North South Power Company Limited

Financial Statements -- 31 December 2013

Together with Directors' and Auditor's Reports

Contents

Corporate Information

Registration Number: RC. 1018318

Directors:	Mallam Ibrahim Aliyu (Chairman) Engr. Olubunmi Peters Engr. Sani Ndanusa George Nwangwu Ibrahim Boyi Ibrahim Dikko Mutale Mukuka
Registered Office:	1, Rima Street Maitama, Abuja Nigeria
Business Office:	Clan Place Plot No. 1386, Tigris Crescent Maitama, Abuja Nigeria
Operational Base:	Shiroro Power Station Complex Shiroro Niger State Nigeria
Company Secretary/ Solicitor:	Ratio Legal Practitioners 1, Rima Street Maitama, Abuja Nigeria
Auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island, Lagos Nigeria
Principal Bankers:	Zenith Bank of Nigeria United Bank of Africa Guaranty Trust Bank Standard Chartered Bank

Results at a glance

	2013 ₦'000	2012 ₦'000	Change (%)
Revenue	3,964,919	-	100
Profit/(loss) before taxation	1,987,939	(704,427)	382
Profit/(loss) after taxation	1,381,254	(510,972)	370
Retained earnings	870,282	(510,972)	270
Total assets	45,080,259	199,681	22,476
Share capital	500,000	700	71,329
Share premium	7,611,151	-	100
Total equity	8,981,433	(510,272)	1,860
Basic earnings/ (loss) per share	2.14	(729.96)	101

Directors' Report

For the year ended 31 December 2013

The Directors present their annual report on the affairs of North South Power Company Limited ("the Company"), together with the financial statements and auditor's report for the year ended 31 December 2013.

Legal form

The Company was incorporated as a limited liability company on 15 March 2012.

Principal activity

The principal activities of the Company is to develop, own and operate power plants and other energy infrastructure systems with a special emphasis on renewable energy systems including solar, electric, thermal, wind and hydro power plants.

Concession arrangement

The Federal Government of Nigeria, as represented by the Ministry of Finance Incorporated through the Bureau of Public Enterprises (BPE) transferred its rights to the operations, restoration and maintenance of the hydroelectric power production facilities located on the Shiroro Reservoir and the related hydro property of the Shiroro Hydro Electric Power Plant to the Company through a Concession agreement. This concession agreement was signed between BPE and the Company on 21 February 2013 for a period of thirty (30) years. However, the Shiroro Hydro Electric Power Plant was officially handed over to the Company on 1 November 2013.

Business review

The Electric Power Sector Reform Act 2005 (Act No 6 of 2005) was established for the privatisation and transition of the Nigerian Electricity market. In line with the transition, the Company and all other entities operating in the power sector of the economy are expected to comply with the Interim Rules issued by the regulatory body - Nigerian Electricity Regulatory Commission (NERC).

The Company, in accordance with the NERC rules, continues to generate and provide electricity to various electricity distribution companies (EDC) through the Operator of the Nigerian Electricity Market (ONEM). The local distribution companies include Abuja EDC, Enugu EDC, Ibadan EDC, Benin EDC, Kano EDC, Kaduna EDC, Jos EDC, Ikeja EDC, Port Harcourt EDC, Eko EDC and Yola EDC. The Company also provides electricity to two international distribution companies.

The Shiroro Hydro Electric Power Plant currently has a generating capacity of 600 mega-watts (MW). Revenue is realised from billings for capacity generated and energy shared to the aforementioned EDCs and is represented by the monthly settlement statements received from the Operator of the Nigerian Electricity Market (ONEM). During the year, the total Company generated and shared electricity capacity to the EDCs was 641.35 mega watts (MW) and the total energy consumed by the EDCs was 391,913,387 kilo-watt-hours (kWh) from the date of handover - 1 November 2013. Total revenue earned was ₦3.96 billion and the profit before tax was ₦1.99 billion (2012: ₦70.1 million loss)

Operating results and dividends

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

	Year ended 31 Dec 2013 ₦'000	10 months ended 31 Dec 2012 ₦'000
Revenue	3,964,919	-
Profit/ (loss) before taxation	1,987,939	(704,427)
Taxation	(606,685)	193,455
Profit/ (loss) after taxation	1,381,254	(510,972)

No dividend has been recommended by the directors (2012:Nil).

Directors and their interests

The directors who served during the year were as follows:

Name	Nationality	Appointed/ (Resigned)
Mallam Ibrahim Aliyu (Chairman)		13 August 2013
Engr. Olubunmi Peters *		
Engr. Sani Ndanusa		13 August 2013
George Nwangwu **		13 August 2013
Ibrahim Boyi		13 August 2013
Ibrahim Dikko		13 August 2013
Mutale Mukuka	Zambian	13 August 2013
Bem Atetan		(13 August 2013)

* Engr. Olubunmi Peters represents BP Investment Limited on the Board of Directors.

** George Nwangwu represents Pan-African Global Infrastructure Company on the Board of Directors.

The interests of the directors in the issued share capital of the Company as recorded in the register of members and as notified by them for the purposes of Section 275 of the Companies and Allied Matters Act of Nigeria are as follows:

	Number of Ordinary Shares of ₦1 each	
	2013	**2012**
Engr. Olubunmi Peters *(through BP Investment)*	63,960,000	574,000
Mallam Ibrahim Aliyu *(through Urban Shelter)*	14,880,000	0
Engr. Sani Ndanusa *(through Puma Engineering)*	3,600,000	0
George Nwangwu *(through Pan-African Global Infrastructure)*	6,300,000	0

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interests in contracts with the Company except for George Nwangwu who is a partner in Ratio Legal Practitioners, the Company's secretary and solicitors.

Shareholding structure

The Company 's share holding structure is as follows

	31 December 2013		31 December 2012	
	No of shares	%	No of shares	%
Niger State Development Company Limited	130,000,000	26.0	-	-
CEC Lenux Investments Limited	100,000,000	20.0	-	-
Urban Shelter Limited	93,000,000	18.6	-	-
BP Investment Limited	78,000,000	15.6	700,000	99.9999
Transatlantic Investment and Development Company LLC	21,000,000	4.2	-	-
Pan - African Global Infrastructure Company Limited	21,000,000	4.2	-	-
Roads Nigeria Limited	15,000,000	3.0	-	-
XS Energy Limited	15,000,000	3.0	-	-
Opec Investment Inc	15,000,000	3.0	-	
Puma Engineering Limited	6,000,000	1.2	-	-
Olocorp Nigeria Limited	6,000,000	1.2	-	-
Ben Atetan	-	0.0	1	0.0001
	500,000,000	100	700,001	100
Authorised and unissued shares			299,999	

Property, plant and equipment

Information relating to property, plant and equipment is disclosed in Note 13 to the financial statements.

Donations and charitable gifts

The Company made no charitable donations during the year (2012: Nil).

Post balance sheet events

On 15 October 2014, the Nigerian Investment Promotion Commission granted a pioneer status to the Company in respect of their activity in electric power generation at Shiroro, Niger State. The pioneer status which is for three (3) years with effect from the date of commencement of operations (to be determined by the Industrial Inspectorate Department, Federal Ministry of Industry, Trade and Investment), exempts the Company from corporate taxes arising from regular operations (electric power generation activities) within this period.

Employment and employees

There were no employees during the period. However, certain employees of Shiroro Hydro Electric Plc were retained as contract staff and remunerated in accordance with the terms of the Concession agreement.

Prior to the recruitment of employees, policies will be developed regarding:

- Employment of physically challenged persons,
- Employee consultation and training; and
- Employee health, safety and welfare

Other technical and financial information

In accordance with Section 9.6.8 of the Concession Agreement, the following provisional information have been disclosed:

(a) The Company's ability to meet its financial obligations are dependent on its ability to collect revenues from its sales. Though no breach has been noted for the two months of operation, the Interim Rules have had a big impact on the Company's ability to collect all its revenues from its electricity sales.

(b) The Company retained all 440 employees as at 31st December 2013. No new employees were engaged as at that date except for the Interim Management Team at the Headquarters of NSP. The Company did not sell power to the Nigerian Electricity Bulk Trading Company (NBET) as envisaged because the PPA preconditions for all privatized entities were not satisfied but instead sold power to eleven distribution companies and two international customers through the Operator of Nigerian Electricity Trading Company (ONEM). As a result of this arrangement, N3.96 billion was earned as at December 2013. On the other hand, the operations and maintenance programs were fully compliant with acceptable standards and no major breakdown was reported.

(c) The Company successfully overhauled one generating unit.

(d) The Company had no exceptional health, safety or environmental issues. There were also no fatalities, lost time accidents and environmental incidences recorded.

(e) There were no emergencies experienced.

(f) All standing rules and regulations on environmental issues were observed

IFRS transition

North South Power Company Limited has prepared these financial statements for the first time in accordance with International Financial Reporting Standards (IFRS), in line with the transition requirements of the Financial Reporting Council of Nigeria (FRC). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cashflows of the Company is provided in Note 28.

Independent Auditors

In accordance with the Companies and Allied Matters Act of Nigeria, Messrs KPMG Professional Services were appointed as the auditors to the Company on 10 January 2014. Messrs KPMG Professional Services have indicated their willingness to continue in office as auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria.

BY THE ORDER OF THE BOARD
Ratio Legal Practitioners

Company Secretary

Abuja, Nigeria
12 November 2014

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2013

The directors accept responsibility for the preparation of the annual financial statements set out on pages 10 to 46 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria 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.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY

Signature	Signature
Mallam Ibrahim Aliyu	Engr. Olubunmi Peters FRC/2014/COREN/00000007421
Date: 12 November 2014	Date: 12 November 2014

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Members of North South Power Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of North South Power Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2013 and 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 a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 46.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011, 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 these 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 the audit to obtain reasonable assurance about whether 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 judgment, 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 of financial statements that give a true and fair view 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 audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of North South Power Company Limited ("the Company") as at 31 December 2013, and of the Company's financial performance and cash flows for the year then ended and in accordance with International Financial Reporting Standards in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011

Report on Other Legal and Regulatory Requirements

Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed: Fehutoye

Oluwafemi O. Awotoye, ACA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
12 November 2014
Lagos, Nigeria

Statement of financial position

As at

	Notes	31 December 2013	31 December 2012
		₦'000	₦'000
ASSETS			
Property, plant and equipment	*13*	103	-
Intangible assets	*14*	39,047,207	-
Deferred tax asset	*20*	-	193,455
Non-current assets		39,047,310	193,455
Inventories	*15*	947,872	-
Trade and other receivables	*16*	3,976,833	700
Cash and cash equivalents	*17*	1,108,244	5,526
Current assets		6,032,949	6,226
Total assets		**45,080,259**	**199,681**
EQUITY			
Share capital	*18*	500,000	700
Share premium	*19*	7,611,151	-
Retained earnings		870,282	(510,972)
Total equity		8,981,433	(510,272)
LIABILITIES			
Deferred tax liabilities	*20*	413,230	-
Loans and borrowings	*21*	9,606,701	-
Concession fees payable	*22*	20,598,034	-
Non-current liabilities		30,617,965	-
Loans and borrowings	*21*	1,683,146	-
Trade and other payables	*23*	3,797,715	709,953
Current liabilities		5,480,861	709,953
Total liabilities		36,098,826	709,953
Total equity and liabilities		**45,080,259**	**199,681**

Approved by the Board of Directors on 12 November 2014 and signed on its behalf by:

....) Mallam Ibrahim Aliyu (Chairman)

....) Engr. Olubunmi Peters (Managing Director)
FRC/2014/COREN/00000007421

Additionally certified by:

....) Ikechukwu Okoli (Financial Controller)
FRC/2013/ICAN/00000001710

The notes on pages 14 to 46 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 ₦'000	10 months ended 31 December 2012 ₦'000
Revenue	*6*	3,964,919	-
Cost of sales	*7*	(584,126)	-
Gross profit		3,380,793	-
General and administrative expenses	*8*	(296,133)	(690,205)
Results from operating activities		3,084,660	(690,205)
Finance costs	*9*	(1,096,721)	(14,222)
Profit/ (loss) before taxation	*10*	**1,987,939**	**(704,427)**
Taxation	*11 (a)*	(606,685)	193,455
Profit/ (loss) for the year/period		**1,381,254**	**(510,972)**
Other comprehensive income		-	-
Total comprehensive income for the year/period		**1,381,254**	**(510,972)**
Earnings/ (loss) per share			
Basic earnings/ (loss) per share (₦)	*12(a)*	7.14	(729.96)

The notes on pages 14 to 46 are an integral part of these financial statements

Statement of changes in equity

For the period ended 31 December 2012

	Note	Share capital	Share premium	Retained earnings	Total equity
		₦'000	₦'000	₦'000	₦'000
At 15 March 2012		-	-	-	-
Comprehensive income for the period					
Loss for the period		-	-	(510,972)	(510,972)
Total comprehensive income for the period		-		(510,972)	(510,972)
Transactions with owners of the Company					
Issue of ordinary shares	*18*	700	-	-	700
Total transaction with owners of the Company		700	-	-	700
At 31 December 2012		700	-	(510,972)	(510,272)

For the year ended 31 December 2013

	Note	Share capital	Share premium	Retained earnings	Total
		₦'000	₦'000	₦'000	₦'000
At 1 January 2013		700	-	(510,972)	(510,272)
Comprehensive income for the year					
Profit for the year		-	-	1,381,254	1,381,254
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		700	-	870,282	870,982
Transactions with owners of the Company					
Issue of ordinary shares	*18*	499,300	7,611,151	-	8,110,451
Total transaction with owners of the Company		499,300	7,611,151	-	8,110,451
At 31 December 2013		500,000	7,611,151	870,282	8,981,433

The notes on pages 14 to 46 are an integral part of these financial statements

Statement of cash flows

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 ₦'000	10 months ended 31 December 2012 ₦'000
Operating activities			
Profit/ (loss) for the year/ period		1,381,254	(510,972)
Adjustments for:			
- depreciation	*13*	12	-
- amortization	*14*	218,141	-
- finance costs - net	*9*	770,652	-
- taxation	*11(a)*	606,685	(193,455)
		2,976,744	(704,427)
Changes in:			
- inventories		(947,872)	-
- trade and other receivables		(3,976,833)	-
- trade and other payables		3,087,762	709,953
Net cash from operating activities		1,139,801	5,526
Investing activities			
Acquisition of property, plant and equipment	*13*	(115)	-
Acquisition of intangible assets	*14*	(18,667,314)	-
Net cash used in investing activities		(18,667,429)	-
Financing activities			
Proceeds from issue of share capital		500,000	-
Proceeds from share premium		7,611,151	-
Transaction costs related to loans and borrowings	*21*	(325,864)	-
Proceeds from new borrowings	*21*	14,681,037	-
Principal and interest repayments	*21*	(3,835,978)	-
Net cash from financing activities		18,630,346	-
Net increase in cash and cash equivalents		1,102,718	5,526
Cash and cash equivalents at the beginning of the year/ period		5,526	-
Cash and cash equivalents at the end of the year/ period	*17*	1,108,244	5,526

The notes on pages 14 to 46 are an integral part of these financial statements

Notes to the financial statements

Notes to the financial statements

1 Reporting entity

North South Power Company Limited ("the Company") was incorporated on 15 March 2012 under the Companies and Allied Matters Act of Nigeria as a limited liability company. The Company is domiciled in Nigeria with its head office in Abuja and an operating base at the Shiroro Hydroelectric Plant, Niger State.

The Company operates in the power sector and its principal activity is to develop, own and operate power plants and other energy infrastructure systems with a special emphasis on renewable energy systems including solar, electric, thermal, wind and hydro power plants.

2 Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Company's first set of financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 28.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis. The methods used to determine fair values for initial recognition and disclosure purposes are discussed further in Note 4.

(c) Functional and presentation currency

These financial statements are presented in Nigerian Naira (NGN), which is the Company's functional currency. All financial information presented in NGN have been rounded to the nearest thousand unless stated otherwise.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized propectively.

In particular, information about assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

Note 20 – Recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used

Note 25 – Contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

Note 27 – Financial instruments

Notes to the financial statements

3 **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Nigerian Naira at the actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

(b) Financial instruments

i. **Non-derivative financial assets**

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss, if any) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has loans and receivables as non-derivative financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Short term receivables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

Notes to the financial statements

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash balances with banks. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

ii. **Non-derivative financial liabilities**

All financial liabilities (including liabilities designated at fair value through profit or loss, if any) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Loans and borrowings for which the Company has an unconditional right to defer settlement of the liability for at least 12 months after the settlement of financial position date, are classified as non-current liabilities.

Short term payables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

iii. **Share capital**

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

When new shares are issued, they are recorded in share capital at their value. The excess of the issue price is recorded in the share premium reserve.

Notes to the financial statements

(c) Property, plant and equipment (PPE)

i. **Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed asset includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net in profit or loss.

ii. **Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii. **Depreciation**

Items of property, plant and equipment are depreciated from the date that they are available for use or, in respect of self constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset.

The estimated useful lives and methods of depreciation of significant items of property, plant and equipment for the current year is as follows:

Type of asset	Useful life
Office furniture	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Based on the concession agreement, none of the items of property, plant and equipment at the Shiroro Plant have been recognised.

Notes to the financial statements

(d) Leases

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. At initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

(e) Impairment

i. **Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Notes to the financial statements

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Notes to the financial statements

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(f) **Provisions and contingent liabilities**

(i) ***Provisions***

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(ii) ***Contingent liabilities***

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Notes to the financial statements

(g) Revenue

Revenue from services rendered is recognised in profit or loss, net of value added tax and discounts, in proportion to the stage of completion of the transaction at the reporting date. Revenue from services are recognized only to the extent that it is probable that economic resources will flow to the Company and the revenue can be measured reliably.

(i) *Service concession arrangement*

Revenue from services rendered is recognised in profit or loss in the accounting period in which the services are rendered and measured at the fair value of the consideration received or receivable, excluding discounts, value added taxes and similar levies. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount can be measured reliably.

The Company generates its revenue from capacity generation and energy shared. Capacity generation is the maximum electricity available for consumption at any given time which is measured in mega watts (MW) whilst energy shared is the actual electricity consumed which is measured in kilo-watt-hours (kWh).

(h) Finance income and finance costs

Finance income comprises interest income on fixed deposits. Finance income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise bank charges, interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(i) Income and deferred tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent of items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company is subject to tax under the Companies Income Tax Act (CITA).

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss

Notes to the financial statements

Deferred tax is recognised in profit or loss account except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(J) Earnings per share (EPS)

The Company presents basic and where applicable, diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for any own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average method and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow moving and defective items.

(l) Intangible assets

(i) **Recognition and measurement**

Intangible assets that are acquired by the Company are measured at cost less accumulated amortisation and accumulated impairment losses.

Service concession arrangements

The Company recognises an intangible asset arising from a concession arrangement when it has a right to charge for output of the concession infrastructure. The intangible asset is measured initially at cost which comprises of the fair value of the fixed payment made/ payable to the grantor and other directly attributable expenditure. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses.

Notes to the financial statements

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation of intangible assets

Amortisation is calculated to write off the cost of the intangible assets using the straight line basis over the estimated useful life of the service concession - 30 years. The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Company is able to charge the public for the use of the infrastructure to the end of the concession period.

(m) Dividends

Dividends are recognised as liability in the period they are declared.

(n) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance costs paid is also included in financing activities while finance income is included in investing activities.

(o) New standards and interpretations not yet adopted

A couple of new standards and amendments to standards are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements. The only standard that is expected to have an effect on the financial statements of the Company is IFRS 9 *Financial Instruments* , which becomes mandatory for the Company's 2018 financial statements and is expected to impact the classification and measurement of financial assets. The Company management anticipates that IFRS 9 in the future may have an impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Pronouncement	Nature of change	Latest effective date
IFRS 9 *Financial Instruments*	IFRS 9 introduces new requirements for classifying and measuring financial assets, a single approach to determine whether a financial asset is measured at amortised cost or fair value and a single impairment method. The IASB intends to further expand IFRS 9 (including impairment and hedge accounting) to completely replace IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2018 Not yet adopted

Notes to the financial statements

Pronouncement	Nature of change	Latest effective date
Amendments to IAS 32 *Financial instruments: Presentation*	Amendments to IAS 32 *Financial Instruments: Presentation* "Offsetting Financial Assets and Financial Liabilities" addresses inconsistencies identified in the application of some of the offsetting criteria by providing additional application guidance.	1 January 2014 Not yet adopted

4 **Measurement of fair values**

Some of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: input other than quoted prices included in level 1 that are observable for the assets or liability, either directly (i.e as prices) or indirectly (i.e as derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the input used to measure the fair value of an asset or a liability might be categorised in different levels of fair value hierarchy, then the fair measurement must be categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring the fair values is included in the following notes:

Note 27 - Financial Instruments

Notes to the financial statements

5 **Service concession arrangement**

On 21 February 2013, the Company entered into a service concession agreement with the Federal Government of Nigeria ("Federal Government") to generate and provide electricity from the Shiroro Hydro Electric Power Plant. The Company officially took over the plant on 1 November 2013. Under the terms of the agreement, the Company will operate and make the electricity available to the public for a period of thirty years, starting from 1 November 2013. The Company will be responsible for any maintenance services required during the concession period.

The Company, through the Bureau of Public Enterprise ("BPE") will provide the Federal Government a guaranteed minimum annual payment for each year that the Shiroro Hydro Electric Power Plant is in operation. Additionally, the Company has the right to charge a predetermined price for energy capacity provided and the use of the electricity generated, which the Company will collect and retain. At the end of the concession period, the Shiroro Hydro Electric Power Plant will become the property of the Federal Government and the Company will have no further involvement in its operation or maintenance requirements.

The service concession agreement does not contain a renewal option. The rights of the grantor to terminate the agreement include poor performance by the Company and in the event of a material breach in the terms of the agreement. The rights of the Company to terminate the agreement include a material breach in the terms of the agreement, and any changes in law that would render it impossible for the Company to fulfil its requirements under the agreement.

For the year ended 31 December 2013, the Company earned revenue of ₦3.96 billion (See Note 6), consisting of ₦3.41 billion on capacity generation and ₦0.55 billion on distributed energy from the Shiroro Hydro Electric Power Plant. The Company's profit before tax was ₦1.99 billion.

The Company has recognised a service concession payable, measured initially at the fair value of the annual fees of ₦20.3 billion ($130,571,105) (See Note 22) representing the present value of the guaranteed annual minimum payments to be paid to the BPE, discounted at a rate of 10 percent.

The Company has recognised an intangible asset of ₦39.27 billion (See Note14); ₦0.22 billion of which has been amortised in 2013. The capitalised cost of the intangible assets include all preacquisition costs of the concession and the discounted value of the annual fees payable to the BPE. The intangible asset represents the right to charge users a fee for the usage of electricity generated.

Notes to the financial statements

6 Revenue

	Year ended 31 December 2013	10 months ended 31 December 2012
	N'000	N'000
Capacity generation	3,410,058	-
Distributed energy	554,861	-
	3,964,919	-

7 Cost of sales

	Year ended 31 December 2013	10 months ended 31 December 2012
	N'000	N'000
Royalties (Note 7(a))	198,246	-
Labour costs	122,411	-
Amortisation (Note 14)	218,141	-
Maintenance costs	45,328	-
	584,126	-

(a) Amount represent royalty payable to Bureau of Public Enterprises (BPE) calculated as 5% of pre - tax gross sales revenue per the concession agreement

8 General and administrative expenses

	Year ended 31 December 2013	10 months ended 31 December 2012
	N'000	N'000
Depreciation (Note 15)	12	-
Auditor's remuneration	3,000	1,500
Professional fees	40,185	560,780
Maintenance costs	60,917	-
Travel expenses	10,261	68,354
Labour costs	120,065	-
Other expenses	61,693	59,571
	296,133	690,205

9 Finance costs

	Year ended 31 December 2013	10 months ended 31 December 2012
	N'000	N'000
Bank charges	5,728	14,222
Interest on bank loan (Note 21)	770,652	-
Unwind of discount on concession fees payable	320,341	-
	1,096,721	14,222

Notes to the financial statements

10 Profit/ (loss) before taxation

(a) Profit/ (loss) before taxation is stated after charging:

	Year ended 31 December 2013	10 months ended 31 December 2012
	₦'000	₦'000
Depreciation (Note 13)	12	-
Amortization (Note 14)	218,141	-
Auditor's remuneration	3,000	1,500
Labour costs	242,476	-
Royalties	198,246	-

(b) Directors' remuneration

No fees were paid to the directors during the year (2012: nil).

(c) Labour costs

The Company retained 440 employees previously working for Shiroro Hydro Electric Plc at the Shiroro Hydro Electric Power Plant for a period of six months in accordance with Section 6 of the Concession Agreement. These employees are considered as contract staff as the basis of employment is strictly as a result of the terms in the Concession Agreement and not from the direct employment of the Company.

11 Taxation

The income tax for the year has been computed using commencement rules and after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes.

(a) The income tax for the year comprises:

	Year ended 31 December 2013	10 months ended 31 December 2012
	₦'000	₦'000
Current tax	-	-
Tertiary education tax	-	-
Charge for the year	-	-
Deferred tax charge/ (credit) (Note 20)	606,685	(193,455)
	606,685	(193,455)

Subsequent to the year end, on 15 October 2014, the Company was granted a pioneer status in respect of their activity in electric power generation at Shiroro, Niger State. See Note 26 for more details.

(b) Reconciliation of effective tax rates

The tax on the Company's profit before tax differs from the theoretical amount as follows:

		Year ended 31 December 2013		10 months ended 31 December 2012
	%	₦'000	%	₦'000
Profit before income tax		1,987,939		(704,427)
Income tax using the statutory tax rate	30	596,382	30	(211,328)
Effect of				
Non-deductible expenses	1	10,306	(2)	17,873
Tax incentives and exempted income	-	(3)		-
	31	606,685	28	(193,455)

Notes to the financial statements

12 **Earnings/ (loss) per share**

(a) Basic earnings/ (loss) per share

Basic earnings/(loss) per share for the Company is based on profit after taxation of ₦1,381,254,000 (2012: loss of ₦510,972,000) and on 193,580,000 being weighted average number of ordinary shares in issue during the year (2012: 700,001).

	Year ended 31 December 2013 ₦'000	10 months ended 31 December 2012 ₦'000
Profit/(loss) for the year attributable to shareholders	1,381,254	(510,972)
Weighted average number if ordinary shares is calculated as:		
Issued shares at beginning of year	700	-
Effect of shares issued during the year	192,880	700
Weighted average number of ordinary shares at 31 December	193,580	700
Basic earnings/(loss) per share	7.14	(729.96)

Notes to the financial statements

13 Property, plant and equipment

	Office equipment ₦'000	Total ₦'000
COST:		
Balance at 1 January 2013	-	-
Additions	115	115
Balance as at 31 December 2013	115	115
DEPRECIATION:		
Balance at 1 January 2013	-	-
Charge for the year	12	12
Balance as at 31 December 2013	12	12
CARRYING AMOUNTS:		
At 31 December 2012	-	-
At 31 December 2013	103	103

There were no capital commitments as at year end (2012:Nil).

14 Intangible assets

	Concession cost ₦'000	Total ₦'000
COST:		
Balance at 1 January 2013	-	-
Additions*	39,265,348	39,265,348
Balance as at 31 December 2013	39,265,348	39,265,348
AMORTISATION:		
Balance at 1 January 2013	-	-
Charge for the year	218,141	218,141
Balance as at 31 December 2013	218,141	218,141
CARRYING AMOUNTS:		
At 31 December 2012	-	-
At 31 December 2013	39,047,207	39,047,207

* Additions in the year comprise:	
Concession fees paid	18,667,314
Concession fees payable (Note 22)	20,598,034
	39,265,348

The amortisation of intangible assets is included in "cost of sales" in the statement of comprehensive income.

Notes to the financial statements

15 Inventories

Inventories represent consumables and lubricants taken over from Shiroro Hydro Electric Power Plant.

	2013	2012
	₦'000	₦'000
Consumables	914,574	-
Lubricants	33,298	-
	947,872	-

The value of inventory included in cost of sales was ₦45,343,502.

16 Trade and other receivables

Trade and other receivables comprise:

	2013	2012
	₦'000	₦'000
Trade receivables	3,976,833	-
Unpaid share capital	-	700
	3,976,833	700

17 Cash and cash equivalents

	2013	2012
	₦'000	₦'000
Bank balances	1,108,112	5,394
Cash in hand	132	132
Cash and cash equivalents in the statements of cash flows	1,108,244	5,526

18 Share capital

Share capital comprise:

	2013	2012
	₦'000	₦'000
Authorised share capital: Ordinary shares of ₦1 each	500,000	1,000
Issued, called-up share capital paid: Ordinary shares of ₦1 each	500,000	-
Issued, called-up share capital not paid 700,001 ordinary shares of ₦1 each	-	700
Unissued: 299,999 ordinary shares of ₦1 each	-	300

Notes to the financial statements

(a) On 6 August 2013, the Company at an Extra Ordinary General Meeting passed a resolution to increase its authorised share capital from 1 million shares of ₦1 each to 500 million shares of ₦1 each. These shares rank equally and the holders are entitled to dividends as declared from time to time.

(b) On 13 August 2013, the shares were re-alloted to the new shareholders based on agreed ownership structure These shares were fully paid at a premium of ₦7,611,151. (Note19).

19 Share premium

The premium on the allotment of shares are as follows:

	2013	2012
	₦'000	₦'000
Niger State Development Company	3,518,000	-
CEC Lenux Investments Limited	3,500,000	-
Urban Shelter Limited	204,307	-
BP Investment Limited	171,355	-
Transatlantic Investment and Development Company	46,134	-
Pan-African Global Infrastructure Company Limited	46,134	-
Roads Nigeria Limited	32,953	-
XS Energy Limited	32,953	-
Opec Investment Inc	32,953	-
Puma Engineering Limited	13,181	-
Olocorp Nigeria Limited	13,181	-
	7,611,151	-

Notes to the financial statements

20 **Deferred taxation**

Recognised deferred tax assets and liabilities

Deferred tax assets/ (liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	7	-	-	-	7	-
Unrelieved losses	1,579,303	193,455	-	-	1,579,303	193,455
Intangible assets	-	-	8,238,787	-	(8,238,787)	-
Interest expenses	66,837	-	-	-	66,837	-
Concession fees payable	6,179,410	-	-	-	6,179,410	-
	7,825,557	193,455	8,238,787	-	(413,230)	193,455

Movement in temporary differences is as follows:

	Opening balance	Recognised in profit and loss 2012	Balance 2012	Recognised in profit and loss 2013	Balance 2013
	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	-	-	-	7	7
Unrelieved losses	-	193,455	193,455	1,385,848	1,579,303
Intangible assets	-	-	-	(8,238,787)	(8,238,787)
Interest expenses	-	-	-	66,837	66,837
Concession fees payable	-	-	-	6,179,410	6,179,410
	-	193,455	193,455	(606,685)	(413,230)

Notes to the financial statements

21 **Loans and borrowings**

Loans and borrowings comprise:

	2013 ₦'000	2012 ₦'000
Secured bank loan 1	7,452,500	-
Secured bank loan 2	3,837,347	-
	11,289,847	-
Non-current portion	(9,606,701)	-
Current portion	1,683,146	-

The movement in the loan and borrowings balance during the year/ period was as follows

	2013 ₦'000	2012 ₦'000
Opening balance	-	-
Principal	14,681,037	-
Transaction costs on loans and borrowings	(325,864)	-
Interest for the year (Note 9)	770,652	-
	15,125,825	-
Repayments: Principal	(3,680,000)	-
Repayments: Interest	(155,978)	-
Balance as at 31 December	11,289,847	-

The facilities are secured on the shareholders assets and the personal guarantee of the Chairman and a member of the Board of Directors.

Secured bank loan 1

During the year, the Company obtained a term loan of ₦10.884 billion from a bank. According to the loan agreement, the loan attracts an interest of 18% and has a tenor of 7 years. Interest and principal are repayable on a quarterly basis after a moratorium period of 12 months.

Secured bank loan 2

During the year, the Company secured a term loan of ₦3.28 billion ($23.7 million) from a bank. The loan tenor is 7 years and interest is computed at Libor plus 6.5%. An additional 0.5% management fee on the loan balance is payable at every anniversary of the loan. Based on the initial loan agreement, the interest and principal were repayable on a monthly basis after a moratorium period of 12 months on principal only. However, in August 2013, the loan was restructured to extend a moratorium period by 6 months on the interest and make repayments on a quarterly basis.

Information about the Company exposure to interest rate, foreign currency and liquidity risk is included in Note 27.

Notes to the financial statements

22 **Concession fees payable**

Concession fees payable represent the annual fees payable to the Bureau of Public Enterprises (BPE) in accordance with the Concession Agreement from the 6th year to the 30th year of the concession. The movement on this account was as follows:

	2013	2012
	₦'000	₦'000
Opening balance	-	-
Amount recognised during the year/ period	20,277,693	-
Unwind of discount of annual fees	320,341	-
Balance as at 31 December	20,598,034	-
Non-current portion	20,598,034	-

The Concession Agreement states that the Company will be liable to remit an annual fee of $23,606,484.47 to the BPE beginning from the sixth (6th) year until the end of the Concession. The amount recognised is the present value of the expected future cashflows discounted using the prevailing rate of 10% as included in the Concession Agreement. The amount recognised has been included as part of the qualifying acquisition cost of the concession in intangible assets.

23 **Trade and other payables**

Trade and other payables comprise:

	2013	2012
	₦'000	₦'000
Trade payables (Note 23(a))	912,747	-
Due to related parties (Note 23(b))	1,858,892	648,882
Accruals	1,500	1,500
Withholding tax payable	91,422	59,571
Other payables (Note 23(c))	933,154	-
	3,797,715	709,953

(a) The Company took over an amount of ₦432,225,290 of trade payables from Shiroro Hydro Electric Power Plant on 1 November 2013. The total amount outstanding as at year end was ₦375,779,724.

(b) Due to related parties comprise:

	2013	2012
	₦'000	₦'000
BP Investment Limited	699,433	633,882
CEC Lenux Investment Limited	785,200	-
Urban Shelter Limited	28,197	15,000
Niger State Development Company	346,062	-
	1,858,892	648,882

Notes to the financial statements

(c) Other payables represent the net balance of assets and liabilities taken over from Shiroro Hydro Electric Power Plant on 1 November 2013, which the Company has decided to keep or deal with as it wishes under the concession. The breakdown of the amount is as follows:

	2013	2012
	₦'000	₦'000
Inventory	1,012,133	-
Cash and cash equivalents	353,247	-
	1,365,380	
Trade payables	(432,226)	-
	933,154	-

24 Related party transactions

The Company entered into the following transactions with the under listed related parties during the year

(a) BP Investments Limited ("BPI")

BPI owns 15.6% of the Company's shares. During the year, the Company received additional funding from BP Investments for its operating activities amounting to N65,551,257. The loan is interest free and is repayable on demand. The total amount due to BPI as at year end was ₦699,433,257 (2012: N633,882,000).

(b) Urban Shelter Company Limited ("Urban Shelter")

Urban Shelter owns 18.6% of the Company's shares. In addition, the Company received a loan amounting to ₦13,197,000 from Urban Shelter for its operating activities. The loan is interest free and the principal repayable on demand. The total amount due to Urban Shelter as at year end was ₦28,197,000 (2012: N15,000,000).

(c) Niger State Development Company Limited ("NSDCL")

NSDCL owns 26% of the Company's shares. During the year, NSDCL paid cash for the shares acquired in the Company. The Company received funding from NSDCL for its operating activities. No interest is charged on the amount and the principal is repayable on demand. The total amount due to NSDCL as at year end was ₦746,062,430 (2012:Nil).

(d) CEC Lenux Investments Limited ("CEC Lenux")

CEC Lenux owns 20% of the Company's shares. During the year, the Company received funding from CEC for its operating activities. No interest is charged on the loan and the principal is repayable on demand. The total amount due to CEC as at year end was ₦385,200,000 (2012:Nil).

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company. The Company did not have transactions with key management personnel during the year.

Compensation to key management personnel

No compensation was provided to key management personnel during the year.

Notes to the financial statements

25 Contingencies

(a) ***Financial commitments***

The Directors are of the opinion that all significant 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.

(b) ***Claims and litigation***

There were no claims and litigations as at year end. (2012: Nil)

(c) ***Guarantees and other financial commitments***

The Company's loans are secured on personal properties of the shareholders. As a result, the Company had no guarantees and other financial commitments as at year end. (2012: Nil)

26 Events after the end of the reporting date

On 15 October 2014, the Nigerian Investment Promotion Commission granted a pioneer status to the Company in respect of their activity in electric power generation at Shiroro, Niger State. The pioneer status which is for three (3) years with effect from the date of commencement of operations (to be determined by the Industrial Inspectorate Department, Federal Ministry of Industry, Trade and Investment), exempts the Company from corporate taxes arising from regular operations (electric power generation activities) within this period.

27 Financial instruments

Financial risk management overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note represents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are currently being developed to identify and analyse risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, will develop a disciplined and constructive control environment in which all it's employees understand their roles and obligations.

The Company's Board of Directors will oversee and monitor compliance with the Company's risk management policies and procedures, and will review the adequacy of the risk management framework in relation to the risks faced by the Company

Notes to the financial statements

(a) **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other related parties.

The carrying amount of financial assets represents the maximum credit exposure.

	Note	2013 N'000	2012 N'000
Trade and other receivables	*16*	1,976,833	700
Cash and cash equivalents	*17*	1,108,112	5,526
		5,084,945	6,226

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each distribution company and the ability of the Operator of the Nigeria Electricity Market("ONEM" or "Market Operator") to regulate and enforce payments by both local and international distribution companies.

According to Section 20 of "Rules for the interim period between completion of privatisation and the start of the transitional electricity market (TEM) 2013", the Market Operator will only be liable to reimburse allowable revenue of up to 100% and 45% of the receivable from distributor's energy usage and capacity usage respectively (this is now revised in line with the existing interim rules).

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Impairment

At 31 December 2013, all receivables were outstanding for less than 90 days and no impairment losses have been recognized on the Company's financial assets as management is of the opinion that full recovery of the outstanding balance would be made.

Cash and cash equivalents

The Company held cash and cash equivalents of ₦1,108 billion as at year end (2012: ₦5.526 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents (with the exception of ₦0.1 million held as cash by the Company (2012: ₦0.1 million)) are held by banks and financial institutions in Nigeria.

Notes to the financial statements

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has a clear focus on ensuring sufficient access to capital to finance growth. As a part of the liquidating management process, the Company has various credit arrangement with its bankers which can be utilised to meet its liquidating requirements.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than concession fees) payable over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

		Contractual cash flows		
	Carrying amount ₦'000	Total ₦'000	1 year or less ₦'000	Above one year ₦'000
Non-derivative financial liabilities				
At 31 December 2013				
Loan and borrowings	11,289,847	17,826,324	1,951,768	15,874,556
Trade and other payables	2,864,561	2,864,561	2,864,561	-
Concession fee payable	20,598,034	91,577,640	-	91,577,640
	34,752,442	112,268,525	4,816,329	107,452,196
At 31 December 2012				
Trade and other payables	709,953	709,953	709,953	-
	709,953	709,953	709,953	-

(c) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

Notes to the financial statements

Currency risk

The Company is exposed to currency risk on purchases that are denominated in a currency other than its functional currency, the Naira. The currency in which these transactions primarily are denominated is the US Dollar ($). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The Company's transactional exposure to US dollar ($) was based on notional amounts as follows:

	2013	2012
	$	$
Financial asset		
Cash and cash equivalents	139,367	26,158
Financial liability		
Loans and borrowings	(24,406,750)	-
Trade and other payables	(1,989,415)	-
Concession fee payable	(23,606,484)	-
Net statement of financial position exposure	(49,863,282)	26,158

The following significant exchange rates were applied during the year

	Average rate		Year end spot rate	
	2013	**2012**	**2013**	**2012**
	₦	**₦**	**₦**	**₦**
US Dollar	155.64	155.41	155.2	155.27

Sensitivity analysis

A strengthening of the Dollar, as indicated below against the Naira at 31 December would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

Notes to the financial statements

	Increase/(decrease) in profit or loss
	₦'000
31 December 2013	
NGN (5 percent strengthening)	(387,114)
31 December 2012	
NGN (5 percent strengthening)	203

A weakening of the dollar against the naira at 31 December would have had the equal but opposite effect on the above naira to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk profile
In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings.

Exposure to interest rate risk
At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	2013	2012
	₦'000	₦'000
Fixed-rate instruments		
Financial liabilities	7,452,500	-

	Carrying amount	
	2013	2012
	₦'000	₦'000
Variable-rate instruments		
Financial liabilities	3,837,347	-

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	₦'000	₦'000	₦'000	₦'000
31 December 2013				
Variable rate instruments	278,058	201,311	-	-
Cash flow sensitivity	278,058	201,311	-	-

Notes to the financial statements

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(e) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. Management also monitors the level of dividends to all shareholders.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2013	2012
	₦'000	₦'000
Total liabilities	36,098,826	709,953
Less: Cash and cash equivalents	(1,108,244)	(5,526)
Net debt	34,990,582	704,427
Total equity	(8,981,433)	510,272
Total capital employed	26,009,149	1,214,699
Debt to adjusted capital ratio	74%	172%

There were no changes in the Company's approach to capital management during the year

Notes to the financial statements

(f) **Fair values**

Accounting classification and fair values

Fair value information for the financial assets and liabilities which are not measured at fair value is not included as the carrying amounts of these assets and liabilities is a reasonable approximation of fair value.

The Company's financial instruments are categorised as follows:

	Note	Financial assets	Financial liabilities	Total carrying amount	Fair values
		Loans and receivables	Other financial liabilities		
31 December 2013		₦'000	₦'000	₦'000	₦'000
Financial assets					
Trade & other receivables	16	3,976,833	-	3,976,833	3,976,833
Cash and cash equivalents	17	1,108,244	-	1,108,244	1,108,244
		5,085,077	-	5,085,077	5,085,077
Financial liabilities					
Loans and borrowings	21	-	11,289,847	11,289,847	11,289,847
Trade and other payables	23	-	2,864,561	2,864,561	2,864,561
Concession fee payable	22	-	20,598,034	20,598,034	20,598,034
		-	34,752,442	34,752,442	34,752,442

	Note	Loans and receivables	Other financial liabilities	Total	Fair values
31 December 2012		₦'000	₦'000	₦'000	₦'000
Financial assets not measured at fair value					
Trade & other receivables	16	700	-	700	700
Cash and cash equivalents	17	5,526	-	5,526	5,526
		6,226	-	6,226	6,226
Financial liabilities not measured at fair value					
Loans and borrowings	21		-	-	-
Trade and other payables	23		709,953	709,953	709,953
		-	709,953	709,953	709,953

Trade and other receivables and trade and other payables are the Company's short term financial instruments. Accordingly, management believes that their fair values are not materially different from their carrying values.

Notes to the financial statements

28 Explanation of the transition to IFRS

As stated in Note 2(a), these are the Company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2013, the comparative information presented in these financial statements for the period ended 31 December 2012

In preparing its IFRS Comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous NGAAP. An explanation of how the transition from previous NGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The Company was incorporated on 15 March 2012. Therefore, there were no balances on the opening IFRS statement of financial position at 15 March 2012.

Reconciliation of statement of financial position

	Notes	NGAAP	Effect of transition to	IFRSs
ASSETS		At 31 December 2012		
		₦'000	₦'000	₦'000
Non-current assets				
Deferred tax assets		193,455	-	193,455
Current assets				
Unpaid share capital	a	700	(700)	-
Trade and other receivables	a	-	700	700
Cash and cash equivalents		5,526	-	5,526
Total current assets		6,226	-	6,226
Total assets		199,681	-	199,681
EQUITY				
Share capital		700	-	700
Retained earnings		(510,972)	-	(510,972)
Total equity		(510,272)	-	(510,272)
LIABILITIES				
Current liabilities				
Tax payable		-	-	-
Trade and other payables		709,953	-	709,953
Total current liabilities		709,953	-	709,953
Total liabilities		709,953	-	709,953
Total equity and liabilities		199,681	-	199,681

Notes to the financial statements

Reconciliation of comprehensive income for the year ended 31 December 2012

	Notes	NGAAP	Effect of transition to IFRSs	IFRSs
		₦'000	₦'000	₦'000
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Other income		-	-	-
General and administrative expenses	*b*	(704,427)	14,222	(690,205)
Results from operating activities		(704,427)	14,222	(690,205)
Finance costs		-	(14,222)	(14,222)
Profit before income tax		**(704,427)**	**-**	**(704,427)**
Tax expense		193,455	-	193,455
Profit for the year		**(510,972)**	**-**	**(510,972)**
Other comprehensive income for the period		-	-	-
Total comprehensive income for the year		**(510,972)**	**-**	**(510,972)**
Earnings per share				
Basic earnings per share (₦)		(729.96)	-	(729.96)

Notes to the financial statements

Notes to the reconciliation of equity and profit

(a) Unpaid share capital

Under the Nigerian GAAP, unpaid share capital was classified as a separate item. On transition to IFRS, unpaid share capital have been reclassified to trade and other receivables. This reclassification had no effect on current assets or retained earnings.

The impact of this reclassification is summarised as follows:

Statement of financial position	31 December 2012
	₦'000
Increase in trade and other receivable	700
Reduction in unpaid share capital	(700)
Net adjustment to retained earnings	-

(b) Administrative expenses and finance cost

The Company had previously classified bank charges as general administrative expenses. In accordance with options available under IFRS and the Company's accounting policy, bank charges were reclassified from general administrative expenses to finance costs with no net effect on profit or loss.

The impact of this reclassification is summarized as follows:

Statement of comprehensive income

	2012
	N'000
Increase in finance cost	14,222
Decrease in administrative expenses	(14,222)
Adjustment before income tax	-

(c) Material adjustments to the statement of cash flows

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under NGAAP.

Other financial information

Value Added Statement

For the year ended 31 December 2013

	Year ended 31 December 2013 ₦'000	%	10 months ended 31 December 2012 ₦'000	%
Revenue	3,964,919		-	-
Bought in materials and services:				
- Local	(981,175)		(704,427)	
- Foreign	(7,000)		-	-
	2,976,744		(704,427)	
Value added/ (eroded)	**2,976,744**	100	**(704,427)**	100

Distribution of Value Added	**₦'000**	**%**	**₦'000**	**%**
To providers of capital:				
Interest expenses	770,652	26	-	-
To Government as:				
Income tax	606,685	20	(193,455)	27
Retained in the Business:				
Depreciation	12	-	-	-
Amortisation	218,141	7	-	-
To augment/(deplete) reserves	1,381,254	47	(510,972)	73
Value added/ (eroded)	**2,976,744**	**100**	**(704,427)**	**100**

Financial Summary

The directors are of the view that the financial period ended 31 December 2012 is the first and relevant period for which sufficient and appropriate accounting records could be obtained and this is adequately presented in these financial statements. Thus, there is no need to present separately, a two year financial statement.