North South Power Company Limited

Annual Report

31 December 2015

Contents

Corporate information

Registration Number: RC. 1018318

Directors:	Mallam Ibrahim Aliyu (Chairman) Engr. Olubunmi Peters Engr. Ndanusa Sani Muhammed George Nwangwu Emmanuel Katepa Hassan Abdullahi Irene Chigbue
Registered and business office:	Clan Place Plot No 1386, Tigris Cresent Maitama, Abuja Nigeria
Operational base:	Shiroro Power Station Complex Shiroro Niger State Nigeria
Company secretary and 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 Plc United Bank for Africa Plc Guaranty Trust Bank Plc Standard Chartered Bank (Nigeria) Limited

Results at a glance

	Group	Company		
	2015	**2015**	**2014**	**Change**
	₦'000	**₦'000**	**₦'000**	**(%)**
Revenue	11,989,585	11,989,585	10,335,538	16
Loss before taxation	(2,645,837)	(2,582,401)	(1,329,704)	94
Loss after taxation	(2,631,290)	(2,567,854)	(931,021)	176
Retained earnings	(2,692,029)	(2,628,593)	(60,739)	4,228
Total assets	54,684,750	54,748,186	48,191,795	14
Share capital	500,000	500,000	500,000	-
Share premium	7,611,151	7,611,151	7,611,151	-
Total equity	5,419,122	5,482,558	8,050,412	(32)

Directors' report

For the year ended 31 December 2015

The Directors present their annual report on the affairs of North South Power Company Limited ("the Company") and its subsidiary; Shiroro Solar Generating Company Limited (together "the Group"), together with the financial statements and auditor's report for the year ended 31 December 2015.

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.

Shiroro Solar Generating Company Limited was incorporated during the year (4 March 2015) and is owned 99% by the Company. It was established to carry on the Company's solar power generation project but is yet to obtain the generation license as at year end. As such, it did not commence operations during the year and all license approval costs were incurred by the Company on its behalf.

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. As part of the Federal Government of Nigeria's (FGN) intiative to transform the power sector, the Nigerian Electricity Regulatory Commission (NERC) was established under the Electric Power Sector Reform Act 2005. NERC is Nigeria's independent regulatory agency for the Nigerian electricity industry comprising generation, transmission and distribution sectors and regulates the activities of the Company.

In line with the transition, the Company and all other entities operating in the power sector of the economy were operating under the Interim Rules issued by the regulatory body - NERC. The Transitional Stage Electricity Market (TEM) was declared on 1 February 2015. Consequently, the Company and all other entities operating in the power sector are expected to comply with the Market Rules.

The Company entered into a Bulk Power Purchasing Agreement (PPA) with the Nigerian Bulk Electricity Trading Plc (NBET), covering the terms upon which NBET is to engage in the bulk purchase and resale of electric capacity, electric energy and ancilliary services with the Company, during the transitional phase of the development of the Nigerian electricity market. However, the PPA is yet to be effective as all of the conditions precedent have not been met. Hence, the NERC has issued a supplementary order which provides the framework for addressing the operational aspects of the TEM in which some market participants do not have effective contracts.

The Company, in accordance with the TEM rules, continues to generate electricity which is provided to various electricity distribution companies (EDCs) through NBET (2014: 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 final settlement statements received from ONEM, the market operator.

The cumulative generated and shared electricity capacity to the EDCs was 1,844 mega watts (MW) (2014: 2,006 mega watts (MW)) and the total energy consumed by the EDCs was 1,682,892 mega watts (MW) (2014: 1,909,646 mega watts (MW)). Deemed capacity during the period was 282,766 mega watts (MW). The Group also earned additional revenue of ₦158.6 million (2014: ₦270.12 million) from other ancilliary services provided during the year.

Total revenue for the year was ₦11.99 billion for the Group and Company (2014: ₦10.34 billion for the Company). The loss before tax was ₦2.65 billion for the Group and ₦2.58 billion for the Company (2014: loss before tax of ₦1.33 billion). This significant change in the results for the year is largely due to increased revenue from the capacity generated and a significant increase in finance costs.

Operating results and dividends

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

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Revenue	11,989,585	11,989,585	10,335,538
Loss before taxation	(2,645,837)	(2,582,401)	(1,329,704)
Taxation	14,547	14,547	398,683
Loss after taxation	**(2,631,290)**	**(2,567,854)**	**(931,021)**

No dividend has been recommended by the directors (2014: 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		
Irene Chigbue		
George Nwangwu **		
Ibrahim Boyi		(6-March-15)
Ibrahim Dikko		(6-March-15)
Mutale Mukuka	Zambian	(6-March-15)

Name	Nationality	Appointed/ (Resigned)
Emmanuel Katepa	Zambian	6-March-15
Hassan Abdullahi ***		6-March-15

* 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.

*** Hassan Abdullahi represents Niger State Development Company Limited 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	
	2015	**2014**
Engr. Olubunmi Peters *-through BP Investment*	62,400,000	62,400,000
-through Ensurist Nigeria Limited	28,000,000	-
Mallam Ibrahim Aliyu *-through Urban Shelter*	74,400,000	74,400,000
-through Ensurist Nigeria Limited	28,000,000	-
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
through Ensurist Nigeria Limited	24,000,000	-

For the purposes of 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 as disclosed in Note 25 and for George Nwangwu who is a partner in Ratio Legal Practitioners, the Company's Secretary and Solicitor.

Shareholding structure

The Company on 26 January 2015, bought back 16% of its shareholding from Niger State Development Company. This was later resold to another investor, Ensurist Nigeria Limited on 31 December 2015. Therefore, the Company's shareholding structure as at year end is now as follows;

	31 December 2015		31 December 2014	
	No of shares	%	No of shares	%
CEC Africa Hydro Investments	100,000,000	20.0	100,000,000	20.0
Urban Shelter Limited	93,000,000	18.6	93,000,000	18.6
Ensurist Nigeria Limited	80,000,000	16.0	-	0.0
BP Investment Limited	78,000,000	15.6	78,000,000	15.6
Niger State Development Company	50,000,000	10.0	130,000,000	26.0
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
	500,000,000	**100**	**500,000,000**	**100**

Property, plant and equipment
Information relating to property, plant and equipment is disclosed in Note 11 to the financial statements.

Donations and charitable gifts
During the year, the Company made various donations amounting to ₦850,000 (2014: ₦ 2.8 million) as follows:

	2015	2014
	₦'000	₦'000
Minna Emirate Council	480	-
NYSC 2014 Batch A corp members	128	-
Zumba Community	140	-
Host Communities at Sallah	-	2720
Orphans of Model Primary School	-	39
Kpamakpama Youth Development Union	102	50
	850	**2,809**

In accordance with Section 38(2) of the Companies and Allied Matters Act of Nigeria, the Group and/or 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 (2014: Nil).

Post balance sheet events
There were no events after the reporting date which could have had a material effect on the state of affairs of the Group and/ Company as at 31 December 2015 and on the profit for the year ended which has not been adequately recognised or disclosed in these financial statements.

Committees
The following Board Committees were formed during the year;

a) **Finance and General Purpose Committee**
The primary responsibility of this committee includes overseeing financial strategy, policy and treasury matters; proposing and periodically reviewing the Company's financial policies, goals and draft proposals as directed by the Board; reviewing and evaluating major capital expenditures; considering the awards of contracts up to a limit as prescribed by the Board of Directors; developing budgets, financial planning and financial reporting systems; monitoring adherence to the annual operating budget of the Company and setting of long range financial goals along with funding.

Members of the Committee are;
Mallam Ibrahim Aliyu - Chairman
Engr. Olubunmi Peters
Engr. Sani Ndanusa
Dr George Nwangwu
Engr. Emmanuel Katepa

b) **Technical and Operations Committee**
The functions of this committee include proposing annual production targets; reviewing all the technical and operational aspects of the Company's operations and future developments and making appropriate recommendations to the Board of Directors; establishing the plans and criteria for achieving the Company's operational and production success; periodically presenting an independent assessment of the Company's annual operating and production plans for all existing and proposed power plants; and reviewing major commercial agreements for engineering and maintenance activities planned for the Company's plants and making necessary recommendations to the Board of Directors.

Members of the Committee are;
Engr. Emmanuel Katepa - Chairman
Engr. Olubunmi Peters
Mr Hassan Abdullahi
Dr George Nwangwu

c) **Remuneration and Human Resource Committee**
The functions of this committee include proposing the remuneration arrangements for the executive and non-executive directors of the Company; proposing levels of employee remuneration within a specified limit; developing qualification criteria for recruitment and placement of management and senior staff of the Company; propsing incentive compensation plans, policies and programs; proposing policies for motivation and retention of relevant skilled labour, employee restructuring and terminal benefit packages.

Members of the Committee are;
Mr Hassan Abdullahi - Chairman
Engr. Olubunmi Peters
Dr George Nwangwu
Mrs Irene Chigbue

d) **Audit Committee**
The major functions of the audit committee include overseeing the annual auditing process of the Company, monitoring the integrity of the financial statements of the Company; maintaining oversight over the auditing, accounting and financial reporting policies and processes; monitoring the performance of the Company's internal controls, risk management and assurance function and the performance of the internal audit function.

Members of the Committee are;
Mrs Irene Chigbue - Chairman
Dr George Nwangwu
Engr. Olubunmi Peters
Mr Hassan Abdullahi
Engr. Emmanuel Katepa
Engr. Sani Ndanusa

e) **Safety Health and Environment (SHE) Committee**
The primary functions of this committee include the development of a comprehensive SHE program for the Company; proposing implementation modalities of SHE programs; and ensuring periodic reviews of compliance with the Company's SHE policies.

Members of the Committee are;
Engr. Sani Ndanusa - Chairman
Engr. Olubunmi Peters
Mr Hassan Abdullahi
Engr. Emmanuel Katepa
Mrs Irene Chigbue

Employment and Employees

a) ***Employment of physically challenged persons***
The Group 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 Group 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 Group places a high premium on the health, safety and welfare of its employees in their place of work. The Group'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 Group 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 Group 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) As at year end, the Company had 316 personnel in its employment carrying out the business operation of providing electricity to various distribution companies through its sole customer, NBET.

(c) The Company previously sold power to eleven distribution companies and two international customers through the Operator of Nigerian Electricity Trading Company (ONEM). From February 2015, the Company sold power to these distribution companies and international customers through the Nigerian Eletricity Bulk Trading Company (NBET). As a result of this arrangement, ₦11.99 billion (2014: ₦ 10.34 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. As at year end, the Power Purchase Agreement (PPA) preconditions for all privatized entities were not satisfied.

(d) The Company carried out major repairs of its Unit 411G4 during the year as well as other facility rehabilitation. The Company plans to carry out future expansion/ pre-implementation development work on its Shiroro Solar project and Gurara-Shiroro Interbasin transfer.

(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 auditor

KPMG Professional Services have indicated their willingness to continue in office as auditor 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
18 July 2016

Report of the Audit Committee

To the members of North South Power Company Limited

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, we the Members of the Audit Committee of North South Power Company Limited, having carried out our statutory functions under the Act, hereby report that:

(a) the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;

(b) the scope and planning of the audit for the year ended 31 December 2015 are satisfactory;

(c) having reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

Finally, we acknowledge the co-operation of management and staff in the conduct of our duties.

Members of the Audit Committee are:

1	Mrs Irene Chigbue	Chairman
2	Dr George Nwangwu	Member
3	Engr. Olubunmi Peters	Member
4	Mr Hassan Abdullahi	Member
5	Engr. Emmanuel Katepa	Member
6	Engr. Sani Ndanusa	Member

Mrs Irene Chigbue (Chairman)
18 July 2016

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2015

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with 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:

Engr. Olubunmi Peters	Engr. Ndanusa Sani Muhammed
FRC/2014/COREN/00000007421	FRC/2014/NSE/00000010507
Date: 18 July 2016	Date: 18 July 2016

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
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Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Members of **North South Power Company Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of **North South Power Company Limited** ("the Company) and its subsidiary company (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2015, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 14 to 55.

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") and its subsidiary (together "the Group") as at 31 December 2015, and of the Group and 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 Company's statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
18 July 2016
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1146393

Consolidated and separate statement of financial position

As at 31 December

	Notes	Group	Company	
		2015	**2015**	**2014**
ASSETS		**₦'000**	**₦'000**	**₦'000**
Property, plant and equipment	*11*	87,545	87,545	98,041
Intangible assets	*12*	37,651,377	37,651,377	37,837,194
Trade and other receivables	*15*	-	-	9,990
Investments	*13*	-	2,500	-
Prepayments	*16*	6,483	6,483	-
Non-current assets		**37,745,405**	**37,747,905**	**37,945,225**
Inventories	*14*	759,743	759,743	850,604
Trade and other receivables	*15*	16,014,866	16,075,802	7,963,042
Prepayments	*16*	37,347	37,347	190,405
Cash and cash equivalents	*17*	127,389	127,389	1,242,519
Current assets		**16,939,345**	**17,000,281**	**10,246,570**
Total assets		**54,684,750**	**54,748,186**	**48,191,795**
EQUITY				
Share capital	*18*	500,000	500,000	500,000
Share premium	*19*	7,611,151	7,611,151	7,611,151
Retained earnings		(2,692,029)	(2,628,593)	(60,739)
Non-controlling interest	*20*	-	-	-
Total equity		**5,419,122**	**5,482,558**	**8,050,412**
LIABILITIES				
Deferred tax liabilities	*21*	-	-	14,547
Loans and borrowings	*22*	9,489,489	9,489,489	10,497,900
Concession fees payable	*23*	31,639,835	31,639,835	24,485,990
Non-current liabilities		**41,129,324**	**41,129,324**	**34,998,437**
Loans and borrowings	*22*	2,907,674	2,907,674	1,561,176
Trade and other payables	*24*	5,228,630	5,228,630	3,581,770
Current liabilities		**8,136,304**	**8,136,304**	**5,142,946**
Total liabilities		**49,265,628**	**49,265,628**	**40,141,383**
Total equity and liabilities		**54,684,750**	**54,748,186**	**48,191,795**

Approved by the Board of Directors on 18 July 2016 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:

Norman Kapambalala (Financial Controller)
....) FRC/2016/ANAN/00000014017

The notes on pages 19 to 55 are an integral part of these financial statements.

Consolidated and separate statement of profit or loss and other comprehensive income

For the year ended 31 December

		Group	Company	
	Notes	**2015**	**2015**	**2014**
		₦'000	**₦'000**	**₦'000**
Revenue	*6*	11,989,585	11,989,585	10,335,538
Direct costs	*7*	(2,774,653)	(2,774,653)	(2,986,717)
Gross profit		9,214,932	9,214,932	7,348,821
General and administrative expenses	*7*	(2,209,742)	(2,146,306)	(1,890,090)
Results from operating activities		7,005,190	7,068,626	5,458,731
Finance income	*8*	25,842	25,842	6,627
Finance costs	*8*	(9,676,869)	(9,676,869)	(6,795,062)
Net finance costs	*8*	**(9,651,027)**	**(9,651,027)**	**(6,788,435)**
Loss before taxation	*9*	**(2,645,837)**	**(2,582,401)**	**(1,329,704)**
Taxation	*10 (a)*	14,547	14,547	398,683
Loss for the year		**(2,631,290)**	**(2,567,854)**	**(931,021)**
Other comprehensive income		-	-	-
Total comprehensive loss for the year		**(2,631,290)**	**(2,567,854)**	**(931,021)**
Loss attributable to:				
Equity owners of the parent		(2,631,290)	(2,567,854)	(931,021)
Non-controlling interest	*20*	-	-	-
		(2,631,290)	**(2,567,854)**	**(931,021)**
Total comprehensive loss attributable to:				
Equity owners of the parent		(2,631,290)	(2,567,854)	(931,021)
Non-controlling interest	*20*	-	-	-
		(2,631,290)	**(2,567,854)**	**(931,021)**

The notes on pages 19 to 55 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital	Share premium	Retained earnings	Total	Non-controlling interest	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January 2015	500,000	7,611,151	(60,739)	8,050,412	-	8,050,412
Comprehensive income for the year						
Loss for the year	-	-	(2,631,290)	(2,631,290)	-	(2,631,290)
Other comprehensive income	-	-	-	-	-	-
						-
Total comprehensive income for the year	**-**	**-**	**(2,631,290)**	**(2,631,290)**	**-**	**(2,631,290)**
Transactions with owners of the Company						
- Share buy back	(80,000)	(3,600,000)	-	(3,680,000)	-	(3,680,000)
- Sale of shares	80,000	3,600,000	-	3,680,000	-	3,680,000
Total transactions with the owners of the Company	-	-	-	-	-	-
At 31 December 2015	**500,000**	**7,611,151**	**(2,692,029)**	**5,419,122**	**-**	**5,419,122**

The notes on pages 19 to 55 are an integral part of these financial statements.

Separate statement of changes in equity

For the year ended 31 December 2014

	Share capital	Share premium	Retained earnings	Total equity
	₦'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)**
Total transaction with owners of the Company	-	-	-	-
At 31 December 2014	**500,000**	**7,611,151**	**(60,739)**	**8,050,412**

For the year ended 31 December 2015

	Share capital	Share premium	Retained earnings	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**
At 1 January 2015	500,000	7,611,151	(60,739)	8,050,412
Comprehensive income for the year				
Loss for the year	-	-	(2,567,854)	(2,567,854)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(2,567,854)**	**(2,567,854)**
Transactions with owners of the Company				
- Share buy back	(80,000)	(3,600,000)	-	(3,680,000)
- Sale of shares	80,000	3,600,000	-	3,680,000
Total transactions with the owners of the Company	-	-	-	-
At 31 December 2015	**500,000**	**7,611,151**	**(2,628,593)**	**5,482,558**

The notes on pages 19 to 55 are an integral part of these financial statements.

Consolidated and separate statements of cash flows

For the year ended 31 December 2015

	Notes	Group 2015 ₦'000	Company 2015 ₦'000	Company 2014 ₦'000
Operating activities				
Loss for the year		(2,631,290)	(2,567,854)	(931,021)
Adjustments for:				
- depreciation	*11*	24,133	24,133	16,598
- amortization	*12*	1,356,857	1,356,857	1,308,845
- PPE write off	*11*	15,104	-	-
- finance costs-net		9,678,829	9,678,829	6,441,887
- inventory write off	*14*	-	-	22,925
- taxation	*10(a)*	(14,547)	(14,547)	(398,683)
		8,429,086	8,477,418	6,460,551
Changes in:				
- inventories		90,861	90,861	74,343
- trade and other receivables		(4,361,834)	(4,361,834)	(3,996,199)
- prepayments		146,575	146,575	(190,405)
- trade and other payables		1,646,860	1,646,860	(215,945)
Net cash from operating activities		**5,951,548**	**5,999,880**	**2,132,345**
Investing activities				
Investment in Shiroro Solar Generating Company	*13*	-	(2,500)	-
Loan to Shiroro Solar Generating Company		-	(45,832)	-
Acquisition of property, plant and equipment	*11*	(28,741)	(28,741)	(114,536)
Acquisition of intangible assets	*12*	(1,171,040)	(1,171,040)	(98,832)
Interest received	*8*	25,842	25,842	6,627
Net cash used in investing activities		**(1,173,939)**	**(1,222,271)**	**(206,741)**
Financing activities				
Proceeds from new borrowings	*22*	2,941,974	2,941,974	-
Principal repayment	*22*	(3,401,772)	(3,401,772)	(426,550)
Interest payments	*22*	(1,672,050)	(1,672,050)	(1,312,725)
Purchase of treasury shares	*18(a)*	(3,680,000)	(3,680,000)	-
Bank charges paid		(89,465)	(89,465)	(65,797)
Net cash used in financing activities		**(5,901,313)**	**(5,901,313)**	**(1,805,072)**
Net increase in cash and cash equivalents		(1,123,704)	(1,123,704)	120,532
Cash and cash equivalents at the beginning of the year		1,242,519	1,242,519	1,108,244
Effects of exchange rate changes on cash and cash equivalents		8,574	8,574	13,743
Cash and cash equivalents at the end of the year	*17*	**127,389**	**127,389**	**1,242,519**

The notes on pages 19 to 55 are an integral part of these financial statements.

Notes to the financial statements

1 **Reporting entity**

North South Power Company Limited ("the Company") was incorporated on 15 March 2012 under the Companies and Allied Matters Act of Nigeria as a limited liability company.

The Company 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.

The Company has its operating base at the Shiroro Hydroelectric Plant, Niger State while its registered/ business office is as follows:
Clan Place
Plot No 1386, Tigris Cresent
Maitama, Abuja
Nigeria

The Company has a 99% owned subsidiary - Shiroro Solar Generating Company Limited which was incorporated during the year (4 March 2015). It was established to carry on the Company's solar power generation project but is yet to obtain the generation license as at year end. As such, it did not commence operations during the year and all license approval costs were incurred by the Company on its behalf.

2 **Basis of preparation**

(a) Statement of compliance

The financial statements of the Group and/ Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

They were authorised for issue by the Company's Board of Directors on 18 July 2016.

(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 Group and/ 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 Group and/ 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 21 – Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

Note 26 – 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) Basis of consolidation

(i) ***Business combination***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

The accounting policies of the subsidiaries are consistent with the policies adopted by the Group and all intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

On disposal of a subsidiary, the Group derecognises the assets (including any goodwill) and liabilities of the subsidiaries at their carrying amounts at the date of disposal and also derecognises the carrying amount of any related non controlling interest and other component of equity at the date of sale but recognises the fair value of the consideration received from the sale, while any resulting difference is recognised as a gain or loss in profit or loss attributable to the Group.

(ii) Non-controlling interests

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent company and is presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position. Total comprehensive income attributable to non-controlling interests is presented on the line "Non-controlling interests" in the consolidated statement of financial position, even if it can create negative non-controlling interest.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investment in subsidiaries are carried at cost less impairment losses in the separate financial statements. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the year in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Notes to the financial statements

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) 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

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.

(c) Financial instruments

i. Non-derivative financial assets

The Group and/ 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 Group and/ 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 Group and/ 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 Group and/ 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 Group and/ 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.

Notes to the financial statements

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

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 Group and/ 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 Group and/ 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 Group and/ 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 Group and/ 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.

(d) 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.

Notes to the financial statements

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 Group and/ Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii. Depreciation

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line 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.

(e) Leases

Leased assets

Leases in terms of which the Group and/ 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.

Notes to the financial statements

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

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group and/ 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 Group and/ 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 Group and/ 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 Group and/ Company's incremental borrowing rate.

(f) 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 Group and/ Company on terms that the Group and/ 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 Group and/ 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 Group and/ 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 Group and/ 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 Group and/ 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.

(g) Provisions and contingent liabilities

i ***Provisions***

A provision is recognized if, as a result of a past event, the Group and/ 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 Group and/ 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.

Notes to the financial statements

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group and/ 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 Group and/ Company recognizes any impairment loss on the assets associated with that contract.

ii ***Contingent liabilities***

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

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

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

(h) 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 Group and/ Company and the amount can be measured reliably.

The Group and/ 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.

(i) 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.

(j) 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.

Notes to the financial statements

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 Group and/ Company is subject to tax under the Companies Income Tax Act (CITA).

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same 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.

(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 Group and/ Company are measured at cost less accumulated amortisation and accumulated impairment losses.

Service concession arrangement

The Group and/ 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.

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

Notes to the financial statements

ii Subsequent expenditure

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

An accrual is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(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 Group and/ 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 Group and Company has instituted a defined contribution pension scheme for its permanent staff. The Group and/or 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 Group and/ 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.

(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.

Notes to the financial statements

(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 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Group and/ Company are set out below. The Group and/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 (Effective date: Periods beginning on or after 1 Jannuary 2018)

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 Revenue from Contracts with Customers (Effective date: Periods beginning on or after 1 Jannuary 2018)

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Group and/or Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective date: Periods beginning on or after 1 January 2016)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

Amendments to IAS 27: Equity method in Separate Financial Statements (Effective date; Periods beginning on or after 1 January 2016)

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures.
The amendments apply retrospectively.
The amendment is not expected to have any significant impact on the financial statements of the Group and/ or Company.

Notes to the financial statements

Amendments to IAS 1: Disclosure Initiative (Effective date; Periods beginning on or after 1 January 2016)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments also clarify presentation principles applicable to of the order of notes, subtotals presented in the statement of financial position, and statement of profit or loss and other comprehensive income.

The Company will assess the impact of the standard before it becomes effective.

IFRS 16 - Leases (Effective for financial year commencing 1 January 2019)

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

b) depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2019.

4 **Measurement of fair values**

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

When measuring the fair value of an asset or a liability, the Group and/ 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 inputs 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

The Group and/ 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 28 - Financial instruments

Notes to the financial statements

5 **Service concession arrangement**

On 21 February 2013, the Company entered into a service concession agreement with the Federal Government of Nigeria ("Federal Government") to generate and provide electricity from the Shiroro Hydro Electric Power Plant. The Company officially took over the plant on 1 November 2013. Under the terms of the agreement, the Company will operate and make the electricity available to the public for a period of thirty years, starting from 1 November 2013. The Company will be responsible for any 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 2015, the Company earned revenue of ₦11.99 billion (2014: ₦10.34 billion), consisting of ₦11.83 billion (2014: ₦10.06 billion) on capacity and energy generation and ₦0.16 billion (2014: 0.27 billion) on black-start billings (See Note 6). The Company's loss before tax was ₦2.58 billion (2014: ₦1.33 billion).

The Company has recognised a service concession payable, measured initially at the fair value of the annual fees of ₦20.28 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 ₦31.64 billion (2014: ₦24.49 billion) (See Note 23).

The Company has recognised an intangible asset of ₦40.42 billion (2014: ₦39.27 billion); ₦2.86 billion has been amortised to date (2014: ₦1.53 million) (See Note 12). This 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.

Notes to the financial statements

6 Revenue

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Capacity and Energy generation	11,830,985	11,830,985	10,064,338
Other revenue (Note 6(a))	158,600	158,600	271,200
	11,989,585	**11,989,585**	**10,335,538**

(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 NBET.

7 Expenses

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Royalties (Note 7(a))	518,193	518,193	503,216
Staff costs	728,772	728,772	813,667
Amortisation of concession cost (Note 12)	1,335,014	1,335,014	1,308,845
Maintenance costs	192,674	192,674	360,989
Direct costs	2,774,653	2,774,653	2,986,717
Depreciation and amortisation (Notes 11&12)	45,976	45,976	16,598
Staff costs	761,039	761,039	880,846
Maintenance costs	61,911	61,911	84,357
Solar power generation expenses	63,436	-	-
Professional fees	125,012	125,012	203,427
Travel expenses	54,011	54,011	48,378
Directors' remuneration	394,228	394,228	259,755
Rental and insurance charges	505,079	505,079	245,158
Security costs	56,936	56,936	73,093
Utility costs	5,838	5,838	4,118
Medical expenses	10,274	10,274	10,615
Motor running expenses	80,766	80,766	1,707
Entertainment expenses	22,577	22,577	16,184
Office expenses	14,365	14,365	764
Other expenses	8,294	8,294	45,090
General and administrative expenses	**2,209,742**	**2,146,306**	**1,890,090**
Total direct costs, general and administrative expenses	**4,984,395**	**4,920,959**	**4,876,807**

(a) Amount represents 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.

Notes to the financial statements

8 Finance income and finance costs

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Finance income			
Interest income	25,842	25,842	6,627
Finance costs			
Bank charges and fees	89,465	89,465	65,797
Interest on bank loan (Note 22)	2,125,366	2,125,366	1,850,168
Unwind of discount of concession fees payable (Note 23)	2,857,080	2,857,080	2,106,713
(Reversal of discount)/Discount on receivables	(148,489)	(148,489)	148,489
Foreign exchange loss, net	4,753,447	4,753,447	2,623,895
	9,676,869	**9,676,869**	**6,795,062**
Net finance costs	**9,651,027**	**9,651,027**	**6,788,435**

9 Loss before taxation

(a) Loss before taxation is stated after charging:

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Depreciation (Note 11)	24,133	24,133	16,598
Amortization (Note 12)	1,356,857	1,356,857	1,308,845
Directors' remuneration (Note 9(b) (iii))	394,228	394,228	259,755
Auditor's remuneration (Note 9(c))	8,571	8,571	6,667
Staff costs (Note 9(b) (i))	1,489,811	1,489,811	1,694,513
PPE write off (Note 11(b))	15,104	-	-
Inventory write off	-	-	22,925
Royalties	518,193	518,193	503,216
Foreign exchange loss, net	4,753,447	4,753,447	2,623,895

(b) Staff costs and director's remuneration:

(i) Staff costs during the year amounted to:

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Salaries and wages	1,427,371	1,427,371	1,615,870
Pension cost	59,529	59,529	61,678
Other personnel costs	2,911	2,911	16,965
	1,489,811	**1,489,811**	**1,694,513**

Notes to the financial statements

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

	Group	Company	
	2015	2015	2014
	Number	Number	Number
Operations	174	174	177
Administration	142	142	145
	316	**316**	**322**

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

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Executive directors' compensation	73,411	73,411	61,305
Directors fees	263,119	263,119	227,548
Other emoluments	57,698	57,698	32,207
	394,228	**394,228**	**321,060**

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

	Group	Company	
	2015	2015	2014
	Number	Number	Number
Below ₦3,000,000	166	166	187
₦3,000,001 - ₦4,000,000	58	58	50
₦4,000,001 - ₦5,000,000	16	16	14
₦5,000,001 - ₦6,000,000	14	14	11
Above ₦6,000,001	62	62	60
	316	**316**	**322**

(c) Auditor's remuneration represents fees paid to the independent auditor for audit services provided. There were no non-audit services provided during the year (2014: Nil).

10 **Taxation**

(a) The income tax for the year comprises:

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Current tax	-	-	-
Tertiary education tax	-	-	-
Charge for the year	-	-	-
Deferred tax credit (Note 21)	(14,547)	(14,547)	(398,683)
	(14,547)	**(14,547)**	**(398,683)**

Notes to the financial statements

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 (2014: Nil).

The Group also has no income tax charge because the subsidiary did not report a taxable income in 2015.

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

The tax on the Group and/ Company's loss before tax differs from the theoretical amount as follows:

	Group		**Company**			
		2015		**2015**		**2014**
	%	**₦'000**	%	**₦'000**	%	**₦'000**
Loss before income tax		(2,645,837)		(2,582,401)	-	(1,329,704)
Income tax using the statutory tax rate	30	(793,751)	30	(774,720)	30	(398,911)
Effect of:						
Non-deductible expenses	-	-	-	-	-	228
Deductible temporary differences for which no deferred tax asset is recognised	(53)	1,378,671	(53)	1,378,671	-	-
Tax exempt income	23	(599,455)	23	(618,486)	-	-
Tax incentives	-	(12)	-	(12)	-	-
	-	**(14,547)**	**-**	**(14,547)**	**30**	**(398,683)**

Notes to the financial statements

11 Property, plant and equipment

Group

(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 2015	40,150	4,896	54,501	15,104	114,651
Additions	27,900	420	421		28,741
Write-off (Note 11 (b))	-	-	-	(15,104)	(15,104)
Balance as at 31 December 2015	**68,050**	**5,316**	**54,922**	**-**	**128,288**
DEPRECIATION:					
Balance at 1 January 2015	7,923	596	8,091	-	16,610
Charge for the year	12,215	1,004	10,914	-	24,133
Balance as at 31 December 2015	**20,138**	**1,600**	**19,005**	**-**	**40,743**
CARRYING AMOUNT:					
At 31 December 2015	**47,912**	**3,716**	**35,917**	**-**	**87,545**

(b) Write-off represents costs incurred by the Group with respect to the Shiroro Solar Power Generating project which are not capitalisable and have been written off to the Group's income statement.

(c) The Group had capital commitments amounting to ₦1.06 billion as at year end.

(d) In the opinion of the directors, the Group's Property, plant and equipment are not impaired (2014: Nil).

Company

(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 2015	40,150	4,896	54,501	15,104	114,651
Additions	27,900	420	421	-	28,741
Transfer to subsidiary	-	-	-	(15,104)	(15,104)
Balance as at 31 December 2015	**68,050**	**5,316**	**54,922**	**-**	**128,288**
DEPRECIATION:					
Balance at 1 January 2015	7,923	596	8,091	-	16,610
Charge for the year	12,215	1,004	10,914	-	24,133
Balance as at 31 December 2015	**20,138**	**1,600**	**19,005**	**-**	**40,743**

Notes to the financial statements

Company (continued)

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 31 December 2014	**32,227**	**4,300**	**46,410**	**15,104**	**98,041**
At 31 December 2015	**47,912**	**3,716**	**35,917**	-	**87,545**

(b) The Company had capital commitments amounting to ₦1.06 billion as at year end (2014: ₦1.9 billion).
(c) In the opinion of the directors, the Company's Property, plant and equipment are not impaired (2014: Nil).

12 **Intangible assets**
Group

	Concession cost ₦'000	IT Software costs ₦'000	Capital work in progress ₦'000	Total ₦'000
COST:				
Balance at 1 January 2015	39,265,348	-	98,832	39,364,180
Additions	1,155,703	15,337	-	1,171,040
Transfer	-	98,832	(98,832)	-
Balance as at 31 December 2015	**40,421,051**	**114,169**	-	**40,535,220**
AMORTISATION:				
Balance at 1 January 2015	1,526,986	-	-	1,526,986
Charge for the year	1,335,014	21,843	-	1,356,857
Balance as at 31 December 2015	**2,862,000**	**21,843**	-	**2,883,843**
CARRYING AMOUNTS:				
At 31 December 2015	**37,559,051**	**92,326**	-	**37,651,377**

Notes to the financial statements

Company

	Concession cost ₦'000	IT Software costs ₦'000	Capital work in progress ₦'000	Total ₦'000
COST:				
Balance at 1 January 2015	39,265,348	-	98,832	39,364,180
Additions	1,155,703	15,337	-	1,171,040
Transfer	-	98,832	(98,832)	-
Balance as at 31 December 2015	**40,421,051**	**114,169**	-	**40,535,220**
AMORTISATION:				
Balance at 1 January 2015	1,526,986	-	-	1,526,986
Charge for the year	1,335,014	21,843	-	1,356,857
Balance as at 31 December 2015	**2,862,000**	**21,843**	-	**2,883,843**
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 31 December 2014	**37,738,362**	-	**98,832**	**37,837,194**
At 31 December 2015	**37,559,051**	**92,326**	-	**37,651,377**

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

(b) The opening balance of ₦39.27 billion on Concession costs consist of the sum of ₦18.99 billion incurred as cash expenditure and the balance being the PV of annual fees payable to BPE starting in year 6 of the concession. Additions during the year represents costs incurred by the Company on alteration of the Shiroro Hydro plant.

13 **Investments**

This represents investment of the Company in Shiroro Solar Generating Company Limited (SSGC). SSGC was incorporated during the year (4th March, 2015) for the purpose of carrying out the Shiroro solar power project as well as other businesses in the power sector. North South Power Company Limited took up 99.99% stake in the issued share capital of SSGC representing 2.5 million shares of ₦1 each.

14 **Inventories**

	Group	Company	
	2015 ₦'000	**2015 ₦'000**	**2014 ₦'000**
Spares	728,704	728,704	825,244
Consumables	31,039	31,039	25,360
	759,743	**759,743**	**850,604**

Notes to the financial statements

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 ₦190,970,431 (2014: ₦270,642,057).

Included in the prior year profit or loss (under direct costs) 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 the year end.

15 Trade and other receivables

Trade and other receivables comprise:

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Trade receivables	10,592,839	10,592,839	7,948,475
Unbilled receivables	1,616,558	1,616,558	-
Loan to Shiroro Solar Generating Company Limited (Note 15(a))	-	60,936	-
Other receivables	125,469	125,469	24,557
Receivable on sale of Treasury shares (Note 18(a))	3,680,000	3,680,000	-
	16,014,866	16,075,802	7,973,032
Less: Non-current	-	-	(9,990)
	16,014,866	**16,075,802**	**7,963,042**

(a) Loan to Shiroro Solar Generating Company Limited (SSGC) represents expenses incurred by the Company on behalf of SSGC with respect to the Shiroro solar power project. The loan amount is repayable on demand.

16 Prepayments

Prepayments comprise:

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Insurance	15,898	15,898	142,368
Rentals	27,932	27,932	48,037
	43,830	**43,830**	**190,405**
Short term	37,347	37,347	190,405
Long term	6,483	6,483	-
	43,830	**43,830**	**190,405**

Included in prepaid insurance is ₦1.96 million which represents un-amortised premium paid to cover the assets of shareholders, as these were used as collateral for bank loans (Note 26(c)).

17 Cash and cash equivalents

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Bank balances	126,030	126,030	1,241,240
Cash in hand	1,359	1,359	1,279
Cash and cash equivalents in the statements of cash flows	**127,389**	**127,389**	**1,242,519**

Notes to the financial statements

18 **Share capital**

Share capital comprise:

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Authorised share capital:			
Ordinary shares of ₦1 each	500,000	500,000	500,000
Issued, called-up and fully paid:			
Ordinary shares of ₦1 each	420,000	420,000	500,000
Issued, called up and unpaid:			
80,000,000 Ordinary shares of ₦1 each (Note 18(a))	80,000	80,000	-

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.

(a) During the year, the Company based on legal advice approved the buying back of 80 million units of its shares representing 16% of its total shareholding from Niger State Development Company Limited. This is in order to satisfy the legal requirment by the Bureau of Public Enterprises which requires that a state government should not have more than 10% equity in the Company. The shares were bought back for the sum of ₦3.68 million. As at the end of the year, the Company sold the 16% shares to Ensurist Nigeria Limited for the same amount. Payment for these shares were received by the Company subsequent to the year end, on 30 June 2016.

19 **Share premium**

Share premium represents the excess of amount received over the nominal value of the total issued share capital as at the reporting date. The premium on allotment of shares are as follows:

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Niger State Development Company	1,353,077	1,353,077	3,518,000
Ensurist Nigeria Limited	2,164,923	2,164,923	-
CEC Africa Hydro Investments Limited	3,500,000	3,500,000	3,500,000
Urban Shelter Limited	204,307	204,307	204,307
BP Investment Limited	171,355	171,355	171,355
Transatlantic Investment and Development Company	46,134	46,134	46,134
Pan-African Global Infrastructure Company Limited	46,134	46,134	46,134
Roads Nigeria Limited	32,953	32,953	32,953
XS Energy Limited	32,953	32,953	32,953
Opec Investment Inc	32,953	32,953	32,953
Puma Engineering Limited	13,181	13,181	13,181
Olocorp Nigeria Limited	13,181	13,181	13,181
	7,611,151	**7,611,151**	**7,611,151**

Notes to the financial statements

20 **Non controlling interest**

On 4 March 2015, Shiroro Solar Generating Company Limited (SSGC) was incorporated and on the same date, the Group acquired 99.99% stake in the shares of SSGC (representing 2,499,999 shares out of 2,500,000 shares). Thereby making SSGC a subsidiary of the Group. Non controlling interest represents 0.01% of SSGC. The impact of this is immaterial in the financial statements.

21 **Deferred taxation**

(a) **Recognised deferred tax assets and liabilities**

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

Group/ Company

	Assets		**Liabilities**		**Net**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Property, plant and equipment	-	5,130	-	-	-	5,130
Unrelieved losses	-	445,152	-	-	-	445,152
Intangible assets	-	-	-	8,568,622	-	(8,568,622)
Receivables	-	44,546	-	-	-	44,546
Foreign exchange difference	-	787,169	-	-	-	787,169
Interest expenses	-	460,654	-	-	-	460,654
Concession fees payable	-	6,811,424	-	-	-	6,811,424
	-	**8,554,075**	**-**	**8,568,622**	**-**	**(14,547)**

Notes to the financial statements

Movement in temporary differences is as follows:

Group/ Company

	Opening balance 2014 ₦'000	Recognised in profit and loss 2014 ₦'000	Closing balance 2014 ₦'000	Recognised in profit and loss 2015 ₦'000	Closing balance 2015 ₦'000
Property, plant and equipment	7	5,123	5,130	(5,130)	-
Unrelieved losses	1,383,791	(938,639)	445,152	(445,152)	-
Intangible assets	(8,043,275)	(525,347)	(8,568,622)	8,568,622	-
Receivables	-	44,546	44,546	(44,546)	-
Foreign exchange difference	-	787,169	787,169	(787,169)	-
Interest expenses	66,837	393,817	460,654	(460,654)	-
Concession fees payable	6,179,410	632,014	6,811,424	(6,811,424)	-
	(413,230)	**398,683**	**(14,547)**	**14,547**	**-**

Notes to the financial statements

(b) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items, due to uncertainty regarding the availability of future taxable profits against which the Group can use the benefits therefrom.

	2015 ₦'000	2014 ₦'000
Deductible temporary differences (will never expire)	**1,378,671**	-

22 Loans and borrowings

Loans and borrowings comprise:

	Group	Company	
	2015 ₦'000	2015 ₦'000	2014 ₦'000
Secured bank loan 1	7,474,506	7,474,506	7,730,664
Secured bank loan 2	3,893,406	3,893,406	4,328,412
Secured bank loan 3	1,029,251	1,029,251	-
	12,397,163	12,397,163	12,059,076
Non-current portion	(9,489,489)	(9,489,489)	(10,497,900)
Current portion	**2,907,674**	**2,907,674**	**1,561,176**

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

	Group	Company	
	2015 ₦'000	2015 ₦'000	2014 ₦'000
Opening balance	12,059,076	12,059,076	11,289,847
Additional loan obtained	3,000,000	3,000,000	-
Transaction cost on loans and borrowings	(39,375)	(39,375)	-
Restructuring costs on loans and borrowings	(18,651)	(18,651)	-
Exchange difference	344,569	344,569	658,336
Interest for the year (Note 8)	2,125,366	2,125,366	1,850,168
	17,470,985	17,470,985	13,798,351
Repayments: Principal	(3,401,772)	(3,401,772)	(426,550)
Repayments: Interest	(1,672,050)	(1,672,050)	(1,312,725)
Balance as at 31 December	**12,397,163**	**12,397,163**	**12,059,076**

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

Notes to the financial statements

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. As at 2014 year end, the interest rate on the loan had been revised to 19%. Interest and principal are repayable on a quarterly basis.

During the year, the Company was granted a deferral on the last quarterly repayment of interest and principal portion due. Effective 2 March 2015, the interest rate on the loan was revised to 21%. This was revised to 20%, effective 1 June 2015 and further revised to 19% effective 1 August 2015.

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%, subject to a floor of 8%. 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.

Effective 1 February 2015, the bank increased the coupon rate floor from 8% to 9%.

Secured bank loan 3

In April 2015, the Company secured a term loan of ₦3 billion. The loan has a tenor of 12 months subject to an option to rollover for another 12 months which shall be at the discretion of the Lender. The rate of interest on the loan is 21% per annum. Interest payment on the loan is to be made quarterly while a bullet repayment of the principal amount is to be made at maturity. As at year end, the Company had repaid ₦2 billion of the principal amount.

Information about the Group and/Company's exposure to interest rate, foreign currency and liquidity risk is included in Note 28.

23 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:

	Group	**Company**	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Opening balance	24,485,990	24,485,990	20,598,034
Unwind of discount of annual fees	2,857,080	2,857,080	2,106,713
Exchange difference	4,296,765	4,296,765	1,781,243
Balance as at 31 December	**31,639,835**	**31,639,835**	**24,485,990**
Non-current portion	**31,639,835**	**31,639,835**	**24,485,990**

Notes to the financial statements

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.

24 **Trade and other payables**

Trade and other payables comprise:

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Trade payables (Note 24(a))	237,852	237,852	216,693
Royalty payable	1,219,656	1,219,656	701,463
HYPADEC payable (Note 24(b))	1,160,628	1,160,628	-
Due to related parties (Note 24(c))	1,459,173	1,459,173	1,513,995
Accruals	46,095	46,095	9,500
Pension and other payroll related liabilities	76,181	76,181	139,490
Withholding tax payable	84,262	84,262	103,764
Other payables (Note 24(d))	944,783	944,783	896,865
	5,228,630	**5,228,630**	**3,581,770**

(a) The Group and/ 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 ₦44.5 million (2014: ₦215 million).

(b) Effective 1 February 2015, the supplementary order on the commencement of the Transtional Electricity Market (TEM), issued by the Nigerian Electricity Regulatory Council (NERC) required that all Hydro Generators are to pay 10% of their revenue in every payment cycle to the Hydro Producing Area Development Commission (HYPADEC).

(c) Due to related parties comprise:

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
BP Investment Limited	506,202	506,202	470,354
CEC Africa Hydro Investments Limited	329,333	329,333	445,387
Niger State Development Company	522,040	522,040	503,851
Ratio Legal Practitioners	101,598	101,598	94,403
	1,459,173	**1,459,173**	**1,513,995**

(d) 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 Group and/ Company has decided to keep or deal with as it wishes under the concession. The breakdown of the amount is as follows:

Notes to the financial statements

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Inventory	1,012,133	1,012,133	1,012,133
Cash and cash equivalents	353,247	353,247	353,247
	1,365,380	1,365,380	1,365,380
Trade payables	(353,203)	(353,203)	(432,226)
	1,012,177	**1,012,177**	**933,154**

The movement on this account was as follows:

	Group	Company	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Opening balance	896,865	896,865	933,154
Reversals	79,023	79,023	-
Amortisation during the year	(31,105)	(31,105)	(36,289)
Balance as at 31 December	**944,783**	**944,783**	**896,865**

25 **Related party transactions**

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

(a) *BP Investments Limited ('BPI")*

BP Investments Limited owns 15.6% of the Company's shares. No payment was made on 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 ₦36 million (2014: ₦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 ₦506 million (2014: ₦470 million).

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

Niger State Development Company Limited owns 10% of the Company's shares. During the year, the Company made payments amounting to ₦20.2 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 ₦38.4 million (2014: ₦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 ₦522 million (2014: ₦504 million). Also, as part of the legal requirement by Bureau of Public Enterprises (BPE) which requires that state governments should not have more than 10% equity in the Company's shares, the Company bought back 80,000,000 units of share amounting to ₦3.68 billion (See Note 18(a)).

(c) *CEC Africa Hydro Investments Limited ("CEC Africa")*

CEC Africa Hydro Investments Limited owns 20% of the Company's shares and provided financial support (loan) to the Company in 2014. No interest was charged on the loan which is repayable on demand. The total amount due to CEC Africa as at year end was ₦479 million (2014: ₦445 million) after considering the impact of exchange difference on the foreign denominated loan of $2,407,500.

Notes to the financial statements

(d) *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.

In the prior year, the Company received interest free loan from the RLP which is repayable on demand. Although no additional funds were received or paid during the year with respect to the loan, after adjusting the impact of exchange loss totalling ₦7.2 million, amount due to RLP as at year end amounted to ₦102 million/ $0.5million (2014: ₦94 million/$0.5million).

(e) *Shiroro Solar Generating Company Limited (SSGC)*

Shiroro Solar Generating Compny Limited was incorporated during the year and is owned 99.99% by the Company. SSGC is yet to commence operations but was incorporated to provide power/ energy services, supply, install and maintain renewable energy systems.

As at year end, the Company had incurred ₦63.4 million on behalf of SSGC. These are costs relating to the solar power project in which SSGC has applied for a generation license from NERC. Of this amount, ₦2.5 million is consideration for the Company's shares in SSGC (Note 13) while the balance of ₦60.9 million represents loan to SSGC (Note 15(a)).

(f) *North South Power Services Limited (NSPSL)*

North South Power Services Limited was incorporated during the year and has some common shareholders with the Company. Although the Company has no shares in NSPSL, it had entered into an agreement with NSPSL during the year for the provison of development, managment operations and maintenance services in respect of the Shiroro Hydro Power plant. No such services were provided by NSPSL during the year.

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. Transactions with such persons during the year are;

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 ₦6.58 million were paid for by the Company. (2014: ₦7.1 million).

The Company transacted with Hawthorne Suite Hotel where the Executive Director is a shareholder. Transactions during the year amounted to ₦2.2 million (2014: ₦0.307 million).

Key management personnel compensation

Key management personnel compensation comprised the following:

	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Short term employee benefits	**625,356**	**625,356**	**577,554**

Notes to the financial statements

Loans to key management personnel

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

26 **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 Group and/ 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. (2014: Nil)

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

The Group and/Company's loans are secured on personal properties of the shareholders. As a result, the Group and/Company had no guarantees at year end (2014: Nil).

By virtue of the concession agreement, the 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 during the year (2014: Nil).

27 **Events after the end of the reporting date**

There are no events after the reporting period which could have had a material effect on the financial position of the Group and/Company as at 31 December 2015 and on the profit for the year ended on that date which has not been adequately provided for.

28 **Financial instruments**

Financial risk management overview

The Group and/ 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 Group and/ Company's exposure to each of the above risks, the Group and/ Company's objectives, policies and processes for measuring and managing risk, and the Group and/ Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

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

The Group and/ Company's risk management policies are currently being developed to identify and analyse risks faced by the Group and/ 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 Group and/ Company's activities. The Group and/ 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.

Notes to the financial statements

The Group and/or Company's Board of Directors will oversee and monitor compliance with the Group and/or 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 Group and/or Company.

(a) **Credit risk**

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

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

		Group	Company	
	Note	**2015**	**2015**	**2014**
		₦'000	**₦'000**	**₦'000**
Trade and other receivables	*15*	16,014,866	16,075,802	7,973,032
Cash at bank	*17*	126,030	126,030	1,241,240
		16,140,896	**16,201,832**	**9,214,272**

Trade and other receivables

The Group and/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") and the Nigerian Bulk Electricity Trading Plc (NBET) to regulate and enforce payments by both local and international distribution companies.

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

Impairment

The Group and/ 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 Group and/ Company held cash and cash equivalents of ₦127.39 million as at year end (2014: ₦1.24 billion), which represents its maximum credit exposure on these assets. The cash and cash equivalents, with the exception of ₦1.36 million held as cash (2014: ₦1.28 million)) are held by banks and financial institutions in Nigeria.

Notes to the financial statements

(b) **Liquidity risk**

Liquidity risk is the risk that the Group and/or Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group and/ 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 Group and/ Company has a clear focus on ensuring sufficient access to capital to finance growth. As a part of the liquidating management process, the Group and/or Company has various credit arrangement with its bankers which can be utilised to meet its liquidating requirements.

The Group and/or 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 Group and/or 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:

Group

		Contractual cash flows		
	Carrying amount	**Total**	**1 year or less**	**Above one year**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Non-derivative financial liabilities				
At 31 December 2015				
Loan and borrowings	12,397,163	12,462,271	2,911,229	9,551,041
Trade and other payables*	4,123,404	4,123,404	4,123,404	-
Concession fee payable	31,639,835	117,481,366	-	117,481,366
	48,160,402	**134,067,041**	**7,034,633**	**127,032,407**
At 31 December 2014				
Loan and borrowings	12,059,076	18,208,342	3,314,138	14,894,204
Trade and other payables*	2,441,651	2,441,651	2,441,651	-
Concession fee payable	24,485,990	109,161,491	-	109,161,491
	38,986,717	**129,811,484**	**5,755,789**	**124,055,695**

* *Excludes Other payables, Withholding tax payable and Pension and other payroll related liabilities per Note 24.*

Notes to the financial statements

Company

	Carrying amount ₦'000	------------- Contractual cash flows ------------- Total ₦'000	1 year or less ₦'000	Above one year ₦'000
Non-derivative financial liabilities				
At 31 December 2015				
Loan and borrowings	12,397,163	12,462,271	2,911,229	9,551,041
Trade and other payables*	4,123,404	4,123,404	4,123,404	-
Concession fee payable	31,639,835	117,481,366	-	117,481,366
	48,160,402	**134,067,041**	**7,034,633**	**127,032,407**
At 31 December 2014				
Loan and borrowings	12,059,076	18,208,342	3,314,138	14,894,204
Trade and other payables*	2,441,651	2,441,651	2,441,651	-
Concession fee payable	24,485,990	109,161,491	-	109,161,491
	38,986,717	**129,811,484**	**5,755,789**	**124,055,695**

* *Excludes Other payables, Withholding tax payable and Pension and other payroll related liabilities per Note 24.*

(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 Group and/ 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 Group and/ 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 Group and/ Company is exposed to currency risk on purchases that are denominated in a currency other than the 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 Group and/ Company aims to reduce the impact of short-term fluctuations on earnings. Although the Group and/ 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 Group and/ Company monitors the movement in the currency rates on an ongoing basis.

Notes to the financial statements

Exposure to currency risk

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

Group/ Company

	2015 $	2014 $
Financial asset		
Cash and cash equivalents	26,725	678,881
Financial liability		
Loans and borrowings	(19,555,028)	(23,396,823)
Trade and other payables	(7,333,395)	(8,080,808)
Concession fee payable	(161,016,973)	(146,185,013)
Net statement of financial position exposure	**(187,878,671)**	**(176,983,763)**

The following significant exchange rates were applied during the year:

	Average rate		Year end spot rate	
	2015 ₦	2014 ₦	2015 ₦	2014 ₦
US Dollar	198.39	165.81	199.1*	185*

** This rate was not applied on the Concession fees payable in line with the Concession agreement which stipulates the use of the Central Bank of Nigeria (CBN) rate. The applicable CBN rate as at year end was ₦196.5/$ and average rate of ₦192.63(2014: ₦167.5/$, average rate of ₦156.45/$).*

Sensitivity analysis

A strengthening of the Naira, as indicated below against the US Dollar at 31 December would have increased/(decreased) loss for the year and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and/ 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 2014, 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	
	Group	Company
	₦'000	₦'000
31 December 2015		
NGN (20% strengthening)	7,481,329	7,481,329
31 December 2014		
NGN (20% strengthening)	6,548,399	6,548,399

A weakening of the Naira against the Dollar at 31 December would have had the equal but opposite effect on equity and 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 Group and/ 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 Group and/Company's interest-bearing financial instruments was as follows:

	Carrying amount		
	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Fixed-rate instruments			
Financial liabilities	8,503,757	8,503,757	7,730,664

	Carrying amount		
	Group	Company	
	2015	2015	2014
	₦'000	₦'000	₦'000
Variable-rate instruments			
Financial liabilities	3,893,406	3,893,406	4,328,412

The Group and/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 loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Notes to the financial statements

Group/ Company

	Profit or loss		**Equity, net of tax**	
	100 bp increase **₦'000**	100 bp decrease **₦'000**	100 bp increase **₦'000**	100 bp decrease **₦'000**
31 December 2015				
Variable rate instruments	(38,934)	38,934	(38,934)	38,934
Cash flow sensitivity	**(38,934)**	**38,934**	**(38,934)**	**38,934**
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**

(d) **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 Group and/or Company defines as result from operating activities divided by total shareholders' equity. Management also monitors the level of dividends to all shareholders.

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

	Group	**Company**	
	2015	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**
Total liabilities	49,265,628	49,265,628	40,141,383
Less: Cash and cash equivalents	(127,389)	(127,389)	(1,242,519)
Net debt	49,138,239	49,138,239	38,898,864
Total equity	(5,419,122)	(5,482,558)	(8,050,412)
Total capital employed	**43,719,117**	**43,655,681**	**30,848,452**
Debt to adjusted capital ratio	89%	89%	79%

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

(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:

Notes to the financial statements

Group

	Note	Loans and receivables	Other financial liabilities	Total Carrying Amount	Fair Value
31 December 2015		**₦'000**	**₦'000**	**₦'000**	**₦'000**
Financial assets					
Trade & other receivables	*15*	16,014,866	-	16,014,866	16,014,866
Cash and cash equivalents	*17*	127,389	-	127,389	127,389
		16,142,255	**-**	**16,142,255**	**16,142,255**
Financial liabilities					
Loans and borrowings	*22*	-	12,397,163	12,397,163	12,757,215
Trade and other payables*	*24*	-	4,123,404	4,123,404	4,123,404
Concession fees payable	*23*	-	31,639,835	31,639,835	31,639,835
		-	**48,160,402**	**48,160,402**	**48,520,454**

Company

	Note	Loans and receivables	Other financial liabilities	Total Carrying Amount	Fair Value
31 December 2015		₦'000	₦'000	₦'000	₦'000
Financial assets					
Trade & other receivables	*15*	16,075,802	-	16,075,802	16,075,802
Cash and cash equivalents	*17*	127,389	-	127,389	127,389
		16,203,191	**-**	**16,203,191**	**16,203,191**
Financial liabilities					
Loans and borrowings	*22*	-	12,397,163	12,397,163	12,757,215
Trade and other payables*	*24*	-	4,123,404	4,123,404	4,123,404
Concession fees payable	*23*	-	31,639,835	31,639,835	31,639,835
		-	**48,160,402**	**48,160,402**	**48,520,454**
31 December 2014					
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	*22*	-	12,059,076	12,059,076	11,737,973
Trade and other payables*	*24*	-	2,441,651	2,441,651	2,441,651
Concession fee payable	*23*	-	24,485,990	24,485,990	24,485,990
		-	**38,986,717**	**38,986,717**	**38,665,614**

* *Excludes Other payables, Withholding tax payable and Pension and other payroll related liabilities per Note 24.*

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

Other national disclosures

Value Added Statement

For the year ended 31 December 2015

	Group		Company			
	2015	**%**	**2015**	**%**	**2014**	**%**
	₦'000		**₦'000**		**₦'000**	
Revenue	11,989,585		11,989,585		10,335,538	
Bought in materials and services:						
- Local	(9,317,161)		(9,255,845)		(7,419,473)	
- Foreign	(322,094)		(319,974)		(256,491)	
	(9,639,255)		(9,575,819)		(7,675,964)	
Value added	**2,350,330**	**100**	**2,413,766**	**100**	**2,659,574**	**100**

Distribution of Value Added	**₦'000**	**%**	**₦'000**	**%**	**₦'000**	**%**
To providers of capital:						
Interest expense	2,125,366	90	2,125,366	88	1,850,168	70
To Government:						
Income tax	(14,547)	(1)	(14,547)	(1)	(398,683)	(15)
To Employees:						
Salaries and wages	1,489,811	64	1,489,811	62	813,667	31
Retained in the Business:						
Depreciation	24,133	1	24,133	1	16,598	1
Amortisation	1,356,857	58	1,356,857	56	1,308,845	49
To deplete reserves	(2,631,290)	(112)	(2,567,854)	(106)	(931,021)	(35)
Value added	**2,350,330**	**100**	**2,413,766**	**100**	**2,659,574**	**100**

Financial Summary (Company)

Statement of profit or loss and other comprehensive income

	31 December 2015 ₦'000	31 December 2014 ₦'000	31 December 2013 ₦'000	31 December 2012 ₦'000
Revenue	11,989,585	10,335,538	3,964,919	-
Results from operating activities	7,068,626	5,458,731	3,084,660	(690,205)
Loss before taxation	(2,582,401)	(1,329,704)	1,987,939	(704,427)
Loss for the year	(2,567,854)	(931,021)	1,381,254	(510,972)

Statement of Financial Position

Employment of Funds	31 December 2015 ₦'000	31 December 2014 ₦'000	31 December 2013 ₦'000	31 December 2012 ₦'000
Non-current assets	37,747,905	37,945,225	39,047,310	193,455
Current assets	17,000,281	10,246,570	6,032,949	6,226
Non-current liabilities	(41,129,324)	(34,998,437)	(30,617,965)	-
Current liabilities	(8,136,304)	(5,142,946)	(5,480,861)	(709,953)
	5,482,558	**8,050,412**	**8,981,433**	**(510,272)**
Funds Employed				
Share capital	500,000	500,000	500,000	700
Share premium	7,611,151	7,611,151	7,611,151	-
Retained earnings	(2,628,593)	(60,739)	870,282	(510,972)
	5,482,558	**8,050,412**	**8,981,433**	**(510,272)**

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. The Company was incorporated on 15 March 2012, hence no information relating to prior periods to be presented.

Financial Summary (Group)

The Company's subsidiary, Shiroro Solar Generating Company Limited (SSGC) was incorporated on 4 March, 2015. The directors are of the opinion that as these are the first set of financial statements that have been prepared for the Group and there are no corresponding figures to be disclosed, preparation of a financial summary is not necessary.