

**IBOM POWER COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**IBOM POWER COMPANY LIMITED**  
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**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**IBOM POWER COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**Corporate Information**

Company Registration No.	RC 399519	
Registered Office	67, Bennet Bassey Street Ewet Housing Estate Uyo, Akwa Ibom State	
Directors	Barr. Aniedi Akpabio Dr. Victor Udo Engr. Billy Etuk Edet Efrictuei Gareth Wilcox (British)	Chairman Managing Director (appointed 1 June 2014)  Managing Director (resigned 31 May 2014)
Company Secretary	Barr Ime Asibong 67, Bennet Bassey Street Ewet Housing Estate Uyo, Akwa Ibom State	
Auditors	PricewaterhouseCoopers Chartered Accountants Landmark Towers, 5B, Water Corporation Road Victoria Island Lagos	
Principal banker	Access Bank Central Bank of Nigeria Diamond Bank First Bank First City Monument Bank Guaranty Trust Bank Mainstreet Bank United Bank for Africa Zenith Bank	

**IBOM POWER COMPANY LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors submit their report together with the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of the Company.

**Incorporation and address**

Ibom Power Company Limited was incorporated in Nigeria under the Companies and Allied Matters Act as a private company, and is domiciled in Nigeria. The address of its registered office is:  
 67, Bennet Bassey Street  
 Ewet Housing Estate  
 Uyo, Akwa Ibom State

**Principal activities**

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

**Results for the Year**

The following is the summary of the Company's operating results for the year:

	31 December 2014 N'000	31 December 2013 N'000
Revenue	4,667,734	266,706
Loss before income tax	(5,314,896)	(5,864,030)
Taxation	-	-
<b>Loss for the year</b>	<b>(5,314,896)</b>	<b>(5,864,030)</b>

**Analysis of shareholding**

Akwa Ibom Investments and Industrial Promotion Council (AKIIPOC) was the only shareholder of the Company that held more than 10% of the issued ordinary share capital of the Company.

As at 31 December 2014, the shares of the of the Company were held as follows:

Shareholders	Shareholding (units)	Percentage
AKIIPOC	19,999,999	99.99%
Globeleq Ibom Holdings BV	1	0.01%
	<b>20,000,000</b>	<b>100%</b>

No changes in the Company's shareholding from 2013.

**Redeemable preference shares**

The Federal Government of Nigeria through the Niger Delta Power Holding Company Limited held 80,000,000 redeemable preference shares in the Company as at 31 December 2014 (31 December 2013: 80,000,000). These shares do not carry any voting rights.

**Directors interests in contracts**

None of the directors have notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of their direct or indirect interests in contracts or proposed contracts with the Company during the year.

**IBOM POWER COMPANY LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**Employment of disabled persons**

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

**Employee health, safety and welfare**

It is the Company's policy to conduct its activities in such a way that the health, safety and welfare of its employees, contractors and other persons who may be affected are safeguarded. Accordingly, the Company trains all categories of staff in health and safety matters as are commensurate with their jobs, so as to enhance their awareness and increase their effective participation and contribution as individuals. Where appropriate, the Company provides employees with protective clothing and equipment.

**Employee training and involvement**

The Company is committed to keeping employees informed regarding the Company's performance and progress and to seek their views wherever practicable on matters that particularly affect them as employees. Management, professional and technical expertise are the Company's major assets and investment in developing such skills continue. The expansion of skills within the Company has been achieved through the provision of a range of training programmes, which has broadened opportunities for career development within the organisation.

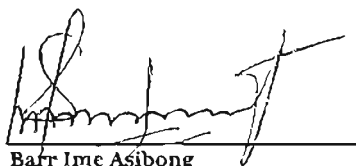
**Donations and gifts**

The Company made no donations during the year (2013: Nil).

**Auditors**

The Company's auditors, Messrs' PricewaterhouseCoopers have indicated their willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act (CAMA).

**By order of the board**



**Barr Ime Asibong  
Company Secretary**

*1st February* ..... 2016

**IBOM POWER COMPANY LIMITED**  
**STATEMENT OF DIRECTOR'S RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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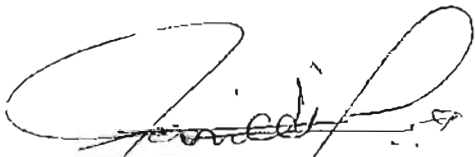
In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004 ("CAMA"), the Directors are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the Company and of the profit or loss for the year ended 31 December 2014, and in so doing they ensure that:

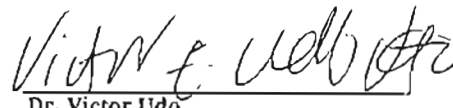
- (a) Proper accounting records are maintained;
- (b) Applicable accounting policies are adopted and consistently applied;
- (c) Judgments and estimates made are reasonable and prudent;
- (d) The going concern basis is used, unless it is inappropriate to presume that the Company will continue in business; and
- (e) Internal control procedures are instituted which as far as reasonably possible, safeguard the assets of the Company and prevent and detect fraud and other irregularities.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards (IFRS) and 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 No.6, 2011.

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 loss for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

  
Barr. Aniedi Akpabio  
Director  
1st February 2016

  
Dr. Victor Udo  
Director  
1st February 2016



## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF IBOM POWER COMPANY LTD

### Report on the financial statements

We have audited the accompanying financial statements of Ibom Power Company Limited ("the company"). These financial statements comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Directors' responsibility for the financial statements*

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

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*PricewaterhouseCoopers Chartered Accountants*  
Landmark Towers, 5B, Water Corporation Road, Victoria Island, Lagos  
T: +234 1 271 1700, F: +234 1 270 3108, [www.pwc.com/ng](http://www.pwc.com/ng)

Partners: S Abu, W Adelokunbo-Ajayi, UN Akpala, O Atakhuma, D Asapokhai, C Azobu, E Erhie, I Ezeuko, D McGraw, P Obianwa, T Ogundipe, P Omontuemhen, T Oputa, T Oyedele, AB Rahji, O Ubah



### Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the company's financial affairs at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to the net loss of N5.314 billion incurred by the Company during the year ended December 31, 2014 and, as of that date; the Company's total liabilities exceeded its total assets by N28.528 billion. These conditions, along with other matters as set forth in Note 17, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### Report on other legal requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit;
- iii) the company's statements of financial position and comprehensive income are in agreement with the books of account.

Engagement Partner: Cyril Azobu  
FRC/2012/ICAN/00000000648  
For: PricewaterhouseCoopers  
Chartered Accountants  
Lagos, Nigeria



March 2016



IBOM POWER COMPANY LIMITED  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2014

	<u>Note</u>	<u>31 December 2014 N'000</u>	<u>31 December 2013 N'000</u>
Revenue	5	4,667,734	266,706
Cost of sales	6	<u>(5,946,987)</u>	<u>(4,959,383)</u>
Gross loss		<u>(1,279,253)</u>	<u>(4,692,677)</u>
Operating expenses	7	<u>(2,659,634)</u>	<u>(863,872)</u>
Operating loss		<u>(3,938,886)</u>	<u>(5,556,549)</u>
Finance income	8	32,260	167,024
Finance costs	8	<u>(1,408,270)</u>	<u>(474,505)</u>
Finance costs- net	8	<u>(1,376,010)</u>	<u>(307,481)</u>
Loss before tax		<u>(5,314,896)</u>	<u>(5,864,030)</u>
Taxation		<u>-</u>	<u>-</u>
Loss for the year		<u>(5,314,896)</u>	<u>(5,864,030)</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the year</b>		<u><b>(5,314,896)</b></u>	<u><b>(5,864,030)</b></u>

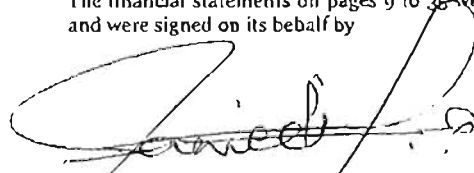
The notes on pages 13 to 33 form an integral part of these financial statements.

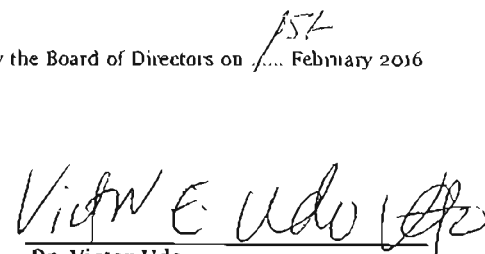
IBOM POWER COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014

	Note	31 December 2014 N'000	31 December 2013 N'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	14,255,349	15,254,699
Prepayments	11	33,914	2,995,945
		<u>14,289,263</u>	<u>18,250,644</u>
<b>Current assets</b>			
Trade and other receivables	12	2,336,872	20,776
Cash and cash equivalents (excluding bank overdraft)	13	220,385	264,327
		<u>2,557,257</u>	<u>285,103</u>
<b>TOTAL ASSETS</b>		<u><b>16,846,519</b></u>	<u><b>18,535,747</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary shares	14	20,000	20,000
Retained losses		(28,548,766)	(23,233,870)
<b>TOTAL EQUITY</b>		<u><b>(28,528,766)</b></u>	<u><b>(23,213,870)</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Post-employment benefits	15	630,799	-
		<u>630,799</u>	<u>-</u>
<b>Current liabilities</b>			
Current income tax	9	108,718	108,718
Trade and other payables	16	6,084,937	4,369,454
Borrowings	17	38,550,831	37,271,445
		<u>44,744,486</u>	<u>41,749,617</u>
<b>TOTAL LIABILITIES</b>		<u><b>45,375,285</b></u>	<u><b>41,749,617</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>16,846,519</b></u>	<u><b>18,535,747</b></u>

The notes on pages 13 to 33 form an integral part of these financial statements.

The financial statements on pages 9 to 35 were approved and authorised for issue by the Board of Directors on <sup>15<sup>th</sup></sup> February 2016 and were signed on its behalf by

  
Barr. Aniedi Akpabio  
Director  
15<sup>th</sup> February 2016

  
Dr. Victor Udo  
Director  
15<sup>th</sup> February 2016

**IBOM POWER COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital N'000	Retained loss N'000	Total equity N'000
<b>Balance as at 1 January 2013</b>	20,000	(17,369,840)	(17,349,840)
Loss for the year	-	(5,864,030)	(5,864,030)
<b>Balance as at 31 December 2013</b>	<u>20,000</u>	<u>(23,233,870)</u>	<u>(23,213,870)</u>
<b>Balance as at 1 January 2014</b>	20,000	(23,233,870)	(23,213,870)
Loss for the year	-	(5,314,896)	(5,314,896)
<b>Balance as at 31 December 2014</b>	<u>20,000</u>	<u>(28,548,766)</u>	<u>(28,528,766)</u>

The notes on pages 13 to 33 are an integral part of these financial statements.

IBOM POWER COMPANY LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 N'000	31 December 2013 N'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	175,336	491,136
<b>Net cash generated from operating activities</b>		<b>175,336</b>	<b>491,136</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	10	(122,655)	(806,934)
Interest income		-	4,718
<b>Net cash used in investing activities</b>		<b>(122,655)</b>	<b>(802,216)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	720,000
Repayment of borrowings		(260,000)	(144,000)
Interest paid		(52,087)	(81,785)
<b>Net cash(used in)/ generated from financing activities</b>		<b>(312,087)</b>	<b>494,215</b>
Increase in cash and cash equivalents		(259,406)	183,135
Cash and cash equivalents at start of year		262,546	79,411
<b>Cash and cash equivalents at end of year</b>		<b>3,140</b>	<b>262,546</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and cash equivalents	13	3,140	262,546

The notes on pages 13 to 33 are an integral part of these financial statements.

**IBOM POWER COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**1 General information**

Ibom Power Company Limited was incorporated in Nigeria under the Companies and Allied Matters Act as a private Company and is domiciled in Nigeria.

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

**2 Summary of significant accounting policies**

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

**2.1 Basis of preparation and adoption of IFRSs**

The financial statements of Ibom Power Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to the interpretations issued by the IFRIC.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

**2.1.1 Going concern**

The directors have no doubt that the Company would remain in existence after 12 months from the date of this financial statements, as the Company currently receives financial support from its parent Company (AKIIPCO). This support however, is subject to an annual review.

**2.1.2 Changes in accounting policy and disclosures**

**New standards and interpretations adopted**

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2014 and do not have a material impact on the Company:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company's financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant effect on the Company's financial statements.

**IBOM POWER COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Company.

**New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is effective for accounting periods beginning on or after 1 January 2018. The Company is yet to assess the full impact of adopting IFRS 9.

IFRS 15, 'Revenue recognition' (effective date - 1 January 2018). This standard establishes the principles that an entity should apply to report useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It replaces the previous revenue Standards: IAS 18 Revenue and IAS 31 Construction Contracts, and the related interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue Barter Transactions Involving Advertising Services

It stipulates that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The framework will be applied consistently across transactions, industries and capital markets, and will improve comparability in the 'top line' of the financial statements of companies globally. The Company is yet to assess the full impact of IFRS 15.

IFRS 16 Leases, supersedes IAS 17 also on leases (effective 1 January 2019). It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. Particularly, it provides that the lessee would also recognise not just the interest rental payments on the lease but also an asset and liability as is the case with a finance lease. That is both operating and finance leases will be treated similarly. The Company is yet to assess the full impact of IFRS 16 but it may have a material impact on the financial statement.

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

**2.2 Foreign currency translation**

**2.2.1 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in the Nigerian Naira which is the Company's functional currency.

**IBOM POWER COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**2.2.2 Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or other operating expenses'.

**2.3 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized 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. Repairs and maintenance costs are charged to the profit or loss during the period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Depreciation starts when the asset is available for use. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains - net' in the profit or loss.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

Asset category	Depreciation rate (%)	Years
Building	3	30
Plant & machinery	6 - 20	5 - 18
Furniture and fittings	20	5
Office equipment	25 - 33	3 - 4
Motor vehicle	25	4

Land is not depreciated. 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.

**2.4 Impairment of non-financial assets**

Assets that are subject to depreciation and 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**2.5 Financial instruments**

**2.5.1 Financial assets**

**(a) Classification**

The Company classifies its financial assets as loans and receivables. The Company does not hold any financial assets in any other financial instrument category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

**IBOM POWER COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (See note 2.7 and 2.8)

**(b) Recognition & measurement**

Loans and receivables are initially recognized at fair value plus transaction costs. Subsequently, loans and receivables are carried at amortised cost less any impairment.

**2.5.2 Financial liabilities**

**(a) Classification**

Financial liabilities are classified as financial liabilities at amortised cost. The Company has no financial liabilities in any other category. Management determines the classification of financial liabilities at initial recognition.

**Financial liabilities at amortised cost**

These include trade payables and borrowings. These are recognised at fair value plus transaction costs and are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense in the period in which they are incurred, except when they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised.

**(b) Recognition and measurement**

Financial liabilities are recognized initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

**2.5.3 Derecognition**

Financial assets and liabilities are derecognised when the rights to receive cash flows or settle obligations have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**2.5.4 Offsetting financial instruments**

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

**2.6 Impairment of financial assets**

**2.6.1 Assets carried at amortised costs**

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



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For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. As a practical expedient, the Company may measure impairment using an impairment model or the aged analysis of debtors in determining specific impairment.

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

**2.7 Trade receivables**

These are amounts due from the Transmission Company of Nigeria for sale of electricity generated in the ordinary course of business. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss within administrative costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to operating expenses in the profit or loss.

**2.8 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents include cash in hand, deposit held at call with banks, other short term investments (money market investments) with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

**2.9 Share capital**

Ordinary shares are classified as equity. When new shares are issued, they are recorded as share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. Mandatorily redeemable preference shares are classified as Liabilities (note 2.10).

**2.10 Borrowings**

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

**2.11 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.12 Deferred income tax**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by each reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.12.1 Pioneer status**

The Company obtained an approval for pioneer status from the Nigerian Investment Promotion Commission (NIPC) on the 28th of April 2010. The Inspectorate division of the Federal Ministry of Industries issued the Company with a certificate of production certifying the production day to be effective on 1 January 2011. The pioneer status exempts the Company from paying tax for up to a five (5) year period commencing from the date the pioneer status was granted. See note 9 for further details.

**2.13 Employee benefits**

**2.13.1 Wages, salaries and annual leave**

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company.

**2.13.2 Defined contribution plan**

The Company operates a defined contribution scheme for its employees in line with the Pension Reform Act 2004. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered fund, which are funded by contributions from both the Company and employees. The Company's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

**2.13.3 Defined benefit plan**

The Company operates a gratuity scheme whereby gratuity is payable to an employee (next of kin- in case of death of an employee) who has rendered continuous service of five years or more or on his termination or voluntary retirement of his/her employment and is in accordance with labor law act. The liability is determined by multiplying the annual gross salary of staff at the time of leaving by the number of years in Company's employment. Also, the Company grants long service awards in form of cash and gifts to staff based on their grades and the number of years of service.

The defined benefit plans are being accounted using the projected unit credit method that considers the rate of inflation, the degree of salary increases of employees, the retirement age among other factors. The gratuity expense under this method is expensed annually as additional staff cost to make for the gratuity liability.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. when there is no deep market in such bonds, the market rates on government bonds are used. The current service costs and the net interest cost/income are recognised in the statement of profit or loss in respect of the reporting period.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the statement of profit or loss

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**2.14 Revenue recognition**

Revenue represents the fair value of the consideration received or receivable for services, in the ordinary course of the Company's activities and is stated net of value-added tax (VAT). Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below:

**Generation and sale of electric power**

The Company's revenue comprises of the net value of services being capacity provided and energy sent out net of trade discounts, rebates and VAT. Capacity charge is recognised monthly based on the average of available capacity charge 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.

Amount received from customer in advance of receiving the goods or services is recognised as a liability in the statement of financial position described as "deferred revenue".

All power generation and transmission activities are monitored by Government licenced operators, through specialised equipment in order to confirm accuracy. Once the amount of energy sent out has been confirmed by operators and agreed by the customer, the Company invoices the customer.

**2.15 Interest income**

Interest income is accrued on a time basis in the profit or loss, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**2.16 Dividend income**

Dividend income is recognised when the right to receive payment is established.

**2.17 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

**3 Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

**3.1 Critical accounting estimates and assumptions**

**3.1.1 Impairment of trade and other receivables**

The Company annually tests whether the trade receivables have suffered any impairment in accordance with the Company's credit policy. Impairment is calculated based on the best estimate of available information on the ability of debtors to pay and the estimated present value of the cash flow to be received.

Management made certain assumptions about the recoverability of financial assets exposed to credit risk from its sole customer Transmission Company of Nigeria (TCN). This was based on management past experiences with TCN and financial capacity of the Company and the outcome of impairments has been consistent with management assumptions over time.

However, wherever these assumptions do not hold, it might have a significant impact on the Company's profit or loss in future.

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**3.2 Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**3.2.1 Useful lives of assets**

The Company calculates depreciation of property, plant and equipment on a straight-line basis so as to write off the cost of the assets over their expected useful lives. The economic life of an asset is determined based on existing wear and tear, economic and technical ageing, legal or other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Company may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss.

In respect of the power plant and transmission line, the Company identifies significant components with different (useful) lives in order to depreciate separately. Management has applied significant judgement in order to determine the significant components and their respective useful lives. Where the significance of a component is not established, it is not separately depreciated.

**3.2.3 Post employment benefit obligations**

The Company introduced a new defined benefit scheme in 2014. Under the scheme, gratuity is payable to an employee (next of kin- in case of death of an employee) who has rendered continuous service of five years or more or on his termination or voluntary retirement of his/her employment and is in accordance with labor act. The liability is determined by multiplying the annual gross salary of staff at the time of leaving by the number of years in Company's employment. Management has prepared an internal valuation for these benefits using a simplified calculation of the estimate of defined benefit liability as at 31 Dec 2014 by multiplying the current annual gross salary of current employees who have spent over 5 years in the Company, by the number of years spent to date.

This is a significant management judgment as it is not in line with the projected credit method which requires assumptions about future salary increases, promotions, resignation, mortality, inflation etc. to estimate what the gross salaries will be on retirement and then discounted to present value and systematically allocated over the period of service and will include an estimate even for those who have not reached the 5 year qualifying threshold, after factoring in the probability of those that will leave the Company before qualifying.

Management does not expect that the current estimate will be materially different from an estimate using the projected credit method.

**4.0 Financial risk management**

**4.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risk and price risk), credit risk and liquidity risk. 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.

Risk management related to financing activities is carried out by the finance manager under policies approved by the board of directors and in close co-operation with the Company's operating units. The board provides principles and guidance for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

**(a) Market risk**

This is the risk of movements in the future cash flows of a financial instrument or forecast transaction as underlying market prices change. The Company is exposed to changes in interest rates and foreign exchange rates. These are known as 'transaction' (or recognised) exposures and 'economic' (or forecast) exposures.

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(i) Foreign exchange risk

The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the Naira. The Company holds the majority of its cash and cash equivalents in Naira. However, the Company maintains deposits in foreign currency in order to fund ongoing commercial activity and other expenditure incurred in these currencies. The Company also has borrowing denominated in USD.

The table below shows the impact on the Company's profit or loss if the exchange rate between the USD, GBP and EURO on Nigerian Naira had increased or decreased by 5%, with all other variables held constant. The Company is not materially exposed to currency risk on any other foreign currencies. The Company's profit is more sensitive to movement in Naira/US dollar exchange rates because of the high amount of US dollar-denominated balances.

This relates to Cash and cash and equivalents held in foreign currencies.

Sensitivity to USD (dollars)

	31 December 2014 N'000	31 December 2013 N'000
Effect of 5% increase in USD on profit or loss	2,054	74
Effect of 5% decrease in USD on profit or loss	(2,054)	(74)

Sensitivity to GBP

	31 December 2014 N'000	31 December 2013 N'000
Effect of 5% increase in GBP on profit or loss	1,417	468
Effect of 5% decrease in GBP on profit or loss	(1,417)	(468)

Sensitivity to Euro

	31 December 2014 N'000	31 December 2013 N'000
Effect of 5% increase in Euro on profit or loss	248	263
Effect of 5% decrease in Euro on profit or loss	(248)	(263)

This relates to borrowings held in foreign currencies

	31 December 2014 N'000	31 December 2013 N'000
Effect of 5% increase in USD on profit or loss	108,987	97,676
Effect of 5% decrease in USD on profit or loss	(108,987)	(97,676)

(ii) Interest rate risk

The Company is significantly exposed to interest rate risk. It is exposed to changes in interest rates on financial assets or financial liabilities bearing floating interest rates due to the risk that future cash flows will fluctuate. Also, its fixed interest rate financial assets and financial liabilities further exposes it to fair value interest rate risk to the extent that they are remeasured at fair value.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company is exposed to cash flow interest rate risk on borrowings to the extent that the significant reductions in interest rates would result in a decrease in the interest paid by the Company. There are no fixed interest rate borrowings that are measured at fair value, hence the Company is not expected to have fair value interest rate risk. The contractual cash flows from these loans and resulting liquidity risk are monitored by the finance manager and board of directors.

As at 31 December 2014, the Company had a loan with Afrexim which consisted of a single facility: US \$8.3 million (N 1.2 billion) restructured loan with a tenure of three years effective from 21 June 2009 (rescheduled in 2011) with an applicable interest rate of LIBOR plus margin of 3%.

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Sensitivity of variable rate borrowings to interest rate movement.

	31 December 2014 N'000	31 December 2013 N'000
Effect of 5% increase in interest rate on profit or loss	9,800	8,783
Effect of 5% decrease in interest rate on profit or loss	(9,800)	(8,783)

(b) Credit risk

Credit risk is the risk that a borrower or issuer of a financial instrument will not repay the principal and/or interest according to the terms specified in the credit agreement. Credit risk arises from cash and cash equivalents, balances with banks as well as trade and other receivables. The Company has a concentrated risk as it has one customer, the Transmission Company of Nigeria which is a Government owned company. There are no policies in place to ensure that credit limits are set for the Transmission Company of Nigeria. However, credit risk is managed by the finance manager through the commercial department. This department is responsible for following up with the Company's only customer TCN to recover amounts receivable from power generated and supplied.

Management monitors the aging analysis of receivables on a periodic basis. Below is a breakdown of the Company's financial assets that are exposed to credit risk and the maximum exposures as at each reported date:

(i) Financial instruments exposed to credit risk

	Maximum exposure	
	31 December 2014 N'000	31 December 2013 N'000
Cash and cash equivalents	220,385	264,327
Trade receivables (Gross)	2,293,771	-
Other receivable (Gross)	1,555,795	1,555,795
<b>Total</b>	<b>4,069,951</b>	<b>1,820,122</b>

Other receivables in the table above exclude staff advances and prepayments as the Company has no contractual right to receive cash in settlement. These are therefore not financial assets (note 12).

These financial assets are further broken into the following:

31 December 2014	Cash & cash equivalents N'000	Trade receivables N'000	Other receivable N'000	Total N'000
Neither past due nor impaired	220,385	420,829	-	641,214
Past due but not impaired	-	1,872,942	-	1,872,942
Impaired	-	-	1,555,795	-
<b>Gross</b>	<b>220,385</b>	<b>2,293,771</b>	<b>1,555,795</b>	<b>2,514,156</b>
Impairment allowance	-	-	(1,555,795)	(1,555,795)
<b>Net</b>	<b>220,385</b>	<b>2,293,771</b>	<b>-</b>	<b>958,361</b>
31 December 2013	Cash & cash equivalents N'000	Trade receivables N'000	Other receivable N'000	Total N'000
Neither past due nor impaired	264,327	-	-	264,327
Impaired	-	-	1,555,795	1,555,795
<b>Gross</b>	<b>264,327</b>	<b>-</b>	<b>1,555,795</b>	<b>1,820,122</b>
Impairment allowance	-	-	(1,555,795)	(1,555,795)
<b>Net</b>	<b>264,327</b>	<b>-</b>	<b>-</b>	<b>264,327</b>

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(ii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be referenced to external ratings (if available). If there is no external rating, the credit quality is assessed taking into account the financial position, past experience and other factors.

The Company's maximum exposure to credit risk due to default of the counter party is equal to the carrying value of its financial assets. The Company's only customer is the Transmission Company of Nigeria and no credit limits have been set for this customer. However based on history, there is an expectation that amounts owed are received within a period of one month. The customer is known to delay payment for over one year and based on this, impairment allowances have been made on specific balances assessed to be impaired. Management is however of the view that when amounts are owed beyond the financial year, it is still recoverable given that the customer - Transmission Company of Nigeria is a wholly owned government entity.

An analysis of the credit quality of financial assets that are neither past due nor impaired is presented as follows:

Financial assets that are neither past due nor impaired

	31 December 2014	31 December 2013
	N'000	N'000
Cash and cash equivalents		
AA	64,720	40,908
A	111,351	220,713
Others	717	717
Non rated	43,597	1,989
	<u>220,385</u>	<u>264,327</u>

Fitch - National Long-term rating

This is based on Fitch national long-term rating. National Credit Ratings are an assessment of credit quality relative to the rating of the lowest credit risk in a country. This lowest risk will normally, although not always, be assigned to all financial commitments issued or guaranteed by the sovereign state. National Ratings are not intended to be internationally comparable and are denoted by a special identifier for the country concerned. The performance of National Ratings will also not be strictly comparable over time, given the moving calibration of the entire scale to the entity or entities with the lowest credit risk in a country, whose creditworthiness relative to other entities internationally may change significantly over time.

These above ratings are explained as follows:

AA' national ratings denote expectations of very low default risk relative to other issuers or obligations in the same country. The default risk inherent differs only slightly from that of the country's highest rated issuers or obligations.

'A' ratings denote strong prospects for ongoing viability. Fundamental characteristics are strong and stable, such that it is unlikely that the bank would have to rely on extraordinary support to avoid default.

'Others' indicate amounts held in the Central Bank of Nigeria which is the Apex bank.

'Non rated' are banks that are not rated by Fitch.

This is based on Fitch national long-term rating.

Trade and other receivables

	31 December 2014	31 December 2013
	N'000	N'000
Counter party without external credit rating:		
Transmission Company of Nigeria	<u>420,829</u>	<u>-</u>

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(iii) Financial assets that are past due but not impaired

During the year, trade receivables past due but not impaired amounted to N1.872 billion (31 December 2013: Nil). The aging analysis of trade receivables is as follows:

Trade receivables	31 December 2014 N'000	31 December 2013 N'000
Over 1 month but less than one year	1,872,942	-
<b>Total</b>	<b>1,872,942</b>	<b>-</b>

(iv) Financial assets that are impaired

As at 31 December 2014, impaired financial assets amount to N1.556 billion; (31 December 2013: N1.556 billion).

(v) Credit concentration

The Company has one customer, the Transmission Company of Nigeria. The entire trade receivables are due from the Transmission Company of Nigeria which is a government-owned entity. As a result, the credit and economic conditions and other factors affecting the government may result in an increase in the length of time that it takes to collect its receivables and may require the Company to re-evaluate the collectability of its trade and other receivables in future periods. As at 31 December 2014, the Company had trade receivables of N 2.293 billion (2013: Nil) and all balances were due from the Transmission Company of Nigeria.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The cash flow forecast and funding requirements are monitored by the finance manager and board of directors on a monthly basis. The Company relies on funds from monthly revenue generated, loan and equity contributions received from the parent company to meet its obligations.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the reporting dates to the contractual maturity date.

	31 December 2014 N'000		
	Less than 1 year	More than 1 year	Total
Borrowings	38,550,831	-	38,550,831
Trade and other payables	4,397,953	-	4,397,953
	<b>42,948,784</b>	<b>-</b>	<b>42,948,784</b>

	31 December 2013 N'000		
	Less than 1 year	More than 1 year	Total
Borrowings	37,271,445	-	37,271,445
Trade and other payables	2,651,754	-	2,651,754
	<b>39,923,199</b>	<b>-</b>	<b>39,923,199</b>

The amounts disclosed in the tables above are the contractual undiscounted cash flows of the liabilities. In the Company's total borrowings shown above, the sum of N6.2 billion (2013: N5.8 billion) from Diamond Bank and Afrexim (see note 17) include interests and penalties capitalised over the years as a result of default on the repayment terms of the contract.

The trade and other payables above exclude provisions and other taxes (VAT, PAYE and WHT) and deferred revenue.



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**4.2 Fair value estimation**

The Company does not carry any assets at fair value. For financial assets and financial liabilities that are not at fair value, their carrying amounts approximate their fair values.

**4.3 Financial instruments**

**Financial instruments by category**

All financial instruments are carried at amortised cost. The Company's financial instruments are disclosed below:

	31 December 2014 N'000	31 December 2013 N'000
	<u>Carrying amount</u>	
<b>Financial assets at amortised costs</b>		
<u>Loans and receivables</u>		
Trade and other receivables	2,293,771	-
Cash and cash equivalents (excluding bank overdraft)	220,385	264,327
<b>Total</b>	<u>2,514,156</u>	<u>264,327</u>
<b>Financial liabilities at amortised costs</b>		
<u>Liabilities</u>		
Borrowings	38,550,831	37,271,445
Trade and other payables	4,397,953	2,651,754
<b>Total</b>	<u>42,948,784</u>	<u>39,923,199</u>

**4.4 Capital risk management**

The Company's capital management policy and objective is to maintain reliable and sustainable capital in order to sustain future development of the business while maintaining adequate returns for the share holders. Capital is defined by total equity and it is monitored regularly by the Company's management.

	31 December 2014 N'000	31 December 2013 N'000
Borrowings (note 17)	38,550,831	37,271,445
Less: Cash and cash equivalents (note 13)	(220,385)	(264,327)
<b>Net debt</b>	<u>38,330,447</u>	<u>37,007,118</u>
Total equity	(28,528,766)	(23,213,870)
<b>Total capital employed</b>	<u>9,801,681</u>	<u>13,793,248</u>
<b>Net debt to capital employed ratio (gearing ratio)</b>	<u>391%</u>	<u>268%</u>

**5 Revenue**

	31 December 2014 N'000	31 December 2013 N'000
Capacity charge	2,254,728	33,394
Energy delivered	2,413,006	232,762
	<u>4,667,734</u>	<u>266,706</u>

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6 Cost of sales	31 December	31 December
	2014	2013
	N'000	N'000
Gas consumption (i)	4,668,376	3,784,746
Operational maintenance	244,072	75,272
Depreciation of power plants (Note 10)	1,034,539	1,099,365
	<u>5,946,987</u>	<u>4,959,383</u>

(i) The Company is billed for gas under a 'take or pay' arrangement. This amount includes cost of actual gas utilised amounting to N189 million (2012: N61 million) and lease payment for use of the Gas facilities directly attributable to generating energy amounting to N2.96 billion (2012: 3.723 billion).

7 Operating expenses	31 December	31 December
	2014	2013
	N'000	N'000
Employee costs (note 7.1)	1,107,081	432,325
Legal expenses	93,200	89,579
Depreciation (note )	87,467	86,330
Security	111,033	74,834
Travels	190,237	71,676
Repairs and maintenance	253,254	50,259
Equipment rentals	242,576	22,841
Auditors remuneration	15,745	14,525
Office supplies	149,502	8,901
Other operating expenses	409,539	12,602
	<u>2,659,634</u>	<u>863,872</u>

7.1 Employee benefit expense	31 December	31 December
	2014	2013
	N'000	N'000
Directors fees and allowances (note 19)	193,653	160,613
Salaries and allowances (note 20)	256,155	230,678
Pension costs - defined contribution plans (note 20)	10,564	9,718
Staff training (note 20)	15,910	31,316
Gratuity (note 15)	612,840	-
Other post employment benefit expenses (Long service awards) (note 15)	17,959	-
	<u>1,107,081</u>	<u>432,325</u>

8 Finance (costs) - net	31 December	31 December
	2014	2013
	N'000	N'000
<b>Finance income:</b>		
Interest income	32,260	161,424
Unrealized Exchange gain	-	5,600
	<u>32,260</u>	<u>167,024</u>
<b>Finance costs:</b>		
Bank charges	(6,256)	(23,041)
Interest expense - borrowings	(418,014)	(451,464)
Unrealized Exchange loss	(984,000)	-
	<u>(1,408,270)</u>	<u>(474,505)</u>
<b>Net finance costs</b>	<u>(1,376,010)</u>	<u>(307,481)</u>

Interest income represents the interest income earned on fixed deposit investment, other bank deposits and effective interest on borrowings. Interest expense also includes effective interest on borrowings and other finance charges.

**IBOM POWER COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**9 Current income tax**

The Company obtained an approval for pioneer status from the Nigerian Investment Promotion Commission (NIPC) on the 28th of April 2010. The Inspectorate division of the Federal Ministry of Industries issued the company a certificate of production, certifying the production day to be effective on 1 January 2011. The pioneer status exempts the company from paying tax for up to a five (5) year period commencing from the date the pioneer status was granted.

The movement in tax payable is as follows:

	31 December 2014 N'000	31 December 2013 N'000
<b>Current income tax liabilities</b>		
At start of the year	108,718	108,718
Charge for the year	-	-
At end of the year	<u>108,718</u>	<u>108,718</u>

**9.1 Deferred income tax**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Company did not recognise deferred income tax assets of N5.3 billion (2013: N3.8 billion) in respect of accounting losses amounting to N5.314 billion (2013: N5.864 billion) that can be carried forward against future taxable income. Losses can be carried forward beyond the pioneer period and do not expire.

**10 Property, plant and equipment**

	Building	Plant & machinery	Furniture and fittings	Office equipment	Motor vehicle	Total
	N'000	N'000	N'000	N'000	N'000	N'000
<b>Cost</b>						
At 1 January 2013	2,340,774	16,678,844	43,251	30,192	191,387	19,284,448
Additions	-	782,195	1,510	5,229	18,000	806,934
At 31 December 2013	<u>2,340,774</u>	<u>17,461,039</u>	<u>44,761</u>	<u>35,421</u>	<u>209,387</u>	<u>20,091,382</u>
<b>Accumulated depreciation</b>						
At 1 January 2013	222,130	3,191,481	39,997	27,998	169,382	3,650,988
Charge for the year	74,125	1,099,365	1,116	1,527	9,562	1,185,695
At 31 December 2013	<u>296,255</u>	<u>4,290,846</u>	<u>41,113</u>	<u>29,525</u>	<u>178,944</u>	<u>4,836,683</u>
<b>Net book amount</b>	<u>2,044,519</u>	<u>13,170,193</u>	<u>3,648</u>	<u>5,896</u>	<u>30,443</u>	<u>15,254,699</u>
<b>Cost</b>						
At 1 January 2014	2,340,774	17,461,039	44,761	35,421	209,387	20,091,382
Additions	-	-	-	-	122,655	122,655
At 31 December 2014	<u>2,340,774</u>	<u>17,461,039</u>	<u>44,761</u>	<u>35,421</u>	<u>332,042</u>	<u>20,214,037</u>
<b>Accumulated depreciation</b>						
At 1 January 2014	296,255	4,290,846	41,113	29,525	178,944	4,836,683
Charge for the year	74,125	1,034,539	426	1,656	11,260	1,122,006
At 31 December 2014	<u>370,380</u>	<u>5,325,385</u>	<u>41,539</u>	<u>31,181</u>	<u>190,204</u>	<u>5,958,689</u>
<b>Net book amount</b>	<u>1,970,394</u>	<u>12,135,655</u>	<u>3,222</u>	<u>4,240</u>	<u>141,838</u>	<u>14,255,349</u>

IBOM POWER COMPANY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2014

Depreciation expense	31 December	31 December
	2014	2013
	N'000	N'000
Included in cost of sales	1,034,539	1,099,365
Included in operating expense	87,467	86,330
	<u>1,122,006</u>	<u>1,185,695</u>

11 Prepayments	31 December	31 December
	2014	2013
	N'000	N'000
Operating lease - Land (note 20)	33,914	35,945
Gas supply advance payment	-	2,960,000
	<u>33,914</u>	<u>2,995,945</u>

movement in prepayment is analysed as follows:

- Operating lease - Land (note 20)	2014	2013
	N'000	N'000
1st January	35,945	37,977
Charge for the year	(2,031)	(2,032)
31st December	<u>33,914</u>	<u>35,945</u>

- Gas supply advance payment	2014	2013
	N'000	N'000
1st January	2,960,000	6,683,099
Additions	-	-
Charge for the year	2,960,000	3,723,099
31st December	<u>-</u>	<u>2,960,000</u>

These are non current prepayments.

Operating lease - Land represents prepaid rent for the Company's operating lease on its land for a period of 30 years.

Gas supply advance payment represents total advance payment made for supply of gas according to the agreed terms of the Gas sales agreement with Septa. The delivery of gas commenced in 2013.

12 Trade and other receivables	31 December	31 December
	2014	2013
	N'000	N'000
Trade receivables	2,293,771	-
Trade receivables - net	<u>2,293,771</u>	-
Other receivable	1,555,795	1,555,795
Less: impairment of other receivable	(1,555,795)	(1,555,795)
Other receivable - net	<u>-</u>	<u>-</u>
Staff advances	35,055	13,227
Less: impairment of staff advances	-	-
Staff advances (net)	<u>35,055</u>	<u>13,227</u>
Prepayment (current)	8,046	7,519
<b>Total</b>	<u><b>2,336,872</b></u>	<u><b>20,776</b></u>

Other receivable of N1.56 billion relate to receivable from Transmission Company of Nigeria (TCN) for costs incurred in the construction of transmission line assets linking Ibom Power Plant to the National electric power grid

Staff advances are monies provided to the staff for Company-related expenses which remain unretired at the end of the year.

The fair value of the trade and other receivable balances approximate their carrying amount.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

IBOM POWER COMPANY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2014

13 Cash and cash equivalents	31 December	31 December
	2014	2013
	N'000	N'000
Cash in hand	16,175	222
Cash at bank	204,210	264,105
Cash and cash equivalents (excluding bank overdrafts)	220,385	264,327

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

Cash in hand and at bank	220,385	264,327
Bank overdrafts (note 17)	(217,244)	(1,781)
Cash and cash equivalents	3,140	262,546

14 Share capital	31 December	31 December
	2014	2013
	N'000	N'000
<b>Authorised</b>		
100 million ordinary shares of N1 each	100,000	100,000
	100,000	100,000
<b>Issues and fully paid</b>		
20 million ordinary shares of N1 each	20,000	20,000
	20,000	20,000

15 Post employment benefits	31 December	31 December
	2014	2013
	N'000	N'000
<b>Balance sheet obligations for:</b>		
Gratuity	612,840	-
Other post employment benefit expenses (Long service wards)	17,959	-
Liability in the balance sheet	630,799	-
<b>Profit or loss charge included in the operating profit for:</b>		
Gratuity	612,840	-
Other post employment benefit expenses (Long service wards)	17,959	-
	630,799	-

The profit or loss charge included within operating profit includes current service cost. There were no interest cost, past service costs and gains and losses on settlement and curtailment recognised in profit or loss account.

15.1 Gratuity

The Company operates a gratuity scheme whereby benefit is payable to an employee (next of kin- in case of death of an employee) who has rendered continuous service of five years or more or on his termination or voluntary retirement of his/her employment and is in accordance with labor act. The liability is determined by multiplying the annual gross salary of staff at the time of leaving by the number of years in Company's employment. The scheme is an unfunded plan and the liability has been estimated as shown above.

15.2 Long service awards

The Company grants long service awards in form of cash and gifts to staff based on their grades and the number of years of service. The scheme is an unfunded plan and the liability has been estimated as shown above.

IBOM POWER COMPANY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2014

16 Trade and other payables	31 December	31 December
	2014	2013
	N'000	N'000
Trade payables	4,290,401	2,544,708
Other payables	107,552	107,046
Deferred revenue	-	571,071
Accrued expenses	545,866	521,135
Withholding tax	577,686	320,642
Value added tax	563,432	304,852
	<u>6,084,937</u>	<u>4,369,454</u>

Deferred revenue relates to advance payment made by the Transmission Company of Nigeria (TCN) for future sale and transmission of power generated which is nil in the reporting period (2013: N571 million). This is also not a financial instrument.

17 Borrowings	31 December	31 December
	2014	2013
	N'000	N'000
<b>Current</b>		
Diamond bank (Note 17.1)	4,018,161	3,879,645
Africa Export Import Bank (Afrexim) (Note 17.2)	2,179,732	1,953,525
AKIPOC (Note 17.3)	18,456,511	18,456,511
Access bank (Note 17.4)	279,183	563,983
Bank overdraft- Access bank (Note 13)	217,244	1,781
Redeemable Preference shares (Note 16.5)	13,400,000	12,416,000
	<u>38,550,831</u>	<u>37,271,445</u>

17.1 Diamond bank

The Diamond bank loan consists of two facilities: N 1.92 billion restructured loan with tenure of three years, interest rate of 20% per annum and repayment to commence in January 2010 and N 400 million loan with tenure of three years and an interest rate of 20% per annum. Repayment commenced in July 2009. The contract terms of the loans were not adhered to and as at 31 December 2014, the loans were in significant default and attempts to renegotiate the new terms had not been finalised. These loans are therefore repayable on demand and are classified as current liabilities.

17.2 Afrexim loan

The Afrexim loan consist of a single facility: US \$8.3 million (N 1.2 billion) restructured loan with tenure of three years effective from 21 June 2009 and an applicable interest rate of LIBOR plus margin of 3%. The Company however, did not comply with the repayment terms of this contract and as a result a rescheduling was carried out again in 2011. The Company is currently further renegotiating this loan although as at the reporting period a new contract had not been finalised therefore the loan is payable on demand.

17.3 AKIPOC

This represents the interest free loans received from the Akwa Ibom Investment and Industrial Promotion Council (AKIPOC) from inception to date. There are no specified repayment terms.

17.4 Access Bank

The Access bank loan consists of a single facility of N 720 million. The term commenced on the 28th of June 2013 with a tenure of 9 months (inclusive of 3 months moratorium). Interest rate is fixed at 18%. During the year, the loan terms were modified, however, the old loan was not extinguished per IAS 39 para 40. The gain on modification amounted to N32.2 million and is included in the statement of profit or loss (2013: N15.1 million loss).

**IBOM POWER COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

18 Cash generated from operations	31 December 2014 N'000	31 December 2013 N'000
Reconciliation of loss before tax to cash used in operations		
Loss before tax	(5,314,896)	(5,864,030)
Adjustments for:		
– Depreciation (Property, plant & equipment) (note 10)	1,122,006	1,185,695
– Interest income (note 8)	(32,260)	(161,424)
– Unrealized exchange loss/(gain)	984,000	(5,600)
– Interest expense and bank charges (note 8)	424,270	474,505
Post employment benefits (note 15)	630,799	-
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(2,316,096)	1,284,725
Decrease in non current prepayment	2,962,031	3,725,131
Increase in trade and other payables	1,715,483	(147,866)
<b>Cash generated from operations</b>	<b>175,336</b>	<b>491,136</b>

**19 Related party transactions**

The Company is owned 99.99% by Akwa Ibom Investments and Industrial Promotion Council (AKIIPC), with the ultimate parent being the Akwa Ibom State Government. No transactions were entered with AKIIPC during the year.

**19.1 Key management compensation**

Key management personnel of Ibom Power Company Limited include the Executive directors and Managing director. The compensation paid or payable to key management for employee services is shown below:

	31 December 2014 N'000	31 December 2013 N'000
Short term employee benefits (note 7.1)	193,653	160,613
	31 December 2014 N'000	31 December 2013 N'000
The aggregate emoluments of key management personnel were:		
Fees	7,871	10,975
Allowances	153,782	117,638
Managing Director's salary	32,000	32,000
	<b>193,653</b>	<b>160,613</b>

Fees and other emoluments disclosed above include amounts paid to:

	31 December 2014 N'000	31 December 2013 N'000
The Chairman	5,400	5,400
The highest paid Director	32,000	32,000

The number of key management personnel who received fees and other emoluments (excluding pension contributions and other benefits) during the year was five (5) 2013: five (5).

There were no other compensation and loans to key management personnel during the year

**IBOM POWER COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**20 Employees information**

20.1 Employee costs during the year amounted to:

	31 December 2014 N'000	31 December 2013 N'000
Wages and Salaries (excluding MD's salary) (note 7.1)	256,155	230,678
Staff training (note 7)	15,910	31,316
Penston costs- defined contribution plans (note 7.1)	10,564	9,718
	<u>282,629</u>	<u>271,712</u>

20.1 The average number of full-time persons employed by the Company during the year was as follows:

	31 December 2014	31 December 2013
Management staff	4	4
Senior staff	50	50
Junior staff	36	38
	<u>90</u>	<u>92</u>

20.2 Employees of the Company other than Directors, whose duties were wholly or mainly discharged in Nigeria received remuneration (excluding pension contributions) in the following ranges:

	31 December 2014	31 December 2013
Below N500,000	-	-
N500,001 - N1,000,000	36	38
N1,000,001 - N1,500,000	31	31
Above N1,500,000	23	23
	<u>90</u>	<u>92</u>

**21 Contingencies and capital commitments**

**21.1 Contingencies**

As at 31 December 2014, the Company had a total of seven (7) (2013: 7) pending litigations with a cumulative claim of N13.3 billion (2013: N13.3 billion). These litigations are related to claims by various parties. Based on the advice of the Company's legal counsel, the Directors are of the opinion that the claims are frivolous and that no significant liability will arise.

**21.2 Capital commitments**

- (a) There were no capital expenditures contracted for at the end of the reporting period not yet incurred.
- (b) The Company holds land under a non-cancellable operating lease agreement. The lease is for a period of 30 years. The Company also has a gas sale agreement with Septa Energy Nigeria Limited over a period of 10 years.

The land lease expenditure charged to the statement of profit or loss during the year is disclosed under 'other operating expenses' in note 7. Also, the gas infrastructure lease expenditure under the 'take or pay' Gas purchase agreement is disclosed under 'cost of sales' in the statement of profit or loss.

The Company has no future minimum lease payments to be disclosed for both land rental and gas infrastructure lease because the total lease payment per the land rental contract was made at inception of the lease and this has been disclosed as a long term prepayment (see note 11). In addition, the gas purchase contract also did not state the future quantity of gas expected to be delivered to the Company which is the basis for determining the future minimum lease payments at inception of the contract.

**22 Going concern**

The directors have no doubt that the Company would remain in existence after 12 months from the date of this financial statements, as the Company currently receives financial support from its parent Company (AKIPOC). This support however, is subject to an annual review.



**IBOM POWER COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**23 Events after reporting date**

**23.1 Pioneer status granted**

The Company was granted pioneer status beginning on 1 January 2011 and covers a period of five (5) years thereafter. The approval for this status came on the 28th of April 2010, however the issue of the certificate of production day was not made until the 17th of September 2014 which is a date after this reporting period. At each of these year ends, the financial statements (2013 and 2014) were yet to be issued and as a result these financial statements have been adjusted to reflect the impact of the pioneer status. No additional tax liability has been computed as at 31 December 2014 (2013: Nil) and no income tax was paid in these years.

**IBOM POWER COMPANY LIMITED**  
**STATEMENT OF VALUE ADDED**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 N'000	%	2013 N'000	%
Revenue	4,667,734		266,706	
Interest income	32,260		167,024	
	<u>4,699,994</u>		<u>433,730</u>	
Bought-in materials and services (local)	<u>(7,367,789)</u>		<u>(4,228,276)</u>	
<b>Value absorbed</b>	<u><u>(2,667,795)</u></u>	<u>100</u>	<u><u>(3,794,546)</u></u>	<u>100</u>
<b>Applied as follows:</b>				
<b>Employees</b>				
To pay salaries, wages and other staff costs	1,107,081	41	432,325	11
<b>Providers of capital</b>				
To pay interest on borrowings	418,014	16	451,464	13
<b>Maintenance of assets</b>				
Depreciation	1,122,006	42	1,185,695	31
<b>For the future</b>				
Loss for the year	<u>(5,314,896)</u>	<u>(199)</u>	<u>(5,864,030)</u>	<u>(155)</u>
<b>Value absorbed</b>	<u><u>(2,667,795)</u></u>	<u>100</u>	<u><u>(3,794,546)</u></u>	<u>100</u>

The statement of value added is presented in this financial statement for the purpose of complying with the Companies and Allied Matters Act disclosure requirements.

IBOM POWER COMPANY LIMITED  
 FIVE-YEAR FINANCIAL SUMMARY  
 FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENT OF FINANCIAL POSITION

	IFRS				NGAAP
	31 December	31 December	31 December	31 December	31 December
	2014	2013	2012	2011	2010
	N'000	N'000	N'000	N'000	N'000
<b>ASSET EMPLOYED</b>					
Property, plant and equipment	14,255,349	15,254,699	15,633,460	16,763,123	19,419,493
Prepayments	33,914	2,995,945	6,721,076	4,937,384	-
Trade and other receivables	2,336,872	20,776	1,305,501	299,608	5,790,066
Cash and cash equivalents	220,385	264,327	79,411	230,611	176,774
Post employment benefit	(630,799)	-	-	-	-
Borrowings	(38,550,831)	(37,271,445)	(36,463,250)	(34,498,711)	(21,427,945)
Trade and other payables	(6,084,937)	(4,369,454)	(4,517,320)	(3,778,385)	(3,033,709)
Current income tax liabilities	(108,718)	(108,718)	(108,718)	(108,718)	(106,973)
<b>Total equity</b>	<b>(28,528,766)</b>	<b>(23,213,870)</b>	<b>(17,349,840)</b>	<b>(16,155,088)</b>	<b>817,706</b>
<b>CAPITAL AND RESERVES</b>					
Ordinary shares	20,000	20,000	20,000	20,000	20,000
Preference shares	-	-	-	-	40,000
Share premium	-	-	-	-	10,080,800
Retained losses	(28,548,766)	(23,233,870)	(17,369,840)	(16,175,088)	(9,323,094)
<b>Shareholders' funds</b>	<b>(28,528,766)</b>	<b>(23,213,870)</b>	<b>(17,349,840)</b>	<b>(16,155,088)</b>	<b>817,706</b>

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	IFRS			NGAAP	
	31 December	31 December	31 December	31 December	31 December
	2014	2013	2012	2011	2010
	N'000	N'000	N'000	N'000	N'000
Revenue	4,667,734	266,706	2,441,163	1,059,311	931,464
Other income	-	-	-	7,543	12,758
Cost of sales	(5,946,987)	(4,959,383)	(2,349,252)	(975,010)	(236,301)
Operating expenses	(2,659,634)	(863,872)	(1,193,042)	(3,060,833)	(3,821,919)
Finance costs (net)	(1,376,010)	(307,481)	(256,358)	-	-
Taxation	-	-	-	(1,745)	(4,639)
<b>Loss after taxation</b>	<b>(5,314,896)</b>	<b>(5,864,030)</b>	<b>(1,357,489)</b>	<b>(2,970,734)</b>	<b>(3,118,637)</b>

The five-year financial summary is presented in this financial statement for the purpose of complying with the Companies and Allied Matters Act disclosure requirements.