699	(9,374,498)
Cash flows from operating activities		<u>6,191,381</u>	<u>21,945,111</u>
Interest received	10	<u>176,563</u>	<u>62,110</u>
Net cash flows from operating activities		6,367,944	22,007,221
Investing activities			
Proceeds on disposal of property, plant and equipment		-	132,780
Purchase of property, plant and equipment	15	<u>(3,406,051)</u>	<u>(1,957,377)</u>
Net cash used in investing activities		<u>(3,406,051)</u>	<u>(1,824,597)</u>
Financing activities			
Dividend paid	5	(608,931)	(3,328,149)
Proceeds from borrowing	5	61,181,843	689,087
Repayments of borrowings	5	<u>(62,231,856)</u>	<u>(18,453,961)</u>
Net cash inflow used in financing activities		<u>(1,658,944)</u>	<u>(21,093,023)</u>
Net increase/(decrease) in cash and cash equivalents		1,302,949	(910,399)
Cash and cash equivalents at the beginning of the year		<u>516,133</u>	<u>1,426,532</u>
Cash and cash equivalents at the end of the year	19	<u>1,819,082</u>	<u>516,133</u>

The notes on pages 15 to 53 are an integral part of these financial statements.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

Transcorp Power Limited (formerly Transcorp Ughelli Power Limited) ("the Company") was incorporated in Nigeria on 24 September 2012 under the Companies and Allied Matters Act ("CAMA"), 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 Significant accounting policies

2.1 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 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.

The financial statements provide comparative information in respect of the previous period.

Summary of significant accounting policies

a) Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

b) Revenue from contract with customers

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

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

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

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

At contract inception, the Company assesses the goods or services promised to a customer and identifies as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

In arriving at the performance obligations, the Company assessed the goods and services as capable of being distinct and as distinct within the context of the contract after considering the following:

- If the customer can benefit from the individual good or service on its own;
- If the customer can use the good or service with other readily available resources; service on its own;
- If multiple promised goods or services work together to deliver a combined output(s); and
- whether the good or service is integrated with, highly interdependent on, highly interrelated with, or significantly modifying or customising, other promised goods or services in the contract

Energy and capacity charge

Capacity charge is recognised monthly based on the average of available capacity declared at the beginning of the month. Revenue from energy sent out is calculated on the basis of megawatts of electricity pushed to the transmission grid. The capacity charge and energy sent out are included in revenue reported in the profit and loss account.

Contract for the sale of electric power begins on performance and revenue is recognised overtime using an output method to measure progress towards completion of the service because the customer simultaneously receives and consumes the benefits provided by the Company.

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

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.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

b) Revenue from contract with customers - continued

Significant financing component

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

Contract balances

Contract assets

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

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

Trade receivables

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

Contract liabilities

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

c) Current and deferred tax

The tax for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively. Pioneer status incentive exempts the Company from current tax over the period covered by the incentive.

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.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

c) Current and deferred tax - continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of profit or loss, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax liabilities on a net basis.

Deferred tax assets and liabilities are presented as non-current in the statement of financial position.

d) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which Transcorp Power Limited operates ('the functional currency'). The functional currency of Transcorp Power Limited is the Nigerian Naira (N).

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the company's functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the company determines the transaction date for each payment or receipt of advance consideration.

e) Property, plant and equipment

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

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

e) Property, plant and equipment - continued

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.

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

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

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

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other income or expense - net in the Statement of profit or loss for the period.

f) Intangible assets

Goodwill

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

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

For purposes of impairment testing, each turbine set is treated as a cash generating unit.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

f) Intangible assets - continued

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.

g) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, (i.e. capitalised) until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

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

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

i) Financial instruments (Recognition and measurement)

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

i) Initial recognition and measurement

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

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

i) Financial instruments (Recognition and measurement) - continued

i) Initial recognition and measurement - continued

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.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

i) Financial instruments (Recognition and measurement) - continued

Derecognition

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

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

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

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

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

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Trade receivables

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

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

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

i) Financial instruments (Recognition and measurement) - continued

Impairment of financial assets - continued

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.

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.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

Summary of significant accounting policies-continued

i) Financial instruments (Recognition and measurement) - continued

Loans and borrowings

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

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 21.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Offsetting of financial instruments

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

j) Inventories

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventory includes purchase costs and costs directly attributable to the purchase.

Inventory comprises of engineering spares that are not ready for use (complex installation process), tools and lubricants.

Subsequent to initial recognition, inventory is measured at the lower of cost and net realisable value. Any writedown of inventory to net realisable value is recognised in the statement of profit or loss. Inventories are stated at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

k) Cash, cash equivalents and bank overdrafts

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

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

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

l) Provisions

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

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

m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, is summarised below:

- Financial instruments (including those carried at amortised cost) Note 6.2

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

n) Dividend distribution

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

o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Retained earnings

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves.

Share premium

Share premium refers to the excess of the share price paid for the Company's shares by the shareholders over the nominal value of the shares issued.

2.2 Changes in accounting policies and disclosures

a) New and amended standards and interpretations

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore,

IFRS 16 has no impact in the company's financial statements as the company has no lease agreement.

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 payments 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 an 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. These amendments had no impact on the financial statements of the company.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

2. Changes in accounting policies and disclosures - continued

a) New and amended standards and interpretations - continued

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 Income Taxes. It 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

The company applies significant judgement in identifying uncertainties over income tax treatments. Since the company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings related to transfer pricing and the taxation authorities may challenge those tax treatments. The company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the company.

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 the 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. An entity is also required to determine the 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 had no impact on the financial statements of the company as it did not have any plan amendments, curtailments, or settlements during the period.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

2. Changes in accounting policies and disclosures - continued

a) New and amended standards and interpretations - continued

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the company's financial statements as the company does not have long-term interests in its associate and joint venture.

Other amendments and interpretations relating to annual improvements 2015-2017 cycle, but do not have an impact on the financial statements of the company are listed below:

- IFRS 3 Business Combinations
- IAS 23 Borrowing Costs
- IAS 12 Income Taxes
- IFRS 11 Joint Arrangements

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 simplified approach (the premium allocation approach) mainly for short-duration contracts
- 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.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

2. Changes in accounting policies and disclosures - continued

b) Standards issued but not yet effective - continued

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Effective for annual periods beginning on or after 1 January 2020.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Effective for annual periods beginning on or after 1 January 2020.

The amendments to the definition of material is not expected to have a significant impact on the company's financial statements.

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. The company will not be affected by these amendments on the date of transition. Effective for annual periods beginning on or after 1 January 2020.

The Conceptual Framework for Financial Reporting

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

2. Changes in accounting policies and disclosures - continued

b) Standards issued but not yet effective - continued

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. Thus, no impact to the company.

3 Significant accounting judgements, estimates and assumptions

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- | | |
|--|--------|
| • Capital management | Note 4 |
| • Financial instruments risk management and policies | Note 5 |
| • Sensitivity analyses disclosures | Note 5 |

Judgements

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction

The company concluded that revenue from energy and capacity charge will be recognised overtime because, as the company performs, the customer simultaneously receives and consumes the benefits provided by the company's performance.

The company has determined that the output method is the best method in measuring progress rendering the services to the customer. The Output method recognises revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

The company has assessed that there is a direct relationship between the company's measurement of the value of goods or services transferred to date, relative to the remaining goods or services promised under the contract.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

3 Significant accounting judgements, estimates and assumptions

Impairment of non-financial

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The fair value of the assets of is based on the market value. This is the price which an asset may be reasonably expected to be realised in a sale in a private contract. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 16.

Provision for expected credit losses of trade receivables and contract assets

The company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating).

The provision matrix is initially based on the company's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the company's trade receivables is disclosed in Note 5.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

4 Capital management

For the purpose of the Company's capital management, capital includes issued capital, share premium and retained earnings attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 50% and 70% and a minimum B credit rating. The Company includes within net debt, interest bearing loans and borrowings, less cash and bank balances.

	31 December 2019 N'000	31 December 2018 N'000
Interest-bearing loans and borrowings (Note 21.2)	62,406,114	54,550,698
Less: cash and cash equivalent (Note 18)	(1,819,082)	(516,133)
Net debt	60,587,032	54,034,565
Total capital: Equity	32,570,351	22,590,869
Capital and net debt	93,157,383	76,625,434
Gearing ratio	65%	71%

5 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has established the finance and investment committee, who is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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

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

5.1 Financial risk factors

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

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

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

5 Financial risk management - continued

5.1 Financial risk factors - continued

(a) Market risk

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is been reduced since the Company's long-term debt obligations are fixed interest rates.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and bank balances (Note 18) on the basis of expected cash flows.

This is generally carried out in accordance with practice and limits set by the Company. These limits vary to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the foreign currency denominated borrowings that the Company has.

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

Foreign currency

	31 December 2019 N'000	31 December 2018 N'000
Cash and bank balances:	1,368,471	464,971
USD	3,754	1,407
Financial liabilities:		
Other payables	181,440	2,695,978
USD	504	7,556
Borrowings	23,190,472	37,602,857
USD	63,621	99,691

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

5 Financial risk management - continued

5.1 Financial risk factors - continued

Foreign Currency Sensitivity

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

The table below shows the impact on the Company's profit and equity if the exchange rate between the Naira and the US Dollars had increased or decreased by 2%, with all other variables held constant:

	31 December 2019 N'000	31 December 2018 N'000
Impact on profit or loss		
US/NGN exchange rate- increase 2% (2018: 2%)	440,069	796,677
US/NGN exchange rate- decrease 2% (2018: 2%)	(440,069)	(796,677)

e) Credit Risk

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

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum national rating of 'A' are accepted.

There is no independent rating for customers. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

Sales to customers are required to be settled in cash or using major credit cards, mitigating credit risk.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The credit ratings of the investments are monitored for credit deterioration.

(ii) Security

No security is obtained for trade receivables either in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There are no credit ratings for Transcorp power limited's trade and other receivables.

The credit ratings from Global Credit Rating Co. (GCR) for cash at bank and maximum credit exposure are highlighted below:

Obligors	Instrument	GCR Ratings	2019 N'000	2018 N'000
United Bank for Africa Plc	Short-term	AA-(NG)	1,608,764	305,541
First Bank of Nigeria Plc	Short-term	A1-(NG)	210,039	210,039
Maximum credit exposure			<u>1,818,803</u>	<u>515,580</u>

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

5 Financial risk management - continued

5.1 Financial risk factors - continued

(iii) Impairment of trade receivables

For trade receivables, the Company applied the simplified approach in computing ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 18. The Company does not hold collateral as security.

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

As at 31 December 2019	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
Expected credit loss rate	0.62%	2.08%	2.21%	2.30%	2.32%	2.40%
Estimated total gross carrying amount at	8,375,763	6,135,108	12,484,549	3,733,625	6,508,630	14,199,709
Expected credit loss	51,624	127,369	276,224	85,813	150,877	340,794
						42,956,886
						1,095,936
						2,128,637
As at 31 December 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
Expected credit loss rate	1.41%	2.37%	2.48%	2.48%	2.49%	2.50%
Estimated total gross carrying amount at	12,652,635	1,796,522	1,578,689	4,140,405	2,117,826	14,199,709
Expected credit loss	178,448	42,488	39,133	102,515	52,731	355,008
						42,989,339
						1,118,313
						1,888,636

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

5 Financial risk management - continued

5.1 Financial risk factors - continued

(iii) Impairment of trade receivables

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

In thousands of Naira	2019	2018
Balance as at 1 January	1,888,636	1,623,687
Provision for expected credit losses (Note 12)	240,001	264,949
Balance at 31 December	<u>2,128,637</u>	<u>1,888,636</u>

(iv) Impairment of other financial assets

Expected credit loss measurement - other financial assets

The Company applied the general approach in computing expected credit losses (ECL) for intercompany receivables. The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

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

Expected credit loss measurement - other financial assets - continued

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.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

5 Financial risk management - continued

5.1 Financial risk factors - continued

(iv) Impairment of other financial assets - continued

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Central Bank of Nigeria, Standards and Poor's etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2018 and 31 December 2019.

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

31 December 2019

Key drivers	Assigned ECL		2020	2021	2022
	Probabilities	Scenario			
Crude Oil Price (USD)	10%	Upturn	55.61	57.07	57.07
	80%	Base	53.5	54.96	54.96
	10%	Downturn	51.18	52.64	52.64
Unemployment rate %	10%	Upturn	0.26	0.26	0.26
	80%	Base	0.34	0.34	0.34
	10%	Downturn	0.36	0.36	0.36
Inflation rate %	10%	Upturn	0.11	0.11	0.11
	80%	Base	0.12	0.12	0.12
	10%	Downturn	0.12	0.12	0.12

31 December 2018

Key drivers	Assigned ECL		2019	2020	2021
	Probabilities	Scenario			
Crude Oil Price (USD)	10%	Upturn	56.00	59.00	62.00
	80%	Base	55.00	57.00	62.00
	10%	Downturn	44.00	41.00	38.00
Unemployment rate %	10%	Upturn	0.26	0.26	0.26
	80%	Base	0.33	0.34	0.34
	10%	Downturn	0.36	0.36	0.36
Inflation rate %	10%	Upturn	26.00	24.00	22.00
	80%	Base	31.00	32.00	33.00
	10%	Downturn	34.00	36.00	38.00

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

5 Financial risk management - continued

5.1 Financial risk factors - continued

(iv) Impairment of other financial assets - continued

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

	31-Dec-19	31-Dec-18
	N'000	N'000
Upside	4,666	1,662
Base	37,715	13,435
Downside	5,055	1,801
Total	<u>47,436</u>	<u>16,898</u>

Due from related companies

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

	Stage 1	Stage 2	Stage 3	Total
In thousands of naira	N'000	N'000	N'000	N'000
Gross carrying amount as at 1 January 2019	1,101,747	-	2,000	1,103,747
Additions	1,051,180	-	-	1,051,180
Transfer to stage 3	14,119	-	(14,119)	-
At 31 December 2019	<u>2,167,046</u>	<u>-</u>	<u>(12,119)</u>	<u>2,154,927</u>

	Stage 1	Stage 2	Stage 3	Total
	N'000	N'000	N'000	N'000
ECL allowance as at 1 January 2019	14,898	-	2,000	16,898
Charged for the year (Note 12)	16,419	-	14,119	30,538
At 31 December 2019	<u>31,317</u>	<u>-</u>	<u>16,119</u>	<u>47,436</u>

	Stage 1	Stage 2	Stage 3	Total
In thousands of naira	N'000	N'000	N'000	N'000
Gross carrying amount as at 1 January 2018	113,704	-	2,000	115,704
Additions	990,043	-	-	990,043
At 31 December 2018	<u>1,103,747</u>	<u>-</u>	<u>2,000</u>	<u>1,105,747</u>

	Stage 1	Stage 2	Stage 3	Total
	N'000	N'000	N'000	N'000
ECL allowance as at 1 January 2018	5,143	-	2,000	7,143
Charged for the year (Note 12)	9,755	-	-	9,755
At 31 December 2018	<u>14,898</u>	<u>-</u>	<u>2,000</u>	<u>16,898</u>

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

5 Financial risk management - continued

5.1 Financial risk factors - continued

(iv) Impairment of other financial assets - continued

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(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.

				Over 1 year but less than 5 years	Over 5 years	
31 December 2019	0 - 30 days N'000	31 - 180 days N'000	181 - 365 days N'000			Total N'000
Financial liabilities						
Trade and other payables	67,300,386	-	-	-	-	67,300,386
Borrowings	62,406,114					62,406,114
	<u>129,706,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,706,500</u>
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	73,079,176	-	-	-	-	73,079,176
Borrowings	1,497,332	8,444,586	8,444,586	36,164,194	-	54,550,698
	<u>74,576,508</u>	<u>8,444,586</u>	<u>8,444,586</u>	<u>36,164,194</u>	<u>-</u>	<u>127,629,874</u>

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

(c) Liquidity risk - continued

Changes in liabilities arising from financing activities

	1 January 2019	Additional loan	Loan repayment	Interest accrued	Additional dividend	Dividend paid	Foreign exchange	Others	31-Dec-19
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Current interest-bearing loans and borrowings	18,386,504	61,181,843	(62,231,856)	8,905,429	-	-	-	(12,857,183)	13,384,737
Non current interest-bearing loans and borrowings	36,164,194	-	-	-	-	-	-	12,857,183	49,021,377
Dividends payable	7,119,435	-	-	-	5,364,332	(608,931)	-	(9,492,682)	2,382,154
	61,670,133	61,181,843	(62,231,856)	8,905,429	5,364,332	(608,931)	-	(9,492,682)	64,788,268

	1 January 2018	Additional loan	Loan repayment	Interest accrued	Additional dividend	Dividend paid	Foreign exchange	Others	31-Dec-18
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Current interest-bearing loans and borrowings	18,817,639	689,087	(18,453,961)	7,283,814	-	-	3,167,810	6,882,115	18,386,504
Non current interest-bearing loans and borrowings	43,046,309	-	-	-	-	-	-	(6,882,115)	36,164,194
Dividends payable	3,918,768	-	-	-	15,893,523	(3,328,149)	-	(9,364,707)	7,119,435
	65,782,716	689,087	(18,453,961)	7,283,814	15,893,523	(3,328,149)	3,167,810	(9,364,707)	61,670,133

* The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings including the effect of subsequent measurement of interest-bearing loans and borrowings at amortised cost using the EIR method, dividend extinguished in exchange for right issue in the company and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The Company classifies interest paid as cash flows from operating activities.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

6 Financial instruments and fair values

6.1 Measurement categories

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Amount		Fair Amount	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Interest-bearing loans and borrowings	62,406,114	54,550,698	62,406,114	54,550,698

The management assessed that the fair values of cash and bank balances, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

6.2 Fair value measurement

Fair value measurement hierarchy for liabilities as at 31 December 2019:

Liabilities for which fair values are disclosed

		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		N'000	N'000	N'000	N'000
Interest-bearing loans and borrowings:	31-Dec-19	62,406,114	-	62,406,114	-
Interest-bearing loans and borrowings:	31-Dec-18	54,550,698	-	54,550,698	-

The fair value of the instruments classified as Level 2 (see above) was calculated using the discounted cash flow method. 3-month NIBOR rate was used for discounting future cash flows. There were no financial instruments that are measured at amortised cost that the fair value disclosed was classified as Level 3 either in current year or in prior year.

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

7 Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the company's revenue from contracts with customers:

	31 December 2019 N'000	31 December 2018 N'000
Capacity charge	21,277,269	30,558,690
Energy delivered	34,565,948	56,087,029
Ancillary services	97,800	92,100
Total revenue from contracts with customers	<u>55,941,017</u>	<u>86,737,819</u>
Timing of revenue recognition		
Services transferred over time	55,941,017	86,737,819
Total revenue from contracts with customers	<u>55,941,017</u>	<u>86,737,819</u>

There is no other revenue items outside IFRS 15

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

All the revenue was generated in Nigeria.

	31 December 2019 N'000	31 December 2018 N'000
8 Cost of sales		
Natural gas and fuel costs	30,536,408	45,624,681
Salaries and wages	821,942	756,924
Repairs and maintenance	1,015,263	1,073,649
Depreciation (Note 11.1)	2,468,198	2,454,993
Insurance	240,927	242,573
Other direct expenses	829,287	837,954
Total cost of sales	<u>35,912,025</u>	<u>50,990,774</u>
9 Other operating income		
Net foreign exchange gain	107,648	-
Other income	807,006	115,041
	<u>914,654</u>	<u>115,041</u>
10 Finance income and finance costs		
Finance income		
Interest income	176,563	62,110
	<u>176,563</u>	<u>62,110</u>
Finance costs		
Interest expense on loans (Note 21.2)	(8,905,429)	(7,283,814)
Foreign exchange loss on financing activities	-	(3,167,810)
	<u>(8,905,429)</u>	<u>(10,451,624)</u>
Net finance cost	<u>(8,728,866)</u>	<u>(10,389,514)</u>

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

	31 December 2019 N'000	31 December 2018 N'000
11 Administrative expenses		
Auditors' remuneration	30,000	30,000
Bank charges	67,379	190,521
Depreciation (Note 11.1)	83,873	57,537
Directors remuneration	91,299	73,148
Donations and CSR	242,362	462,322
Foreign exchange loss	-	141,933
Insurance	5,102	4,562
Loss on asset disposal	114,483	32,951
Management and incentive fees	761,892	1,750,079
Nigeria Police trust fund	463	-
Marketing and promotion	158,654	177,829
Other operating expenses	265,390	589,442
Pension cost	18,242	18,563
Professional fees	189,474	279,211
Rent and rates	20,550	19,906
Repairs and maintenance	36,998	31,159
Security services	84,088	79,301
Staff costs	403,212	407,064
Subscriptions and fees	18,828	8,799
Travel and accommodation	92,097	92,757
	<u>2,684,386</u>	<u>4,447,084</u>

Included in staff cost is N161.5 million (2018: N154.6 million) paid to the staff of Transcorp Power Limited Staff School. The staff school is seen by management as part of the Corporate Social Responsibility of the Company.

11.1 Total depreciation included in the statement of profit or loss;		31 December 2019 N'000	31 December 2018 N'000
Depreciation- Cost of sales (Note 8)		2,468,198	2,454,993
Depreciation- Administrative expenses (Note 11)		83,873	57,537
Total depreciation expense		<u>2,552,071</u>	<u>2,512,530</u>
12 Impairment loss on financial assets			
Trade receivables (Note 5)		240,001	264,949
Due from related companies (Note 5)		30,538	9,755
Total impairment loss on financial assets		<u>270,539</u>	<u>274,704</u>

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

13 Income tax

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	31 December 2019 N'000	31 December 2018 N'000
Current income tax	285,834	-
Education tax	135,539	-
	421,373	-
Deferred tax:		
Relating to origination and reversal of temporary differences	4,727,558	(651,058)
Income tax expense/(credit) reported in the statement of profit or loss	5,148,931	(651,058)

13.1 The movement in tax payable is as follows:

Balance as at 1 January	159,493	159,493
Income tax for the year	285,834	-
Tertiary Education tax for the year	135,539	-
Tax paid during the year	-	-
Balance as at 31 December	580,866	159,493

Corporate tax is calculated at 30 per cent of the estimated taxable profit for the year. The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21, LFN, 2004 as amended.

The charge for education tax of 2 percent 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 2017 to 31 December 2018 upon application.

13.2 A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate (30%) for the years ended 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019 N'000	31 December 2018 N'000
Profit before tax	9,259,855	20,750,784
Tax at Nigeria Corporation Tax Rate of 30% (2018: 30%)	2,777,957	6,225,235
Tertiary Education tax	135,539	-
Non-deductible expenses for tax purposes:		
Donation and fines	72,709	-
Marketing expenses	14,171	-
Other non-deductible expenses	4,926,512	-
Income not subjected to tax	-	(651,058)
Tax expense/(credit) for the year	5,148,931	(651,058)
Effective income tax rate	56%	3%

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

13 Income tax (continued)

13.3 Deferred tax assets

	31 December 2019 N'000	31 December 2018 N'000
Deferred tax relates to the following:		
Statement of financial position		
Accelerated depreciation for tax purposes	13,192,470	2,048,330
Expected credit losses of debt financial assets	(647,753)	(7,860,194)
Unrealised FX losses	(40,375)	-
Losses available for offsetting against future taxable income	(13,588,648)	-
Net deferred tax assets	<u>(1,084,306)</u>	<u>(5,811,864)</u>
Statement of profit or loss		
Accelerated depreciation for tax purposes	11,144,140	399,191
Expected credit losses of debt financial assets	7,212,441	(1,050,249)
Unrealised FX losses	(40,375)	-
Losses available for offsetting against future taxable income	(13,588,648)	-
Deferred tax expense/(benefit)	<u>4,727,558</u>	<u>(651,058)</u>

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

14 Basic and diluted earnings per share

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

	31 December 2019 '000	31 December 2018 '000
Profit for the year attributable to shareholders (in ₦)	<u>4,110,924</u>	<u>21,401,842</u>
Weighted average number of shares in issue	<u>66,819</u>	<u>66,152</u>
Basic earnings per share (₦)	<u>61.52</u>	<u>323.53</u>

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

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

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

15 Property, plant and equipment

	Land N'000	Building N'000	Furniture and fittings N'000	Plant and machinery N'000	Motor vehicles N'000	Work in progress N'000	Total N'000
Cost							
1 January 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	1,265,599	1,957,377
Disposals	-	-	(14,107)	(196,143)	(46,785)	-	(257,035)
Reclassification	17,429	-	-	773,384	-	(790,813)	-
31 December 2018	<u>442,348</u>	<u>1,894,732</u>	<u>225,509</u>	<u>61,131,025</u>	<u>139,304</u>	<u>1,446,516</u>	<u>65,279,434</u>
1 January 2019	442,348	1,894,732	225,509	61,131,025	139,304	1,446,516	65,279,434
Additions	-	-	15,476	2,172,012	-	1,218,563	3,406,051
Disposals	-	(128,259)	-	(300)	(2,432)	-	(130,991)
Reclassification	-	-	-	810,179	-	(810,179)	-
31 December 2019	<u>442,348</u>	<u>1,766,473</u>	<u>240,985</u>	<u>64,112,916</u>	<u>136,872</u>	<u>1,854,900</u>	<u>68,554,494</u>
Accumulated depreciation							
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)
31 December 2018	<u>-</u>	<u>165,047</u>	<u>113,685</u>	<u>13,917,038</u>	<u>66,080</u>	<u>-</u>	<u>14,261,850</u>
1 January 2019	-	165,047	113,685	13,917,038	66,080	-	14,261,850
Depreciation for the year	-	36,443	67,360	2,425,546	22,722	-	2,552,071
Disposals	-	(14,651)	-	(45)	(1,812)	-	(16,508)
31 December 2019	<u>-</u>	<u>186,839</u>	<u>181,045</u>	<u>16,342,539</u>	<u>86,990</u>	<u>-</u>	<u>16,797,413</u>
Carrying amounts							
At 31 December 2018	<u>442,348</u>	<u>1,729,685</u>	<u>111,824</u>	<u>47,213,987</u>	<u>73,224</u>	<u>1,446,516</u>	<u>51,017,584</u>
At 31 December 2019	<u>442,348</u>	<u>1,579,634</u>	<u>59,940</u>	<u>47,770,377</u>	<u>49,882</u>	<u>1,854,900</u>	<u>51,757,081</u>

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

	31 December 2019	31 December 2018
16 Intangible asset		
Goodwill	N'000	N'000
Balance at 1 January	9,701,191	9,701,191
Adjustments	-	-
Balance at 31 December	<u>9,701,191</u>	<u>9,701,191</u>

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 2019 and 2018, the Company compared the aggregate recoverable amount of the asset to the carrying amounts. Recoverable amount has been determined based on the value in use using five year cash flow budgets approved by directors that made maximum use of observable markets for inputs and outputs. For periods beyond the budgeted period, cash flows were extrapolated using growth rates that do not exceed the long-term average for the business.

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

	31 December 2019	31 December 2018
Budgeted gross margin %	41%	37%
Weighted average growth rate	6%	6%
Pre-tax discount rate	17%	20%

	31 December 2019	31 December 2018
17 Inventories		
	N'000	N'000
General stores	3,820,605	4,168,356
Stationery	10,877	5,810
Lubricant	78,737	64,215
	<u>3,910,219</u>	<u>4,238,381</u>

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 N1.003 billion (2018: N1.058 billion). The impairment provision on inventory is based on specific identification of damaged items that are assessed as unlikely to be useable effectively for intended purposes. There was no inventory writedown during the year.

	31 December 2019	31 December 2018
18 Trade and other receivables		
	N'000	N'000
Trade receivables (Note 18.1)	92,265,633	77,586,489
Other receivables and prepayments	195,692	65,535
Due from related companies (Note 18.2)	2,107,491	1,086,849
Advances to suppliers	17,022	356,210
	<u>94,585,838</u>	<u>79,095,083</u>

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

18 Trade and other receivables - continued

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

	31 December 2019 N'000	31 December 2018 N'000
18.1 Trade receivables		
Trade receivables	94,394,270	79,475,125
Less: provision for impairment of trade receivables Note 5.1	(2,128,637)	(1,888,636)
	<u>92,265,633</u>	<u>77,586,489</u>
18.2 Due from related companies		
Receivables from related parties (Note 22)	2,154,927	1,103,747
Less: provision for impairment (Note 5.1)	(47,436)	(16,898)
	<u>2,107,491</u>	<u>1,086,849</u>
19 Cash and cash equivalents		
Cash in hand	279	553
Cash at bank	1,818,803	515,580
Cash and cash equivalents	<u>1,819,082</u>	<u>516,133</u>

Included in cash and cash equivalents is balance held at First Bank Nigeria Limited 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).

	31 December 2019 N'000	31 December 2018 N'000
20 Trade and other payables		
Trade payables	54,287,030	39,759,120
Accrued professional fees	31,500	32,090
Other payables	913,274	3,218,952
Due to related parties (Note 22)	2,227,256	15,758,732
Other accruals	3,460,762	3,730,528
Withholding tax	3,985,700	3,418,266
PAYE tax deductions	-	42,053
Dividend payable	2,382,154	7,119,435
Value added tax	12,710	-
	<u>67,300,386</u>	<u>73,079,176</u>

21 Financial assets and financial liabilities

	31 December 2019 N'000	31 December 2018 N'000
21.1 Financial assets		
Debt instruments at amortised cost		
Trade receivables (Note 18)	92,265,633	77,586,489
Due from related companies (Note 18.2)	2,107,491	1,086,849

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

TRANSCORP POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

21.2 Financial liabilities: Interest-bearing loans and borrowings

	Maturity	31 December 2019 N'000	31 December 2018 N'000
Bank overraft	On demand	2,132,312	16,385,801
Term loan	2020 - 2034	37,083,330	38,164,897
\$215 million acquisition loan	2025	23,190,472	-
Total interest-bearing loans and borrowings		<u>62,406,114</u>	<u>54,550,698</u>
Non-current		49,021,377	36,164,194
Current		<u>13,384,737</u>	<u>18,386,504</u>
		<u>62,406,114</u>	<u>54,550,698</u>
Movement in interest-bearing loans and borrowings			
		31 December 2019 N'000	31 December 2018 N'000
The movement in borrowings is as follows:		<u>54,550,698</u>	<u>61,863,948</u>
Balance as at 1 January		61,181,843	689,087
Additions		8,905,429	7,283,814
Interest accrued (Note 10)		(62,231,856)	(18,453,961)
Repayments		-	3,167,810
Foreign exchange loss		<u>62,406,114</u>	<u>54,550,698</u>
Balance as at 31 December			

Qualitative description of interest bearing loans and borrowing

Bank overdrafts

The bank overdrafts are facilities obtained to support the payment of the operational or working capital requirements. The overdraft facility is available for 365days subject to satisfactory reviews on an annual basis with interest rate of 16%.

Term loans

Term loans are facilities obtained by the Company from various commercial banks in Nigeria. These facilities are repayable by instalments at various dates between 2020 and 2034 with interest rate varying from 15.5% and 16%.

\$215 million acquisition loan

\$215 million acquisition loan obtained by the Company for the purpose of acquiring 100% interest in Ughelli Power Plc. The loan is repayable until 2025 with an interest rate of Libor plus 8.5%.

TRANSCORP POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

22 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 2019	31 December 2018
			N'000	N'000
Transnational Corporation of Nigeria Plc	Parent company	Technical and Management services and dividend	2,227,256	15,758,732
			2,227,256	15,758,732

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 2019	31 December 2018
			N'000	N'000
Transcorp Hotel Abuja	Subsidiary of the group	Intercompany receivable	2,138,808	1,087,628
Transcorp OPL 281 Limited	Subsidiary of the group	Intercompany receivable	14,017	14,017
Transcorp Hotel Calabar	Subsidiary of the group	Intercompany receivable	102	102
Teragro Commodities Limited	Subsidiary of the group	Intercompany receivable	2,000	2,000
			2,154,927	1,103,747

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

- 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 26.

TRANSCORP POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

	31 December 2019 N'000	31 December 2018 N'000
23 Share capital		
Authorised share capital		
100,000,000 ordinary shares of 50k each	50,000	50,000
Allotted, called up, issued and fully paid:		
At 1 January	33,076	33,076
Right issues - 8,000,634 number of shares (Note 23.1)	4,000	-
74,152,166 (2018: 66,151,532) ordinary shares of 50k each	37,076	33,076
23.1 At the Board meeting held on 26 November 2019 the directors authorised to issue 7,585,375 units of Ordinary shares in the Share Capital of the Company on the basis of two (2) for every fifteen (15) Ordinary Shares of 50 Kobo each held by the existing shareholders of the Company and additional 415,259 units of Ordinary shares in the Share Capital of the Company on the basis of one (1) for every one hundred and thirty-six (136) Ordinary Shares of 50 Kobo each held by the existing shareholders of the Company by way of a Rights issue.		
24 Share premium	31 December 2019 N'000	31 December 2018 N'000
Balance as at 1 January	15,117,159	15,117,159
Shares issued	11,228,890	-
Balance as at 31 December	26,346,049	15,117,159
25 Retained earnings		
The movement in retained earnings during the year is as follows:		
Balance as at 1 January	7,440,634	1,932,315
Profit for the year	4,110,924	21,401,842
Interim dividend (Note 28)	(5,364,332)	(15,893,523)
Balance as at 31 December	6,187,226	7,440,634
26 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 2019 Number	31 December 2018 Number
Less than N1,000,000	21	7
N1,000,001 - N2,000,000	30	51
N2,000,001 - N5,000,000	160	141
Above N5,000,000	44	42
	255	241

TRANSCORP POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

26 Particulars of directors and staff - continued

	31 December 2019 N'000	31 December 2018 N'000
Staff costs for the above persons (excluding Directors):		
Salaries and wages	1,225,154	1,163,988
Pension cost	<u>18,242</u>	<u>18,563</u>
	<u>1,243,396</u>	<u>1,182,551</u>
Analysis of staff costs:		
Cost of sales (Note 8)	821,942	756,924
Administrative expenses (Note 11)	<u>421,454</u>	<u>425,627</u>
	<u>1,243,396</u>	<u>1,182,551</u>
Emoluments of directors		
The remuneration paid to the Directors of the Company was:		
Salaries	52,865	54,434
Fees and allowances	<u>91,299</u>	<u>73,148</u>
	<u>144,164</u>	<u>127,582</u>
Amount paid to the highest paid director (excluding pension contributions)		
Fees	<u>16,494</u>	<u>15,550</u>
	<u>16,494</u>	<u>15,550</u>
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 2019 Number	31 December 2018 Number
Less than N10,000,000	6	6
Over N10,000,000	<u>1</u>	<u>1</u>
	<u>7</u>	<u>7</u>

27 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 N2.9bn to General Electric for the rehabilitation of Gas Turbine (GT) 16, 18 and 19 and N1.5bn to Thomassen LLC for the rehabilitation of Gas Turbines (GT) 6 and 17.

TRANSCORP POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

27 Capital commitments and contingent liabilities-continued

Legal claim contingency

The Company is involved in some legal action in the ordinary course of the business. The Company has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

31 December	31 December
2019	2018
N'000	N'000

28 Distributions made and proposed

Interim dividend for 2019	5,364,332	-
Interim dividend for 2018	-	15,893,523
	<u>5,364,332</u>	<u>15,893,523</u>

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

29 Events after statement of financial position date

In the first quarter of 2020, after the balance sheet date, there was a global outbreak of Corona virus disease (COVID-19). This has impacted negatively on the economies of the world, including Nigeria. In response to the outbreak of COVID-19 in Nigeria, the Federal Government of Nigeria, state governments and health authorities issued regulations, directives and guidelines aimed at curbing the spread of the virus and disease. The combined effect of these regulations, directives and guidelines, amongst other things, is the lockdown of certain States and restriction of movement in other States.

Corporate organisations have equally reacted to the outbreak of COVID-19 with varying degrees of compliance with the regulations, directives and guidelines, and in some cases self-developed pro-active measures to deal with the challenging times brought about by the pandemic. At Transcorp Power, it has been a combination of all, i.e. excellent execution of pro-active contingency and business continuity plans as well as full compliance with local regulations, directives and guidelines applicable both in Delta State, where our Plant is located or in Lagos State, where our registered office is situated.

Transcorp Power Limited is in the business of power generation, which is classified as essential service. As a result of this, the company and its staff are exempted from the restriction of movement associated with the lockdown announced both at the federal and state government levels. Accordingly, the operations of Transcorp Power Limited are not materially affected by the negative impact of the COVID-19 pandemic.

The PPE of the Plant are still running at scheduled capacity while the company's inventories are in active use. The company continues to receive payment of its invoices under the Federal Government's N600bn Payment Assurance Facility. In addition, payments are made to suppliers and lenders as at when due. Based on management's assessments, there is no indication that the company's assets, including goodwill are impaired.

Apart from issues arising from COVID-19 as discussed above, there are 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 2019 and on the profit for the year ended on that date, which have not been adequately provided for or recognized.

TRANSCORP POWER LIMITED
OTHER NATIONAL DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2019

TRANSCORP POWER LIMITED
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December 2019 N'000	%	31 December 2018 N'000	%
Turnover	55,941,017		86,737,819	
Bought-in materials and services (local)	(29,113,008)		(35,401,480)	
Brought- in materials and services (foreign)	<u>(594,143)</u>		<u>(722,479)</u>	
	26,233,866		50,613,860	
Other operating income	<u>914,654</u>		<u>115,041</u>	
Value added	<u><u>27,148,520</u></u>	100	<u><u>50,728,901</u></u>	100
Distributed as follows:				
Employees:				
To pay salaries, wages and other staff costs	1,243,396	5	1,182,551	2
Provider of funds				
Interest	8,728,866	32	10,389,514	20
Dividend	5,364,332	20	15,893,523	31
Government:				
To pay tax	421,373	2	-	-
Retained for future growth:				
Deferred tax	4,727,558	17	(651,058)	(1)
Depreciation	2,552,071	9	2,512,530	5
Profit for the year	<u>4,110,924</u>	15	<u>21,401,842</u>	42
Value added	<u><u>27,148,520</u></u>	100	<u><u>50,728,902</u></u>	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
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Statement of financial position					
Non-current assets	62,542,578	66,530,639	66,600,466	60,259,803	55,766,449
Current assets	100,315,139	83,849,597	82,800,106	51,932,816	28,380,476
Current liabilities	(81,265,989)	(91,625,173)	(88,865,433)	(63,036,099)	(39,737,344)
Non-current liabilities	(49,021,377)	(36,164,194)	(43,046,309)	(35,727,161)	(29,166,903)
Net assets	32,570,351	22,590,869	17,488,830	13,429,359	15,242,678
Share capital	37,076	33,076	33,076	33,076	33,076
Share premium	26,346,049	15,117,159	15,117,159	15,117,159	15,117,159
Retained earnings	6,187,226	7,440,634	2,338,595	(1,720,876)	92,443
Total equity	32,570,351	22,590,869	17,488,830	13,429,359	15,242,678
Statement of profit or loss and other comprehensive income					
Revenue	55,941,017	86,737,819	66,441,488	44,067,817	26,647,472
Profit/(loss) before income tax	9,259,855	20,750,784	10,838,066	(8,083,229)	1,002,612
Income tax	(5,148,931)	651,058	1,882,735	6,269,910	558,635
Profit/(loss) after taxation transferred to retained earnings	4,110,924	21,401,842	12,720,801	(1,813,319)	1,561,247

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