North South Power Company Limited

Financial Statements -- 31 December 2014

Together with Directors' and Auditor's Reports

Contents

Corporate Information

Registration Number: RC. 1018318

Directors:	Mallam Ibrahim Aliyu (Chairman) Engr. Olubunmi Peters Engr. Ndanusa Sani Muhammed George Nwangwu Ibrahim Boyi Ibrahim Dikko Mutale Mukuka Irene Chigbue
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 I, Rima Street Maitama, Abuja Nigeria
Independent 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

	2014	2013	Change
	₦'000	₦'000	(%)
Revenue	10,335,538	3,964,919	161
(Loss)/profit before taxation	(1,329,704)	1,987,939	(167)
(Loss)/profit after taxation	(931,021)	1,381,254	(167)
Retained earnings	(60,739)	870,282	(107)
Total assets	48,191,795	45,080,259	7
Share capital	500,000	500,000	-
Share premium	7,611,151	7,611,151	-
Total equity	8,050,412	8,981,433	(10)
Basic (loss)/earnings per share	(1.86)	7.14	(126)

Directors' Report

For the year ended 31 December 2014

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 2014.

Legal form

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

Principal activities

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) which were in force during 2014.

The Company, in accordance with the NERC rules, continues to generate and provide electricity to various electricity distribution companies (EDCs) 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 Hydroelectric 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 regulator – Nigerian Electricity Regulation Commission (NERC) reviewed the electricity tariffs for power generation companies in Nigeria; this revision was applied retrospectively from May 2013 to June 2014. The impact of this included a cumulative reduction of ₦1.4 billion in the revenue generated for 2013. This was prospectively recognised in the current year profit or loss.

The cumulative generated and shared electricity capacity to the EDCs was 2,066 mega watts (MW) (2013: 641.35 mega watts (MW)) and the total energy consumed by the EDCs was 1,909,646,288 kilo-watt-hours (kWh) (2013: 391,913,387 kilo-watt-hours (kWh)). The Company also earned additional revenue of ₦ 270.1 million from other ancilliary services provided during the year. Total revenue for the year was ₦10.34 billion (2013: ₦3.96 billion). The loss before tax was ₦1.33 billion (2013: profit before tax of ₦1.99 billion).

This significant change in the results for the year is largely due to the ₦1.4 billion reduction in revenue and a significant increase in finance costs.

Operating results and dividends

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

	2014	2013
	₦'000	₦'000
Revenue	10,335,538	3,964,919
(Loss)/profit before taxation	(1,329,704)	1,987,939
Taxation	398,683	(606,685)
(Loss)/profit after taxation	(931,021)	1,381,254

No dividend has been recommended by the directors (2013: Nil).

Directors and their interests

The directors who served during the year were as follows:

Name	Nationality	Appointed/ (Resigned)
Mallam Ibrahim Aliyu (Chairman)		
Engr. Olubunmi Peters *		
Engr. Ndanusa Sani Muhammed		
George Nwangwu **		
Ibrahim Boyi		
Ibrahim Dikko		
Mutale Mukuka	Zambian	
Irene Chigbue		30-May-14

* 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	
	2014	2013
Engr. Olubunmi Peters *(through BP Investment)*	63,960,000	63,960,000
Mallam Ibrahim Aliyu *(through Urban Shelter)*	14,880,000	14,880,000
Engr. Ndanusa Sani Muhammed *(through Puma Engineering)*	3,600,000	3,600,000
George Nwangwu *(through Pan-African Global Infrastructure*	6,300,000	6,300,000

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 2014		31 December 2013	
	No of shares	%	No of shares	%
Niger State Development Company Limited	130,000,000	26.0	130,000,000	26.0
CEC Lenux Investments Lim	100,000,000	20.0	100,000,000	20.0
Urban Shelter Limited	93,000,000	18.6	93,000,000	18.6
BP Investment Limited	78,000,000	15.6	78,000,000	15.6
Transatlantic Investment and Development Company LLC	21,000,000	4.2	21,000,000	4.2
Pan - African Global Infrastructure Company Limited	21,000,000	4.2	21,000,000	4.2
Roads Nigeria Limited	15,000,000	3.0	15,000,000	3.0
XS Energy Limited	15,000,000	3.0	15,000,000	3.0
Opec Investment Inc	15,000,000	3.0	15,000,000	3.0
Puma Engineering Limited	6,000,000	1.2	6,000,000	1.2
Olocorp Nigeria Limited	6,000,000	1.2	6,000,000	1.2
Bem Atetan	-	-	-	-
	500,000,000	100	500,000,000	100

Property, plant and equipment

Information relating to property, plant and equipment is disclosed in Note 12 to the financial statements.

Donations and charitable gifts

During the year, the Company made various donations amounting to ₦2.8 million (2013: Nil) as follows:

	₦'000
Host Communities at Sallah	2,720
Kpamkpam Youth Development Union	50
Orphans of Model Primary School	39
	2,809

In accordance with Section 38(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review (2013: Nil).

Post balance sheet events

On 26 January 2015, the Company based on legal advice, approved the buying back of 80,000,000 units of its shares representing 16% of the total shareholding from Niger State Development Company Limited. This is in order to satisfy the legal requirement by the Bureau of Public Enterprises which requires that a State Government should not have more than 10% equity.

Employment and Employees

(a) Employment of physically challenged persons

The Company has no physically challenged employees. However, applications for employment by physically challenged persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. The training, career development and promotion of physically challenged persons should, as far as possible, be identical to those of other employees.

(b) Employee health, safety and welfare

The Company places a high premium on the health, safety and welfare of its employees in their place of work. The Company's policy includes having various forms of insurance policies to secure and protect its employees. In addition, it operates on-site medical facilities and services for immediate attention to employees as may be necessary in the course of operations.

(c) Employee consultation and training

The Company places considerable value on the involvement of its employees in major policy matters and maintains a practice of keeping them informed on matters affecting them as employees, and on the various factors affecting the performance of the Company through formal and informal meetings. Employees receive on-the-job training, complimented where necessary with additional facilities from educational institutions.

Other technical and financial information

In accordance with provisions 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 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 within the first six months of its operations. Effective 1 May 2014, the Company determined that it required only 322 employees for operational reasons. Consequently, it re-engaged the selected employees for an initial 12 month probation period.

(c) The Company did not sell power to the Nigerian Electricity Bulk Trading Company (NBET) as envisaged because the Power Purchase Agreement (PPA) preconditions for all privatized entities were not satisfied. Instead the Company 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, ₦10.48 billion (2013: ₦3.96 billion) was earned during the year. On the other hand, the operations and maintenance programs were fully compliant with acceptable standards and no major breakdown was reported.

(d) The Company overhauled two units (Unit 411G1 and Unit 411G3) during the year. Each of the 4 generating units currently have a generating capacity of 150 MW.

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

(f) There were no emergencies experienced.

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

Independent Auditors

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
5th August 2015

Statement of Directors' Responsibilities in relation to the financial statements for the year ended 31 December 2014

The directors accept responsibility for the preparation of the annual financial statements set out on pages 11 to 45 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
Engr. Olubunmi Peters	Engr. Ndanusa Sani Muhammed
FRC/2014/COREN/00000007421	FRC/2014/NSE/00000010507
05 - 08 - 2015	05 - 08 - 2015
Date	Date

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 Limited ("the Company")**, which comprise the statement of financial position as at 31 December 2014, 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 15 to 44.

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 2014 and of the Company's financial performance and cash flows for the year then ended 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.

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

Signed: fehutoyeb
Oluwafemi O. Awotoye, ACA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
05 August 2015
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
0895398

Statement of Financial Position

As at 31 December

	Notes	2014	2013
		₦'000	₦'000
ASSETS			
Property, plant and equipment	*12.*	98,041	103
Intangible assets	*13.*	37,837,194	39,047,207
Trade and other receivables	*15*	9,990	-
Non-current assets		37,945,225	39,047,310
Inventories	*14.*	850,604	947,872
Trade and other receivables	*15.*	7,963,042	3,976,833
Prepayments	*16.*	190,405	-
Cash and cash equivalents	*17.*	1,242,519	1,108,244
Current assets		10,246,570	6,032,949
Total assets		**48,191,795**	**45,080,259**
EQUITY			
Share capital	*18.*	500,000	500,000
Share premium	*19.*	7,611,151	7,611,151
Retained earnings		(60,739)	870,282
Total equity		8,050,412	8,981,433
LIABILITIES			
Deferred tax liabilities	*20*	14,547	413,230
Loans and borrowings	*21.*	10,497,900	9,606,701
Concession fees payable	*22.*	24,485,990	20,598,034
Non-current liabilities		34,998,437	30,617,965
Loans and borrowings	*21.*	1,561,176	1,683,146
Trade and other payables	*23.*	3,581,770	3,797,715
Current liabilities		5,142,946	5,480,861
Total liabilities		40,141,383	36,098,826
Total equity and liabilities		**48,191,795**	**45,080,259**

Approved by the Board of Directors on the 2015 and signed on its behalf by:

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

....) Engr. Ndanusa Sani Muhammed (Director)
FRC/2014/NSE/00000010507

Additionally certified by:

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

The notes on pages 15 to 45 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

	Notes	2014	2013
		₦'000	₦'000
Revenue	6.	10,335,538	3,964,919
Direct costs	7	(2,986,717)	(582,395)
Gross profit		7,348,821	3,382,524
General and administrative expenses	7	(1,890,090)	(297,864)
Results from operating activities		5,458,731	3,084,660
Net finance costs	8	(6,788,435)	(1,096,721)
(Loss)/profit before taxation	9	**(1,329,704)**	**1,987,939**
Taxation	10 (a)	398,683	(606,685)
(Loss)/profit for the year		**(931,021)**	**1,381,254**
Other comprehensive income		-	-
Total comprehensive income for the year		**(931,021)**	**1,381,254**
(Loss)/earnings per share			
Basic (loss)/earnings per share (₦)	11(a)	(1.86)	7.14

The notes on pages 15 to 45 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital	Share premium	Retained earnings	Total equity
	₦'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	-	-	1,381,254	1,381,254
Transactions with owners of the Company				
Issue of ordinary shares	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

For the year ended 31 December 2014

	Share capital	Share premium	Retained earnings	Total
	₦'000	₦'000	₦'000	₦'000
At 1 January 2014	500,000	7,611,151	870,282	8,981,433
Comprehensive income for the year				
Loss for the year	-	-	(931,021)	(931,021)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(931,021)	(931,021)
Transactions with owners of the Company	-	-	-	-
At 31 December 2014	500,000	7,611,151	(60,739)	8,050,412

The notes on pages 15 to 45 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014	2013
		₦'000	₦'000
Operating activities			
(Loss)/profit for the year		(931,021)	1,381,254
Adjustments for:			
- depreciation	*12.*	16,598	12
- amortization	*13.*	1,308,845	218,141
- finance costs-net	*8.*	6,722,638	1,090,993
- Inventory write off	*14*	22,925	-
- taxation	*10(a)*	(398,683)	606,685
		6,741,302	3,297,085
Changes in:			
- inventories		74,343	(947,872)
- trade and other receivables		(4,144,688)	(3,976,833)
- prepayments		(190,405)	-
- trade and other payables		(400,261)	3,087,762
Net cash from operating activities		2,080,291	1,460,142
Investing activities			
Acquisition of property, plant and equipment	*12.*	(114,536)	(115)
Acquisition of intangible assets	*13.*	(98,832)	(18,987,655)
Interest received	*8*	6,627	-
Net cash used in investing activities		(206,741)	(18,987,770)
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*	(1,739,275)	(3,835,978)
Net cash (used in) /from financing activities		(1,739,275)	18,630,346
Net increase in cash and cash equivalents		134,275	1,102,718
Cash and cash equivalents at the beginning of the year		1,108,244	5,526
Cash and cash equivalents at the end of the year	*17.*	1,242,519	1,108,244

The notes on pages 15 to 45 are an integral part of these financial statements.

Notes to the Financial Statements **Page**

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).

(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 judgments, 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 carry forward tax losses can be used.

Note 24 – Provisions: key assumptions about the likelihood and magnitude of an outflow of resources.

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

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 dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange prevailing at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation 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 are recognized initially on the trade date.

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 or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised 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 are recognized initially on the trade date.

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

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.

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

(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 capitalised as part of the equipment.

If significant 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 or losses on disposal of an item of property, plant and equipment is recognised 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.

Notes to the Financial Statements

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 method 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.

Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case, the assets are depreciated over the useful life.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

Type of asset	Useful life
Office furniture	5 years
Office equipment	5 years
Motor vehicles	5 years

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

Capital work in progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

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

(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. Upon 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.

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.

Notes to the Financial Statements

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.

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 receivables at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if 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 and the decrease can be related objectively to an event occuring after the impairment was recognised, then the decrease in impairment loss is reversed through profit or loss.

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

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 oblig ation; 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.

(g) Revenue

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 currently generates its revenue from two major streams: 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). Other revenue represents fixed and variable component of black-start billings earned by the Company during periods of turbulent storm and back flush of electricity.

(h) Finance income and finance costs

Finance income comprises interest income on 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.

i. Current tax

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).

Notes to the Financial Statements

ii. Deferred tax

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.

Deferred tax is recognised in profit or loss account except to the extent that it relates to a transaction that ,s 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 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 realised 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 arrangement

The Company recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use 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.

An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided.

Notes to the Financial Statements

Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses.

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 the obligation falls due.

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) 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.

(o) Employee benefits

i *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity as the related service is provided. 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.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. The Company and employee contributes 10% and 8% respectively of each employee's basic salary, transport and housing allowances which is charged to profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employee contributions are voluntary and are funded through payroll deductions.

ii *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonuses if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Notes to the Financial Statements

(p) 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.

(q) Accounting standards and interpretations issued but not yet effective

A number of new standards, 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. Those which may be relevant to the Company are set out below. The Company does not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated:

IFRS 9 financial instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cashflows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirement to address the impairement of financial assets and hedge accounting.

The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed to 1 January 2018. The Company will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a ccomprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company will assess the impact once the standard has been finalised and becomes effective.

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.

Notes to the Financial Statements

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

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 upgrade and 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 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 2014, the Company earned revenue of ₦10.34 billion (2013: ₦3.96 billion) (See Note 6), consisting of ₦6.92 billion (2013: ₦3.41 billion) on capacity generation, ₦3.15 billion (2013: ₦0.55 billion) on distributed energy from the Shiroro Plant and ₦0.27 billion (2013: Nil) on black-start billings. The Company's loss before tax was ₦1.33 billion (2013: Profit before tax was ₦1.99 billion).

Notes to the Financial Statements

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) representing the present value of the guaranteed annual minimum payments to the BPE, discounted at a rate of 10 percent. Balance as at year end is ₦24.5 billion (2013: ₦20.6 billion) (See Note 22).

The Company has recognised an intangible asset of ₦39.36 billion (2013: ₦39.27 billion) (See Note 13); ₦1.53 billion has been amortised to date (2013: ₦218 million). 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 generation of electricity.

Keep or deal items (other payables)
Items provided by the grantor are keep or deal items in which the Company may retain or sell at its discretion. These are measured at fair value on initial recognition with a corresponding liability representing the obligation to provide services in the future. This obligation is unwound to the profit or loss on a straight line basis over the period of service.

6. Revenue

	2014	2013
	₦'000	₦'000
Capacity generation	6,918,620	3,410,058
Distributed energy	3,145,718	554,861
Other revenue (Note 6(a))	271,200	-
	10,335,538	3,964,919

(a) Amount represents fixed and variable component of black-start billings earned by the Company. The fixed element represents revenue earned on capacity generated to supply energy during periods of turbulent storm and back flush of electricity. The variable element represents revenue earned on actual supply of energy to other generating companies through the Market Operator.

7. Expenses

	2014	2013
	₦'000	₦'000
Royalties (Note 7(a))	503,216	198,246
Staff costs (Note 9(b)(i))	813,667	122,411
Amortisation (Note 13)	1,308,845	218,141
Maintenance costs	360,989	43,597
Direct costs	2,986,717	582,395
Depreciation (Note 12)	16,598	12
Staff costs (Note 9(b)(i))	880,846	120,065
Maintenance costs	84,357	62,648
Professional fees	203,427	43,185
Travel expenses	48,378	10,261
Directors' remuneration	259,755	-
Rental and insurance charges	245,158	-
Other expenses	151,571	61,693
General and administrative expenses	1,890,090	297,864
Total direct costs, general and administrative expenses	4,876,807	880,259

Notes to the Financial Statements

(a) Amount represent royalty payable to Bureau of Public Enterprises (BPE) calculated as 5% of pre-tax gross sales revenue per the concession agreement. Pre-tax gross sales is exclusive of income from ancillary services.

8. Finance income and finance costs

	2014	2013
	₦'000	₦'000
Finance income		
Interest income	6,627	-

	2014	2013
	₦'000	₦'000
Finance costs		
Bank charges and fees	65,797	5,728
Interest on bank loan (Note 21)	1,850,168	770,652
Unwind of discount of concession fees payable (Note 22)	2,106,713	320,341
Discount on receivables	148,489	-
Foreign exchange loss, net	2,623,895	-
	6,795,062	1,096,721
Net finance costs	6,788,435	1,096,721

9. (Loss)/profit before taxation

(a) (Loss)/profit before taxation is stated after charging:

	2014	2013
	₦'000	₦'000
Depreciation (Note 12)	16,598	12
Amortization (Note 13)	1,308,845	218,141
Directors' remuneration (Note 9(b) (iii))	259,755	-
Auditor's remuneration	6,667	3,000
Staff costs (Note 9(b) (i))	1,694,513	242,476
Royalties	503,216	198,246
Foreign exchange loss, net	2,623,895	-

(b) Staff costs and director's remuneration:

(i) Staff costs during the year amounted to:

	2014	2013
	₦'000	₦'000
Salaries and wages	1,615,870	-
Pension cost	61,678	-
Other personnel costs	16,965	242,476
	1,694,513	242,476

(ii) The average number of full time persons employed by the Company during the year was as follows:

	2014	2013
	Number	Number
Operations	177	-
Administration	145	-
	322	-

Notes to the Financial Statements

(iii) Directors' remuneration paid during the year were as follows:

	2014	2013
	₦'000	₦'000
Directors fees	227,548	-
Other emoluments	32,207	-
	259,755	-

(iv) Higher paid employees of the Company, other than directors, whose duties were wholly and mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

	2014	2013
	Number	Number
Below ₦3,000,000	187	-
₦3,000,001 - ₦4,000,000	50	-
₦4,000,001 - ₦5,000,000	14	-
₦5,000,001 - ₦6,000,000	11	-
Above ₦6,000,001	60	-
	322	-

10. Taxation

(a) The income tax for the year comprises:

	2014	2013
	₦'000	₦'000
Current tax	-	-
Tertiary education tax	-	-
Charge for the year	-	-
Deferred tax (credit)/ charge (Note 20)	(398,683)	606,685
	(398,683)	606,685

On 2 December 2014, the Company was granted a pioneer status in respect of their activity in electric power generation at Shiroro, Niger State for a period of three (3) years commencing 1 November 2013. Consequently, the Company has no company income tax charge for the year (2013: Nil).

(b) **Reconciliation of effective tax rates**

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

		2014		2013
	%	₦'000	%	₦'000
(Loss)/profit before income tax		(1,329,704)		1,987,939
Income tax using the statutory tax rate	30	(398,911)	30	596,382
Effect of:				
Non-deductible expenses	-	228	1	10,306
Tax incentives and exempted income	-	-	-	(3)
	30	(398,683)	31	606,685

Notes to the Financial Statements

11. (Loss)/earnings per share

(a) **Basic (loss)/earnings per share**

Basic (loss)/earnings per share for the Company is based on loss after taxation of ₦931,021,000 (2013: profit after taxation of ₦1,381,254,000) and on 500,000,000 being weighted average number of ordinary shares in issue during the year (2013: 193,580,000).

	2014	2013
	₦'000	₦'000
(Loss)/profit for the year attributable to shareholders	(931,021)	1,381,254
Weighted average number of ordinary shares is calculated as:		
Issued shares at beginning of year	500,000	700
Effect of shares issued during the year	-	192,880
Weighted average number of ordinary shares at 31 December	500,000	193,580
Basic (loss)/earnings per share	(1.86)	7.14

12. Property, plant and equipment

(a) The movement on these accounts during the year was as follows:

	Motor vehicles	Office equipment	Furniture and fittings	Capital work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
COST:					
Balance at 1 January 2014	-	115	-	-	115
Additions	40,150	4,781	54,501	15,104	114,536
Balance as at 31 December 2014	40,150	4,896	54,501	15,104	114,651
DEPRECIATION:					
Balance at 1 January 2014	-	12	-	-	12
Charge for the year	7,923	584	8,091	-	16,598
Balance as at 31 December 2014	7,923	596	8,091	-	16,610
CARRYING AMOUNTS:					
At 1 January 2014	-	103	-	-	103
At 31 December 2014	32,227	4,300	46,410	15,104	98,041

(b) The Company had capital commitments amounting to ₦1.9 billion as at year end (2013:Nil).

(c) In the opinion of the directors, the Company's Property, plant and equipment are not impaired (2013:

(d) Capital work in progress represents costs incurred on the solar energy project under development as at the year end (2013: Nil).

Notes to the Financial Statements

13. Intangible assets

	Concession cost ₦'000	Capital work in progress ₦'000	Total ₦'000
COST:			
Balance at 1 January 2014	39,265,348	-	39,265,348
Additions	-	98,832	98,832
Balance as at 31 December 2014	39,265,348	98,832	39,364,180
AMORTISATION:			
Balance at 1 January 2014	218,141	-	218,141
Charge for the year	1,308,845	-	1,308,845
Balance as at 31 December 2014	1,526,986	-	1,526,986
CARRYING AMOUNTS:			
At 1 January 2014	39,047,207	-	39,047,207
At 31 December 2014	37,738,362	98,832	37,837,194

(a) The amortisation of intangible assets is included in "direct costs" in the profit or loss.

(b) Included in the intangible asset figure of ₦39.2 billion of 2013 is the sum of ₦18.988 billion incurred as cash expenditure and the balance being the PV of annual fees payable to BPE starting in year 6.

(c) Capital work in progress represents costs incurred on the Company's IT project (planned implementation of the Business system) and other capital projects under development as at the year end (2013: Nil).

14. Inventories

	2014 ₦'000	2013 ₦'000
Spares	825,244	898,924
Consumables	25,360	48,948
	850,604	947,872

Included in inventories are spares and consumables taken over from Shiroro Hydro Electric Power Plant. The value of inventories consumed and included in direct costs was ₦270,642,057 (2013: ₦45,343,502).

Included in the profit or loss is a write-off of ₦22,925,622 from the carrying amount of inventory in order to reflect the net realisable value (NRV) of consumables as at year end (2013: Nil). The write off is also recognised under direct costs in the profit or loss.

Notes to the Financial Statements

15. Trade and other receivables

Trade and other receivables comprise:

	2014	2013
	₦'000	₦'000
Trade receivables	7,948,475	3,964,919
Other receivables	24,557	11,914
	7,973,032	3,976,833
Less: Non-current	(9,990)	-
	7,963,042	3,976,833

Included in other receivables is an amount of ₦9.99 million, which represents the value of alteration costs recoverable at the end of the concession in accordance with the concession agreement. This amount is stated at the present value of expected cashflow discounted at 10% over the 29 year period.

16. Prepayment

Prepayments comprise:	2014	2013
	₦'000	₦'000
Insurance	142,368	-
Rentals	48,037	-
	190,405	-

Included in prepaid insurance is ₦2.12 million which represents un-amortised premium paid to cover the assets of shareholders, as these were used as collateral for bank loans (Note 25(c)).

17. Cash and cash equivalents

	2014	2013
	₦'000	₦'000
Bank balances	1,241,240	1,108,112
Cash in hand	1,279	132
Cash and cash equivalents in the statements of cash flows	1,242,519	1,108,244

18. Share capital

Share capital comprise:

	2014	2013
	₦'000	₦'000
Authorised share capital:		
Ordinary shares of ₦1 each	500,000	500,000
Issued, called-up and fully paid:		
Ordinary shares of ₦1 each	500,000	500,000

All ordinary shares rank equally with regard to the Company's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Notes to the Financial Statements

19. Share premium

The premium on the allotment of shares are as follows:

	2014	2013
	₦'000	₦'000
Niger State Development Company	3,518,000	3,518,000
CEC Lenux Investments Limited	3,500,000	3,500,000
Urban Shelter Limited	204,307	204,307
BP Investment Limited	171,355	171,355
Transatlantic Investment and Development Company	46,134	46,134
Pan-African Global Infrastructure Company Limited	46,134	46,134
Roads Nigeria Limited	32,953	32,953
XS Energy Limited	32,953	32,953
Opec Investment Inc	32,953	32,953
Puma Engineering Limited	13,181	13,181
Olocorp Nigeria Limited	13,181	13,181
	7,611,151	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	
	2014	2013	2014	2013	2014	2013
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	5,130	7	-	-	5,130	7
Unrelieved losses	445,152	1,383,791	-	-	445,152	1,383,791
Intangible assets	-	-	8,568,622	8,043,275	(8,568,622)	(8,043,275)
Receivables	44,546	-	-	-	44,546	-
Foreign exchange difference	787,169	-	-	-	787,169	-
Interest expenses	460,654	66,837	-	-	460,654	66,837
Concession fees payable	6,811,424	6,179,410	-	-	6,811,424	6,179,410
	8,554,075	7,630,045	8,568,622	8,043,275	(14,547)	(413,230)

Movement in temporary differences is as follows:

	Opening Balance 2013	Recognised in profit and loss 2013	Balance 2013	Recognised in profit and loss 2014	Balance 2014
	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	-	7	7	5,123	5,130
Unrelieved losses	193,455	1,190,336	1,383,791	(938,639)	445,152
Intangible assets	-	(8,043,275)	(8,043,275)	(525,347)	(8,568,622)
Receivables	-	-	-	44,546	44,546
Foreign exchange difference	-	-	-	787,169	787,169
Interest expenses	-	66,837	66,837	393,817	460,654
Concession fees payable	-	6,179,410	6,179,410	632,014	6,811,424
	193,455	(606,685)	(413,230)	398,683	(14,547)

Notes to the Financial Statements

21. Loans and borrowings

Loans and borrowings comprise:

	2014	2013
	₦'000	₦'000
Secured bank loan 1	7,730,664	7,452,500
Secured bank loan 2	4,328,412	3,837,347
	12,059,076	11,289,847
Non-current portion	(10,497,900)	(9,606,701)
Current portion	1,561,176	1,683,146

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

	2014	2013
	₦'000	₦'000
Opening balance	11,289,847	-
Principal	-	14,681,037
Transaction costs on loans and borrowings	-	(325,864)
Exchange difference	658,336	-
Interest for the year (Note 8)	1,850,168	770,652
	13,798,351	15,125,825
Repayments: Principal	(426,550)	(3,680,000)
Repayments: Interest	(1,312,725)	(155,978)
Balance as at 31 December	12,059,076	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

In 2013, 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. Effective 1st December 2014, interest rate was revised from 18% to 19% due to money market fluctuations as agreed by the parties. Interest and principal are repayable on a quarterly basis after the moratorium period of 12 months on principal and 6 months on interest.

Secured bank loan 2

In 2013, the Company secured a term loan of ₦3.28 billion ($23.7 million) from a bank. The loan tenor is 5 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 the moratorium period by 6 months on the interest and to make principal and interest 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:

	2014 ₦'000	2013 ₦'000
Opening balance	20,598,034	-
Amount recognised during the year	-	20,277,693
Unwind of discount of annual fees	2,106,713	320,341
Exchange difference	1,781,243	-
Balance as at 31 December	24,485,990	20,598,034
Non-current portion	24,485,990	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 pre-tax rate of 10% as included in the Concession Agreement. The initial present value of the concession amount recognised in 2013 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:

	2014 ₦'000	2013 ₦'000
Trade payables (Note 23(a))	918,156	699,100
Due to related parties (Note 23(b))	1,513,995	2,069,539
Accruals	148,990	4,500
Withholding tax payable	103,764	91,422
Other payables (Note 23(c))	896,865	933,154
	3,581,770	3,797,715

(a) The Company took over an amount of ₦432 million of trade payables from Shiroro Hydro Electric Power Plant on 1 November 2013. The total amount outstanding as at year end is ₦215 million (2013: ₦ 37 million).

(b) Due to related parties comprise:

	2014 ₦'000	2013 ₦'000
BP Investment Limited	470,354	699,433
CEC Lenux Investment Limited	445,387	385,200
Urban Shelter Limited	-	28,197
Niger State Development Company	503,851	746,062
Ratio Legal Practitioners	94,403	210,647
	1,513,995	2,069,539

Notes to the Financial Statements

(c) Other payables represent the net credit 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:

	2014	2013
	₦'000	₦'000
Inventory	1,012,133	1,012,133
Cash and cash equivalents	353,247	353,247
	1,365,380	1,365,380
Trade payables	(432,226)	(432,226)
	933,154	933,154

The movement on this account was as follows:

	2014	2013
	₦'000	₦'000
Opening balance	933,154	-
Addition during the year	-	933,154
Amortisation during the year	(36,289)	-
Balance as at 31 December	896,865	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")*

BP Investments Limited owns 15.6% of the Company's shares. During the year, the Company made total payments amounting to ₦303 million ($1.829 million) as part settlement for the interest free, repayable on demand loan received from BPI in 2013. Although no additional funds were received during the year, the impact of exchange difference on the loan balance amounted to ₦74 million. Hence, after adjusting the impact of exchange loss on the loan balance, the total amount due to BPI as at year end was ₦470 million (2013: ₦699 million).

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

Urban Shelter Limited owns 18.6% of the Company's shares. The Company made payments amounting to ₦28 million in full settlement of the interest free loan it received from USL. There was no outstanding loan balance due to USL as at year end. (2013: ₦28 million).

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

Niger State Development Company Limited owns 26% of the Company's shares. During the year, the Company made payments amounting to ₦328 million ($1.94 million) as part settlement for the interest free, repayable on demand loan it received from NSDCL in 2013.

Although, no additional funds was received during the year, the impact of exchange difference on the loan balance amounted to ₦86.3 million. Hence, after adjusting the impact of exchange loss on the loan balance, the total amount due to NSDCL as at year end was ₦504 million (2013: ₦746 million).

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

CEC Lenux Investment Limited owns 20% of the Company's shares and provided financial support (loan) to the Company in 2013. No interest was charged on the loan which is repayable on demand. The total amount due to CEC as at year end was ₦445 million (2013: ₦385 million) after considering the impact of exchange difference on the foreign denominated loan of $2,407,500.

Notes to the Financial Statements

(e) *Ratio Legal Practitioners (RLP)*

Ratio Legal Practitioners is the Company's secretary and solicitors. A partner of RLP, George Nwangwu, is a representative of Pan-African Global Infrastructure Company on the Board of Directors and influences decisions. Pan-African Global Infrastructure Company owns 4.2% of the Company's shares. George Nwangwu owns 30% shares in Pan-African Global Infrastructure Company.

As part of the activities preceeding the concessioning of the Shiroro Hydro Electric Power Plant, the Company signed agreements with RLP who were engaged as consultant during the bidding process. As a consequence of this, it owed amounts in respect of advisory ($0.3 million) and success fees ($1.1 million). During the year it made payments amounting to ₦136 million ($0.8 million) as part-settlement of this outstanding liability. After adjusting the impact of exchange loss totalling ₦19.1 million, amount due to RLP as at year end amounted to ₦94 million (2013: ₦211 million).

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.

Key management personnel compensation

Key management personnel (other than directors) compensation comprised the following:

	2014	2013
	₦'000	₦'000
Short term employee benefits	256,494	-

The Company's loan facilities with Zenith Bank are secured on the Executive Director (ED)'s personal property. As a result of this, the insurance charges on these assets amounting to ₦7.1 million were paid for by the Company.

Loans to key management personnel

The Company did not grant any loans to or receive any loans from any key management personnel.

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. (2013: Nil)

(c) ***Guarantees and other contingencies***

The Company's loans are secured on personal properties of the shareholders. As a result, the Company had no guarantees at year end (2013: Nil).

By virtue of the concession agreement, Bureau of Public Enterprises (BPE) has a right to bill the Company for all costs incurred during the contracting phase of the concession.

The Company did not receive any bill in respect of the aforementioned (2013: Nil).

26. Events after the end of the reporting date

On 26 January 2015, the Company based on legal advice, approved the buying back of 80,000,000 units of its shares representing 16% of the total shareholding from Niger State Development Company Limited. This is in order to satisfy the legal requirement by the Bureau of Public Enterprises which requires that a State Government should not have more than 10% equity.

Notes to the Financial Statements

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.

(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	**2014**	**2013**
		₦'000	₦'000
Trade and other receivables	*15.*	7,973,032	3,976,833
Cash at bank	*17.*	1,241,240	1,108,112
		9,214,272	5,084,945

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) 2014", the Market Operator will only be liable to reimburse allowable revenue of up to 60% and 100% of the receivable from distributor's energy usage and capacity usage respectively.

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

Notes to the Financial Statements

Impairment

The Company had not recorded any impairment losses on its financial assets as the directors are of the opinion that full recovery of the outstanding balance would be made by virtue of the newly implemented Central Bank of Nigeria's (CBN) Intervention fund for the power sector in Nigeria.

Cash and cash equivalents

The Company held cash and cash equivalents of ₦1.243 billion as at year end (2013: ₦1.108 billion), which represents its maximum credit exposure on these assets. The cash and cash equivalents (with the exception of ₦1.28 million held as cash by the Company (2013: ₦ 0.1 million)) are held by banks and financial institutions in Nigeria.

(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 2014				
Loan and borrowings	12,059,076	18,208,342	3,314,138	14,894,204
Trade and other payables*	2,684,905	2,684,905	2,684,905	-
Concession fee payable	24,485,990	109,161,491	-	109,161,491
	39,229,971	130,054,738	5,999,043	124,055,695
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

* *Excludes other payables per Note 23(c).*

Notes to the Financial Statements

(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.

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:

	2014	2013
	$	$
Financial asset		
Cash and cash equivalents	678,881	139,367
Financial liability		
Loans and borrowings	(23,396,823)	(24,406,750)
Trade and other payables	(8,080,808)	(1,989,415)
Concession fee payable	(146,185,013)	(132,719,289)
Net statement of financial position exposure	(176,983,763)	(158,976,087)

The following significant exchange rates were applied during the year:

	Average rate		Year end spot rate	
	2014	2013	2014	2013
	₦	₦	₦	₦
US Dollar	165.81	155.64	185	155.2

Sensitivity analysis

A strengthening of the Naira, as indicated below against the Dollar 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 2013, albeit that the reasonably possible foreign exchange rate variances were different, as follows:

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:

	2014 $	2013 $
Financial asset		
Cash and cash equivalents	678,881	139,367
Financial liability		
Loans and borrowings	(23,396,823)	(24,406,750)
Trade and other payables	(8,080,808)	(1,989,415)
Concession fee payable	(146,185,013)	(132,719,289)
Net statement of financial position exposure	(176,983,763)	(158,976,087)

The following significant exchange rates were applied during the year:

	Average rate		Year end spot rate	
	2014 ₦	2013 ₦	2014 ₦	2013 ₦
US Dollar	165.81	155.64	185	155.2

Sensitivity analysis

A strengthening of the Naira, as indicated below against the Dollar 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 2013, albeit that the reasonably possible foreign exchange rate variances were different, as follows:

Notes to the Financial Statements

	Increase in profit or loss and equity
	₦'000
31 December 2014	
NGN (15 percent strengthening)	4,911,299
31 December 2013	
NGN (15 percent strengthening)	3,700,963

A weakening of the Naira against the Dollar 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	
	2014	2013
	₦'000	₦'000
Fixed-rate instruments		
Financial liabilities	7,730,664	7,452,500

	Carrying amount	
	2014	2013
	₦'000	₦'000
Variable-rate instruments		
Financial liabilities	4,328,412	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 2014				
Variable rate instruments	(43,284)	43,284	(43,284)	43,284
Cash flow sensitivity	(43,284)	43,284	(43,284)	43,284

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:

	2014	2013
	₦'000	₦'000
Total liabilities	40,141,383	36,098,826
Less: Cash and cash equivalents	(1,242,519)	(1,108,244)
Net debt	38,898,864	34,990,582
Total equity	(8,050,412)	(8,981,433)
Total capital employed	30,848,452	26,009,149
Debt to adjusted capital ratio	79%	74%

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

Notes to the Financial Statements

(f) **Fair values**

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Loans and receivables	Other financial liabilities	Total Carrying Amount	Fair Value
31 December 2014		₦'000	₦'000	₦'000	₦'000
Financial assets					
Trade & other receivables	*15.*	7,963,042	-	7,963,042	7,963,042
Cash and cash equivalents	*17.*	1,242,519	-	1,242,519	1,242,519
		9,205,561	-	9,205,561	9,205,561
Financial liabilities					
Loans and borrowings	*21.*	-	12,059,076	12,059,076	12,059,076
Trade and other payables	*23.*	-	2,684,906	2,684,905	2,684,905
Concession fee payable	*22.*	-	24,485,990	24,485,990	24,485,990
		-	39,229,972	39,229,971	39,229,971
31 December 2013					
Financial assets					
Trade & other receivables	*15.*	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

The directors are of the view that the fair values are not materially different from the carrying values.

Other Financial Information

Value Added Statement

For the year ended 31 December 2014

	2014 ₦'000	%	2013 ₦'000	%
Revenue	10,335,538		3,964,919	123
Bought in materials and services:				
- Local	(7,419,473)		(738,699)	
- Foreign	(256,491)		(7,000)	-
	(7,675,964)		(745,699)	
Value added	**2,659,574**	100	**3,219,220**	100

Distribution of Value Added	**₦'000**	**%**	**₦'000**	**%**
To providers of capital:				
Interest expense	1,850,168	70	770,652	24
To Government:				
Income tax	(398,683)	(15)	606,685	19
To Employees:				
Salaries and wages	813,667	30	242,476	7
Retained in the Business:				
Depreciation	16,598	1	12	-
Amortisation	1,308,845	49	218,141	7
To (deplete)/augment reserves	(931,021)	(35)	1,381,254	43
Value added	**2,659,574**	**100**	**3,219,220**	**100**

Financial Summary

Statement of profit or loss and other comprehensive income

	31 December 2014	31 December 2013	31 December 2012
	₦'000	₦'000	₦'000
Revenue	10,335,538	3,964,919	-
Results from operating activities	5,458,731	3,084,660	(690,205)
(Loss)/profit before taxation	(1,329,704)	1,987,939	(704,427)
(Loss)/profit for the year	(931,021)	1,381,254	(510,972)
Basic (loss)/earnings per share (₦)	(1.86)	7.14	(729.96)

Statement of Financial Position

	31 December 2014	31 December 2013	31 December 2012
Employment of Funds	₦'000	₦'000	₦'000
Non-current assets	37,945,225	39,047,310	193,455
Current assets	10,246,570	6,032,949	6,226
Non-current liabilities	(34,998,437)	(30,617,965)	-
Current liabilities	(5,142,946)	(5,480,861)	(709,953)
	8,050,412	**8,981,433**	**(510,272)**
Funds Employed			
Share capital	500,000	500,000	700
Share premium	7,611,151	7,611,151	-
Retained earnings	(60,739)	870,282	(510,972)
	8,050,412	**8,981,433**	**(510,272)**